

NETCENTS TECHNOLOGY INC.

(FORMERLY NETCENTS SYSTEMS LTD.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX AND THREE MONTHS ENDED 30 APRIL 2017

Stated in Canadian Funds

NOTICE OF NO AUDITOR REVIEW OF

Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

TABLE OF CONTENTS

Management’s Responsibility.....	i
Condensed Interim Consolidated Statements of Financial Position.....	1
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.....	2
Condensed Interim Consolidated Statement of Changes in Equity.....	3
Condensed Interim Consolidated Statements of Cash Flows.....	4
1) Nature of operations and going concern.....	5
2) Basis of preparation – statement of compliance.....	5
3) Amalgamation.....	6
4) Summary of significant accounting policies.....	7
5) Critical accounting judgements and key sources of estimation uncertainty.....	7
6) Financial instruments and risk management.....	8
7) Intangible assets.....	9
8) Accounts payable and accrued liabilities.....	10
9) Loans payable.....	10
10) Share capital.....	11
11) Related party transactions.....	14
12) Capital management.....	15
13) Subsequent events.....	16

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Netcents Technology Inc.:

Management is responsible for the preparation and presentation of the accompanying condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the condensed interim consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Organization of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

We draw attention to Note 1 in the condensed interim consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

The condensed interim consolidated financial statements were approved by the Board of Directors on 29 June 2017 and were signed on its behalf by:

"Gord Jessop"
Gord Jessop, President

"Clayton Moore"
Clayton Moore, CEO

NETCENTS TECHNOLOGY INC.

(FORMERLY NETCENTS SYSTEMS LTD.)

Canadian Funds
(unaudited)

Statement 1

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at	
	Note	30 April 2017	31 October 2016
ASSETS			
Current Assets			
Cash		\$ 16,656	\$ 13,112
Prepaid amounts and deposits		33,416	14,892
		50,072	28,004
Intangible assets	(7)	111,878	95,944
		\$ 161,950	\$ 123,948
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	(8)	\$ 976,191	\$ 1,082,482
Loans payable	(9)	357,610	288,486
Transaction processing payable		375,757	-
Derivative liability	(10)	-	11,463
		1,709,557	1,382,431
EQUITY			
Share capital	(10)	4,263,747	4,124,555
Obligation to issue shares	(10)	20,000	-
Contributed surplus	(10)	614,839	614,839
Deficit		(6,446,194)	(5,997,877)
		(1,547,608)	(1,258,483)
		\$ 161,950	\$ 123,948

Nature of operations and going concern (1) Capital management (12)
Basis of preparation – statement of compliance (2) Subsequent events (13)

The condensed interim consolidated financial statements were approved by the Board of Directors on 29 June 2017 and were signed on its behalf by:

“Gord Jessop”
Gord Jessop, Director

“Clayton Moore”
Clayton Moore, Director

NETCENTS TECHNOLOGY INC.

(FORMERLY NETCENTS SYSTEMS LTD.)

Canadian Funds
(unaudited)

Statement 2

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Note	Six months 30 April 2017	Six months 30 April 2016	Three months 30 April 2017	Three months 30 April 2016
CONTINUING OPERATIONS					
Income					
Processing revenue		35,072	-	2,774	-
Cost of sales					
		17,118	-	17,118	-
Gross profit					
		17,954	-	(14,344)	-
Operating Expenses					
Consulting fees	(11)	\$ 178,949	\$ 214,200	\$ 110,620	\$ 145,700
Legal and audit fees		52,859	40,123	14,859	33,925
Office		42,107	32,951	38,390	16,169
Rent		39,086	-	18,058	-
Investor relations		34,102	115,175	7,394	10,875
Amortization	(7)	22,376	-	12,798	-
Transfer agent and filing fees		11,716	11,407	6,089	11,407
Travel		5,000	-	5,000	-
Software development		-	80,459	-	37,817
Stock based compensation		-	494,745	-	494,745
Listing fee		-	353,692	-	353,692
		386,195	1,342,752	213,208	1,104,330
Loss from Operations					
		(368,241)	(1,342,752)	(227,552)	(1,104,330)
Other Income (Expense)					
Interest expense	(9)	(43,397)	-	(18,495)	-
Foreign exchange loss		(48,142)	-	(48,142)	-
Fair value change of derivative liability	(10)	11,463	-	9,810	-
		(80,075)	-	(56,827)	-
Net Loss and Other Comprehensive Loss for the Period					
		\$ (448,317)	\$ (1,342,752)	\$ (284,379)	\$ (1,104,330)
Basic and Diluted Loss per Common Share					
		\$ (0.01)	\$ (0.05)	\$ (0.01)	\$ (0.04)
Weighted Average Number of Shares Outstanding					
		29,147,276	27,545,359	29,493,840	28,481,317

NETCENTS TECHNOLOGY INC.

(FORMERLY NETCENTS SYSTEMS LTD.)

Canadian Funds
(unaudited)

Statement 3

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	# of Shares	Amount	Obligation to issue shares	Amount	# of Options	Amount	Deficit	Shareholders' Equity
BALANCE 31 OCTOBER 2015	26,231,046	\$ 3,296,812	\$ 377,834	\$ 96,294	-	\$ -	\$ (4,089,136)	\$ (696,030)
Units issued for cash	940,392	333,000	-	-	-	-	-	333,000
Share issuance costs	-	(3,243)	-	-	-	-	-	(3,243)
Shares issued for cash received in prior year	377,834	96,294	(377,834)	(96,294)	-	-	-	-
Shares issued for debt settlement	28,240	10,000	-	-	-	-	-	10,000
Listing expense on amalgamation	1,010,549	353,692	-	-	-	-	-	353,692
Stock-based compensation	-	-	-	-	2,590,000	614,839	-	614,839
Shares issued for services	75,000	15,000	-	-	-	-	-	15,000
Shares issued for cash	100,000	23,000	-	-	-	-	-	23,000
Net loss for the year	-	-	-	-	-	-	(1,908,741)	(1,908,741)
BALANCE 31 OCTOBER 2016	28,763,061	\$ 4,124,555	\$ -	\$ -	2,590,000	\$ 614,839	\$ (5,997,877)	\$ (1,258,483)
Shares issued for debt settlement	381,716	68,248	-	-	-	-	-	68,248
Cancellation of shares	(70,600)	(25,000)	-	-	-	-	-	(25,000)
Net loss for the period	-	-	-	-	-	-	(163,938)	(163,938)
BALANCE 31 JANUARY 2017	29,074,177	\$ 4,167,803	\$ -	\$ -	2,590,000	\$ 614,839	\$ (6,161,815)	\$ (1,379,173)
Shares issued for debt settlement	450,000	95,944	-	-	-	-	-	95,944
Share subscriptions received	-	-	20,000	-	-	-	-	20,000
Net loss for the period	-	-	-	-	-	-	(284,379)	(284,379)
BALANCE 30 APRIL 2017	29,524,177	\$ 4,263,747	\$ 20,000	\$ -	2,590,000	\$ 614,839	\$ (6,446,194)	\$ (1,547,608)

NETCENTS TECHNOLOGY INC.

(FORMERLY NETCENTS SYSTEMS LTD.)

Statement 4

Canadian Funds
(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Note	Six months 30 April 2017	Six months 30 April 2016	Three months 30 April 2017	Three months 30 April 2016
OPERATING ACTIVITIES				
Net Loss for the Period	\$ (448,317)	\$ (1,342,752)	\$ (284,379)	\$ (1,104,330)
Items not Affecting Cash				
Cancellation of shares for services	(25,000)	-	-	-
Interest expense	43,397	-	18,495	-
Amortization of intangible assets	22,376	-	12,798	-
Change in fair value of derivative liability	(11,463)	-	(9,810)	-
Shares issued on exchange listing	-	353,692	-	353,692
Stock-based compensation	-	494,745	-	494,745
Shares to be issued for services incurred	-	62,500	-	62,500
Change in Non-cash Working Capital Items	(419,007)	(431,815)	(262,896)	(193,393)
Amounts receivable	-	-	32,298	-
Prepaid amounts and other assets	(20,248)	-	(26,913)	-
Accounts payable and accrued liabilities	57,900	58,223	28,060	54,476
Transaction processing payable	375,757	-	375,757	-
	(5,598)	(373,592)	146,306	(138,917)
INVESTING ACTIVITIES				
Software development	(38,310)	-	(19,323)	-
	(38,310)	-	(19,323)	-
FINANCING ACTIVITIES				
Proceeds from loans payable	400,000	-	200,000	-
Share subscriptions received	20,000	-	20,000	-
Repayment of loans payable	(372,548)	-	(344,548)	-
Issuance of share capital for cash	-	333,000	-	-
	47,452	333,000	(124,548)	-
Net Increase in Cash	3,544	(40,592)	2,435	(138,917)
Cash position – beginning of period	13,112	41,377	14,221	139,702
Cash Position – End of Period	\$ 16,656	\$ 785	\$ 16,656	\$ 785

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

1) Nature of operations and going concern

NetCents Technology Inc. (formerly NetCents Systems Ltd.) (the “Company”) is engaged in software development for the payment processing industry. On 10 February 2016, the Company obtained a public listing on the Canadian Securities Exchange by means of a reverse takeover (Note 3). The Company’s stock symbol is NC. The head office and the registered and records office of the Company are located at 1500 – 885 West Georgia Street, Vancouver, BC, V6C 3E8.

These condensed interim consolidated financial statements (the “Financial Statements”) have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Historically, the Company has not earned enough to finance day to day activities through operations.

The Company’s continuation as a going concern is dependent upon the successful development and marketing of its payment platform software, its ability to attain profitable operations and generate funds there from, or raise equity capital or borrowings sufficient to meet current and future obligations. As noted below the Company has accumulated significant losses to date and has a substantial working capital deficiency.

(Rounded ‘000’)	30 April 2017	31 October 2016
Working capital (deficiency)	\$ (1,659,486)	\$ (1,354,427)
Accumulated (deficit)	\$ (6,446,194)	\$ (5,997,877)

These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares, there can be no assurance that this support will continue. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

2) Basis of preparation – statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board (“IASB”).

These Financial Statements were authorised for issue by the Board of Directors on 29 June 2017 and have been prepared under the historical cost convention, except for certain financial instruments.

The preparation of the Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

3) Amalgamation

On 10 February 2016, the Company completed an amalgamation between the Company (Netcents Systems Ltd.), UWO Consulting Ltd. ("UWO"), 1018758 B.C. Ltd. ("PubCo") and 1887217 Alberta Ltd. ("SubCo"). SubCo is a wholly-owned subsidiary of PubCo and PubCo is a wholly-owned subsidiary of UWO. These Financial Statements present the historic financial information of the Company up to the date of Amalgamation on 10 February 2016 and the financial information of the amalgamated entity thereafter.

Pursuant to the amalgamation agreement, the following took place (the "Transactions"):

- PubCo applied to have its shares listed in the Canadian Securities Exchange;
- the Company and SubCo amalgamated to form "AmalCo" and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of the Company was exchanged for common shares and warrants of PubCo on the basis of one share or warrant of the Company for 0.706 shares or warrants of PubCo; and
- PubCo issued 1,010,549 common shares to UWO's shareholders.

The Transactions resulted in the reverse takeover of PubCo by the Company. In connection with the Transactions, PubCo changed its name to Netcents Technology Inc.

For accounting purposes, the amalgamation was accounted for as an acquisition of PubCo by the Company. The Company was determined to be the accounting acquirer on the basis that the shareholders of the Company obtained the majority of the common shares of PubCo. The Financial Statements are a continuation of Netcents Systems Ltd. The results of PubCo (the parent company) are included from 10 February 2016 onwards. All intercompany balances between Netcents Technology Inc. and AmalCo (the subsidiary) are eliminated on consolidation. The fair value of the consideration paid by the Company for the acquisition of PubCo was determined based on the fair value of the equity instruments of Pubco issued and outstanding at the time of the completion of the Amalgamation. The fair value of the common shares of Pubco were estimated to be \$0.35 per share based on the share price of the most recent financing of the Company.

The cost of the transaction includes the consideration paid plus transaction costs incurred as follows:

Share-based payment – 1,010,549 shares @ \$0.35 per share (Note 10)	\$	353,692
Transaction costs		12,408
Legal expenses		103,953
Total cost of transaction	\$	470,053

The cost of the transaction was first allocated to the fair value of the assets and liabilities of Pubco with the excess recorded as a listing expense as follows:

		10 February 2016
Cost of transaction	\$	470,053
Net liabilities of Pubco:		
Cash		(1)
Bank overdraft		80
Accounts payable and accrued liabilities		1,500
		1,579
Listing expense	\$	471,632

4) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual Financial Statements. For a summary of significant accounting policies, please refer to the Company's audited annual Financial Statements for the year ended 31 October 2016.

5) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the financial statements.

a) Key sources of estimation uncertainty

Share-based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 4 of the annual audited Financial Statements. The fair value of stock options granted is measured using the Black-Scholes option pricing model, which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using Black-Scholes do not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

b) Key sources of judgement uncertainty

Going concern evaluation

As discussed on note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 April 2017.

6) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the statement of financial position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 April 2017 and 31 October 2016. There have been no changes in levels during the period.

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts payable and accrued liabilities, loans payable, and derivative liability. As at 30 April 2017 and 31 October 2016, the carrying value of cash is at fair value. Accounts payable and accrued liabilities and loans payable approximate their fair value due to their short-term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. Substantially all of the Company's cash are deposited in bank accounts held with major banks in Canada. As the majority of the Company's cash is held by the same bank there is a concentration of credit risk. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies. The Company has assessed credit risk as low.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's liabilities are either non-interest bearing or pay interest at fixed rates. Therefore, interest rate risk is not considered significant.

f) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at 30 April 2017, the Company held financial liabilities totalling USD \$275,380 (31 October 2016 – nil). A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately \$19,000. Accordingly, the Company is moderately exposed to foreign currency risk.

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 April 2017, the Company had a cash balance of \$17,317 to settle current liabilities of \$1,709,558 which are due within one year. Accordingly, the Company is exposed to significant liquidity risk (Note 1).

7) Intangible assets

	Software Development
COST OR DEEMED COST	
Balance at 1 November 2015	\$ -
Additions	95,944
Balance at 31 October 2016	\$ 95,944
Additions	38,310
Balance at 30 April 2017	\$ 134,254
DEPRECIATION	
Balance at 1 November 2015 and 31 October 2016	\$ -
Additions	22,376
Balance at 30 April 2017	\$ 22,376
CARRYING AMOUNTS	
At 31 October 2016	\$ 95,944
At 30 April 2017	\$ 111,878

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of three years.

During the six month period ended 30 April 2017, the Company capitalized \$134,254 (31 October 2016: \$95,944) of costs incurred in updating and enhancing the functionality of its payment processing software.

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

8) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of:

	30 April 2017	31 October 2016
Trade payables	\$ 932,319	\$ 1,059,110
Accrued liabilities	43,872	23,372
	\$ 976,191	\$ 1,082,482

9) Loans payable

	30 April 2017	31 October 2016
Balance – Beginning of period	\$ 288,486	\$ 160,577
Proceeds from loans	400,000	147,500
Interest expense	43,397	11,324
Prepaid interest expense	(1,725)	(915)
Settlement of loans payable	(372,548)	(30,000)
Balance – End of period	\$ 357,610	\$ 288,486

Details of loans outstanding during the periods ended 30 April 2017 and 31 October 2016 are as follows:

On 22 November 2016, the Company issued a convertible promissory note for proceeds of \$200,000. The note is interest bearing at 0.16% per day for the first month and 0.1% per day for the next two months, secured and was due on 21 February 2017. The Lender may, at its sole discretion elect, to convert any part of all of the outstanding balance toward the purchase of common shares in the capital stock of the Company at a price per share equal to the bidding price per share average over the immediately preceding one-week period less a discount of 10% applied to each share. On 3 February 2017, the Company repaid the loan in the amount of the principal balance of \$200,000 plus accrued interest of \$18,800.

Pursuant to an agreement entered into on 12 October 2016, the Company was loaned \$35,000. The term of the loan is for three months from the agreement date at which time the Company has the option to convert the loan into common shares. At 31 October 2016, included in the loans payable balance is \$1,141 of accrued interest relating to this loan. On 7 December 2016, the Company signed a debt settlement agreement whereby the principal and interest totalling \$38,248 was settled in exchange for 191,240 common shares of the Company.

Pursuant to an agreement entered into on 19 August 2016, the Company was loaned \$37,500 bearing interest at a rate of 12% per year. The term of the loan is for seven months with interest prepaid. During the six months ended 30 April 2017 \$1,725 in interest was accrued on the balance. On 15 March 2017 the Company repaid the loan.

Pursuant to an agreement entered into on 31 May 2016, the Company was loaned \$20,000 bearing interest at 15% per year with a term of six months. As at 30 April 2017 the loan was unpaid and there was outstanding interest of \$2,758 (31 October 2016 - \$1,259).

Pursuant to an agreement entered into on 31 August 2016, the Company was loaned \$30,000 which bearing interest at 15% with a term of six months. On 17 January 2017, the Company issued 190,476 common shares for settlement of a loan payable with a principal totalling \$30,000. At 30 April 2017 in interest payable \$962 was outstanding relating to this loan.

Pursuant to an agreement entered into on 6 June 2016, the Company was loaned \$25,000 bearing interest at 15% per annum. The term of the loan is six months. At 30 April 2017 the loan was unpaid and there was outstanding interest of \$3,385 (31 October 2016 - \$1,510).

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

Pursuant to an agreement entered into on 14 November 2011, the Company was loaned \$60,000 from the Company's president. The loan bears interest at a rate of 10% per annum and was repayable on 14 May 2013. Effective 1 July 2015, the lender agreed that interest would stop accruing on the loan. At 30 April 2017, the outstanding loan balance was \$52,000 and there was outstanding interest of \$16,270 (31 October 2016: \$16,270) (Note 10).

Pursuant to an agreement entered into on 2 October 2015, the Company was advanced \$40,000. The loan is repayable in six months from the date of the agreement and bears interest at a rate of 10% per annum. During the six months ended 30 April 2017, \$30,000 of this loan was repaid. As at 30 April 2017, there was accrued interest of \$8,367 (31 October 2016: \$6,828) including a failure to pay penalty of \$2,500.

Pursuant to an agreement entered into on 6 February 2015, the Company was loaned \$35,000 bearing interest at 6% per year. The proceeds received on the loan were reduced by a \$5,000 fee. On 4 May 2015, pursuant to the terms of the loan agreement, the loan was converted to 291,667 common shares at a conversion price of \$0.12 per share. As at 30 April 2017 and 31 October 2016, there remains outstanding interest related to this loan of \$478.

On 3 February 2017, the Company issued a convertible promissory note for proceeds of \$200,000. The note is interest bearing at 0.16% per day for the first day and 0.1% per day due on 23 May 2017, and secured. The Lender may, at its sole discretion elect, to convert any part of all of the outstanding balance toward the purchase of common shares in the capital stock of the Company at a price per share equal to the bidding price per share average over the immediately preceding one-week period less a discount of 10% applied to each share. As at 30 April 2017, the loan was unpaid and there was outstanding interest of \$14,891.

Other loans totalling \$3,500 (31 October 2016: \$13,500) are unsecured, non-interest bearing with no fixed terms of repayment (Note 10).

10) Share capital

a) Authorized

Unlimited Class A common shares, without par value.

b) Issued

On 10 February 2016 the Company completed an amalgamation whereby the Company's shares and warrants were exchanged for shares and warrants of PubCo on the basis of one share or warrant of the Company for 0.706 (the "Exchange Ratio") shares or warrants of PubCo (Note 3). The equity transactions prior to completion of the amalgamation are those of the Company (the legal acquiree) but have been restated to reflect the Exchange Ratio.

As at 30 April 2017 there were 29,524,177 (31 October 2016: 28,763,061) common shares issued and fully paid common shares outstanding.

On 24 March 2017 the Company received \$20,000 for the purchase of 100,000 common shares and recognised an obligation to issue shares totalling \$20,000 as at 30 April 2017. The Company issued these shares on 23 June 2017 (Note 13).

On 6 February 2017, the Company issued 450,000 common shares for settlement of \$95,944 of debt for services provided for software development.

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

On 18 January 2017, the Company cancelled 70,600 shares because of non-performance of services. The shares had previously been valued at \$25,000 and the related services were expensed to consulting fees. The carrying value of the shares and the consulting fees expense were reversed upon the cancellation of the shares.

On 17 January 2017, the Company issued 190,476 common shares for settlement of a loan payable with a principal and interest totalling \$30,000.

On 7 December 2016, the Company issued 191,240 common shares for \$0.20 per share for settlement of a loan payable with a principal and interest totalling \$38,248.

On 3 August 2016 the Company issued 100,000 units were issued to investor for proceeds of \$23,000. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant allows the holder to purchase one additional share at a price of \$0.35 per share for a period of 18 months from the date of issue.

On 3 August 2016 the Company issued 75,000 common shares in connection with a shares for services agreement. The fair value of the shares on the date of issuance was \$0.20; accordingly, the shares were valued at \$15,000.

On 2 February 2016, the Company issued 1,010,549 common shares in connection with the Amalgamation. The estimated fair value of the shares was determined to be \$0.35 per share for a total estimated fair value of \$353,692 (Note 3).

On 2 February 2016 the Company issued 28,240 common shares in settlement of a \$30,000 loan. The fair value of the shares on the date of settlement was \$0.354; accordingly, the Company recognized a gain on settlement of debt of \$20,000.

On 2 February 2016 the Company issued 377,834 common shares to third parties to satisfy an obligation to issue shares outstanding as at 31 October 2015 in the amount of \$96,294.

On 23 December 2015, the Company completed a private placement and issued 940,392 units at a price of \$0.354 per unit for proceeds of \$333,000. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one additional share at a price of \$0.708 per common share for a period of 12 months. The warrants expiry date was later amended to be 24 months from date of issue.

c) Warrants

On 21 December 2016, the Company extended the expiration date of the 940,392 warrants issued on 25 December 2015 to 23 December 2017.

As of 30 April 2017, there were 2,628,426 share purchase warrants outstanding as follows:

- 437,834 warrants which expire on 4 May 2017 and are exercisable at the lower of \$0.354 per share and the price of the then most recent public offering of the Company's shares. Because the exercise price of the warrants is not fixed these are accounted for as a derivative financial liability and recorded at fair value. The fair value as at 30 April 2017 was determined to be \$nil (31 October 2016: \$11,463) determined using the Black-Scholes option pricing model assuming a volatility of 143%, a risk free rate of 0.72%, a dividend yield of 0% and an expected remaining life of 4 days.
- 1,200,200 warrants which originally expired on 6 July 2016 and are exercisable at \$0.708 per share. The Company extended the expiration date of these warrants to 6 July 2017.
- 940,392 warrants which expire on 23 December 2016 and are exercisable at \$0.708 per share. The Company extended the expiration date of these warrants to 23 December 2017.
- 50,000 warrants which expire on 3 February 2018 are exercisable at \$0.35 per share.

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

WARRANT ACTIVITY	30 April 2017	Weighted Average Exercise Price	31 October 2016	Weighted Average Exercise Price
Balance – Beginning of period	2,628,426	\$ 0.64	1,638,034	\$ 0.61
Issued	-	-	990,392	0.69
Balance – End of period	2,628,426	\$ 0.64	2,628,426	\$ 0.64

d) Stock Options

On 7 April 2016, the Company granted 2,080,000 stock options with an exercise price of \$0.25 and expiry date ten years from the date of grant. The grant date fair value of the stock options was estimated to be \$519,731 based on a Black-Scholes calculation using a volatility of 218.08%, an expected life of 10 years, a risk free interest rate of 1.78% and a dividend yield of Nil%.

On 24 July 2016, the Company granted 30,000 stock options with an exercise price of \$0.25 and expiry date five years from the date of grant. The grant date fair value of the stock options was estimated to be \$5,127 based on a Black-Scholes calculation using a volatility of 150.72%, an expected life of 5 years, a risk free interest rate of 0.82% and a dividend yield of Nil%.

On 13 July 2016, the Company granted 480,000 stock options with an exercise price of \$0.25 and expiry date four years from the date of grant. The grant date fair value of the stock options was estimated to be \$89,981 based on a Black-Scholes calculation using a volatility of 147.4%, an expected life of 4 years, a risk free interest rate of 0.55% and a dividend yield of Nil%.

Stock option activity during the three months is summarized as follows:

STOCK OPTION ACTIVITY	30 April 2017	Weighted Average Exercise Price	31 October 2016	Weighted Average Exercise Price
Balance – Beginning of period	2,590,000	\$ 0.25	-	-
Granted	-	-	2,590,000	0.25
Balance – End of period	2,590,000	\$ 0.25	2,590,000	\$ 0.25

As at 30 April 2017 and 31 October 2016 the Company had the following stock options outstanding:

Expiry date	Exercise Price	30 April 2017 Outstanding	30 April 2017 Exercisable	31 October 2016 Outstanding
April 7, 2026	0.25	2,080,000	2,080,000	2,080,000
July 4, 2021	0.25	30,000	30,000	30,000
July 13, 2020	0.25	480,000	480,000	480,000
		2,590,000	2,590,000	2,590,000

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

For the six months ended 30 April 2017 and 2016, the Company issued stock options to its directors, officers, employees, and consultants and recognized stock-based compensation as follows:

	30 April 2017	30 April 2016
Total Options Granted	-	2,080,000
Weighted average exercise price	\$ -	\$ 0.25
Weighted average remaining life of the outstanding options in years	-	9.94
Estimated grant date fair value	\$ -	\$ 494,745
Estimated grant date fair value per option	\$ -	\$ 0.24

11) Related party transactions

a) Related party transactions

Transactions with related parties for the period periods ended 30 April 2017 and 2016 are as follows:

KEY MANAGEMENT COMPENSATION

Principal Position	Fiscal Period ⁽ⁱ⁾	Remuneration or Fees ⁽ⁱⁱ⁾	Interest
Clayton Moore, CEO and director – consulting fees	2017	\$ 90,000	\$ -
	2016	\$ 90,000	\$ -
Gord Jessop, President and director – consulting fees	2017	\$ 78,000	\$ -
	2016	\$ 55,000	\$ -
0743886 BC Ltd, a company controlled by a director of the Company.	2017	\$ 7,500	\$ -
	2016	\$ 5,000	\$ -

⁽ⁱ⁾ For the six month periods ended 30 April 2017 and 2016.

⁽ⁱⁱ⁾ Remuneration or fees were paid or accrued to the related party.

b) Related party balances

Included in accounts payable and accrued liabilities as at 30 April 2017 is \$264,430 (31 October 2016: \$269,830) to a director and the CEO of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment (Note 7).

Included in accounts payable and accrued liabilities as at 30 April 2017 is \$270,746 (31 October 2016: \$213,769) to a director and the President of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment (Note 7).

Included in accounts payable and accrued liabilities as at 30 April 2017 is \$7,000 (31 October 2016: \$7,000) due to a relative of a director and the CEO of the Company. This amount is unsecured, non-interest bearing with no fixed terms of repayment (Note 7).

Included in loans payable as at 30 April 2017 is \$54,500 (31 October 2016: \$72,500) plus accrued interest of \$16,270 (31 October 2016: \$16,270) owing to the President of the Company. The loan is not secured. \$60,000 of the loan bears interest at 10% per year and was repayable on 14 May 2013. Effective 1 July 2015, the Company's president agreed that interest would stop accruing on the loan. The remainder of the loan is non-interest bearing with no fixed terms of repayment (Note 8).

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

c) Commitments with related parties

Pursuant to an employment agreement effective 1 January 2014, the Company will remunerate the president of the Company as follows:

Salary of:

- \$5,000 per month for the 12 month period ended 31 December 2014;
- \$7,500 per month for the 12 month period ended 31 December 2015; and
- \$13,000 per month thereafter.

Common share issuances:

- 529,500 shares on or before 31 March 2014 (issued);
- 529,500 shares on or before 30 June 2014 (issued);
- 529,500 shares on or before 30 September 2014 (issued); and
- 529,500 shares on or before 31 December 2014 (issued).

In the event that the president is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

Pursuant to an employment agreement effective 1 January 2014, the Company will remunerate the Chief Executive Officer of the Company as follows:

Salary of:

- \$10,000 per month for the 24 month period ended 31 December 2015; and
- \$15,000 per month thereafter;

In the event that the CEO is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

12) Capital management

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

NETCENTS TECHNOLOGY INC. (FORMERLY NETCENTS SYSTEMS LTD.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2017 AND 2016

(Expressed in Canadian Dollars)

(unaudited)

13) Subsequent events

On 11 May 2017 the Company announced that it has formed a wholly owned subsidiary, NetCents UK.

On 12 May 2017 the Company announced the resignation of Mr. Fraser MacDougall as a director.

On 23 June 2017 the Company announced the closing of a private placement for 3,304,640 units of the Company ("Units") at a price of \$0.35 per Unit for gross proceeds of \$1,156,624. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share of the Company (a "Warrant Share") at an exercise price of \$0.50 with a two-year expiry. All securities sold in this private placement are subject to a four-month hold period from closing.

In connection with the private placement, the Company finder's fee and expenses of \$81,322 and issued 232,348 broker's warrants. Each broker's warrant is exercisable into one common share of the Company at an exercise price of \$0.35 for a period of two years from the date of issue.

On 23 June 2017 the Company granted certain officers, directors, and advisors of the Company incentive stock options to purchase an aggregate of 600,000 common shares of the Company at an exercise price of \$0.35 per share for a period of 36 months.

On 23 June 2017, the Company issued 100,000 common shares for share subscriptions received on 24 March 2017.