



NETCENTS TECHNOLOGY INC.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018**

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.

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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 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 28 March 2019 and were signed on its behalf by:

"Clayton Moore"

Clayton Moore, CEO

"Gord Jessop"

Gord Jessop, President

Canadian Funds
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at	
		31 January 2019	31 October 2018
ASSETS			
Current Assets			
Cash		\$ 142,513	\$ 1,081,293
Digital currencies	(7)	80,767	146,255
Restricted cash and funds due from processors	(8)	2,362	2,362
Assets held for clients	(9)	1,052,847	1,808,393
Prepaid amounts and deposits		123,195	145,375
Due from related parties	(16)	181,633	78,125
		1,583,317	3,261,803
Non-current Assets			
Proceeds of coin sale	(10)	3,341,041	3,341,041
Equipment	(11)	292,834	317,268
Intangible assets	(12)	48,963	65,132
		\$ 5,266,155	\$ 6,985,244
LIABILITIES			
Current Liabilities			
Accounts payable	(16)	\$ 1,068,978	\$ 1,079,158
Accrued liabilities		10,000	41,413
Client deposits	(9)	1,052,847	1,808,393
Funds due to merchants	(8)	311,233	429,497
Loans payable	(13)	98,181	98,181
Convertible loan	(14)	512,826	449,479
Deferred revenue		31,183	31,183
Provision for coin sale	(10)	3,341,041	3,341,041
		6,426,289	7,278,345
EQUITY			
Share capital	(15)	12,735,846	15,550,130
Contributed surplus – options	(15)	5,669,748	5,021,479
Contributed surplus – warrants	(15)	1,107,506	1,107,506
Deficit		(23,673,234)	(21,972,216)
		(1,160,134)	(293,101)
		\$ 5,266,155	\$ 6,985,244
Nature of operations and going concern	(1)	Commitments	(17)
Basis of preparation – statement of compliance	(2)	Subsequent events	(21)

The condensed interim consolidated financial statements were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by:

“Gord Jessop”

Gord Jessop, Director

“Clayton Moore”

Clayton Moore, Director

Canadian Funds
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Note	Three months ended 31 January 2019	Three months ended 31 January 2018
CONTINUING OPERATIONS			
Income			
Processing revenue		\$ 10,826	\$ 51,176
Cost of sales		(2,605)	(10,302)
Gross profit		8,221	40,874
Operating Expenses			
Amortization of intangible assets	(12)	16,169	34,727
Amortization of tangible assets	(11)	24,434	1,459
Consulting fees	(16)	142,814	120,106
Marketing and investor relations		111,838	220,530
Office		110,467	37,846
Professional fees		13,712	185,940
Rent		116,916	26,408
Salaries and wages	(16)	304,379	-
Share based payments	(15)	821,735	3,601,905
Transaction expense	(10)	-	135,434
Transfer agent and filing fees		9,436	2,467
Travel		42,630	96,625
		1,714,530	(4,463,447)
Loss from Operations		(1,706,309)	(4,422,573)
Other Income (Loss)			
Gain (loss) on settlement of debt	(13)	3,047	(1,964,625)
Revaluation of digital currencies		(48,759)	-
Foreign exchange gain (loss)		114,350	(7,663)
Interest and accretion expense		(63,347)	(751)
		5,291	(1,973,039)
Net Loss and Comprehensive Loss for the Year		\$ (1,701,018)	\$ (6,395,612)
Basic and Diluted Loss per Common Share		\$ (0.04)	\$ (0.16)
Weighted Average Number of Shares Outstanding			
Basic and Diluted		44,755,492	39,203,666

NETCENTS TECHNOLOGY INC.

Statement 3

Canadian Funds
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	# of Shares	Amount	Equity portion of convertible loans	Contributed surplus - options	Contributed surplus - warrants	Deficit	Equity
Balance 31 October 2018	34,790,251	\$ 6,269,920	\$ -	\$ 755,839	\$ 346,000	\$ (8,778,822)	\$ (1,407,063)
Shares issued for services	614,084	1,667,535	-	-	-	-	1,667,535
Shares issued for debt settlement	355,000	955,600	-	-	-	-	955,600
Shares issued in error	198,068	907,151	-	-	-	-	907,151
Shares issued for exercise of options	894,940	438,817	-	(212,582)	-	-	226,235
Shares issued for exercise of warrants	4,611,137	2,871,775	-	-	-	-	2,871,775
Units issued for cash	3,277,071	2,661,000	-	-	-	-	2,661,000
Equity component of convertible debt	-	-	25,547	-	-	-	25,547
Share issuance costs	-	(221,668)	-	-	-	-	(221,668)
Repurchase of convertible debt	-	-	(25,547)	-	-	-	(25,547)
Warrants issued for debt settlement	-	-	-	-	674,685	-	674,685
Stock based compensation	-	-	-	4,478,222	86,821	-	4,565,043
Net loss for the year	-	-	-	-	-	(13,193,394)	(13,193,394)
Balance 31 October 2018	44,740,551	\$ 15,550,130	\$ -	\$ 5,021,479	\$ 1,107,506	\$ (21,972,216)	\$ (293,101)
Shares issued for services	171,428	162,500	-	-	-	-	162,499
Shares issued for exercise of options	35,000	23,216	-	(10,966)	-	-	12,250
Stock based compensation	-	-	-	659,235	-	-	4,478,222
Net loss for the period	-	-	-	-	-	(1,701,018)	(1,701,018)
Balance 31 January 2019	44,946,979	\$ 15,735,846	\$ -	\$ 5,669,748	\$ 1,107,506	\$ (23,673,234)	\$ (1,160,134)

NETCENTS TECHNOLOGY INC.

(FORMERLY NETCENTS SYSTEMS LTD.)

Canadian Funds
(Unaudited)

Statement 4

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended 31 January 2019	Three Months Ended 31 January 2018
OPERATING ACTIVITIES		
Net Loss for the Period	\$ (1,701,018)	\$ (6,395,612)
Items not Affecting Cash		
Share based payments	821,735	3,601,905
Loss on settlement of debt	(3,047)	1,964,625
Amortization of intangible assets	16,169	34,727
Amortization of tangible assets	24,434	1,459
Accretion and other non-cash interest	63,347	-
Revaluation of digital currencies	48,759	-
Foreign exchange	(114,350)	-
	(843,971)	(792,896)
Change in Non-cash Working Capital Items		
Funds due from processors	-	(173,571)
Prepaid amounts and other assets	22,180	(39,790)
Accounts payable and accrued liabilities	(37,443)	(173,812)
Funds due to merchants	(72,171)	(458,072)
Deferred revenue	-	(38,065)
Digital currencies	83,883	(215,029)
	(847,522)	(1,891,235)
INVESTING ACTIVITIES		
Purchase of equipment	-	(14,911)
Purchase of intangible assets	-	(81,340)
	-	(96,251)
FINANCING ACTIVITIES		
Proceeds from unit issuances, net of costs	-	563,160
Proceeds from exercise of options	12,250	187,485
Proceeds from exercise of warrants	-	2,022,908
Proceeds from loans payable	-	-
Advances to related parties	(103,508)	(45,011)
Proceeds from sale of coins	-	(3,263,108)
Increase in restricted cash	-	3,263,108
	(91,258)	2,728,542
Net increase in Cash	(938,780)	741,056
Cash position – beginning of period	1,081,293	27,249
Cash Position – End of period	\$ 142,513	768,305

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

NetCents Technology Inc. (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. The Company’s stock symbol is NC. The head office and the registered and records office of the Company are located at 1000 – 1021 West Hastings Street (MNP Tower), Vancouver, BC, V3C 1E3.

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.

	31 January 2019	31 October 2018
Working capital deficiency	\$ (4,842,972)	\$ (4,016,542)
Accumulated deficit	\$ (23,673,234)	\$ (21,972,216)

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 equity financing including private placement of common shares and the exercise of options and warrants, as well as debt financing including loans from directors and companies controlled by directors; however, 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

The Financial Statements were authorized for issue on 29 March 2019 by the directors of the Company.

These Financial Statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, certain disclosures required in the annual financial statements have been condensed or omitted. These Financial Statements are intended to provide users with an updated in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since its recent year ended October 31, 2018.

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these Financial Statements have been prepared using the accrual basis of accounting except cash flow information.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

3) 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 2018.

4) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, 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.

Digital currency valuation

Digital currency denominated assets (Note 7) are included in current assets. Digital currencies are carried at their fair value determined by the spot rate based on the daily average from <https://cryptocoincharts.info>. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies may have a significant impact on the Company's earnings and financial position.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

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 31 October 2018.

Proceeds received on sales of NCCO

The Company determined that it has a constructive obligation to the purchasers of NCCO coins to set-up and advance all funds received to an independent not-for-profit foundation (the "NCCO Foundation"). These funds will be used to back the value of the NCCO coins for the benefit of the NCCO coin holders. The constructive obligation results from information that the Company had communicated through its White Paper and subsequent news releases prior to and during the time that the NCCO coins were sold. Accordingly, a liability has been recorded that reflects the amount the Company must advance to the NCCO Foundation in order to settle this obligation. See Note 10.

Presentation of assets held for clients

The Company holds funds in trust for clients that use the NetCents ("NC") Client Wallet. Funds held include fiat (legal tender whose value is backed by the government that issued it) and cryptocurrency funds. The Company has determined that these are assets of the Company with a corresponding liability due to its customers on the basis that:

- The Company has responsibility for stewardship of the client's deposits related to loss or theft of cryptocurrency assets, external cryptocurrency exchanges filing for bankruptcy or banks where fiat funds are held filing for bankruptcy;
- The funds are co-mingled with the Company's operating fiat and cryptocurrency holdings;
- The funds are not "ring-fenced" and may be required to fund general claims in respect to an insolvency or bankruptcy of the Company; and
- The Company is able to derive a future economic benefit from these assets in the form of revenues earned when users withdraw funds from the NC Client Wall and to settle the corresponding customer deposit liability. See Note 9.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

5) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently assessing the impact, if any, that these standards might have on its Financial Statements.

a) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been adopted. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

b) IFRIC 23, Uncertainty over income tax treatments

In June 2017, the IASB released IFRIC 23, Uncertainty over income tax treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 will become effective for the Company fiscal year beginning on February 1, 2019. The Company has determined the adoption of this standard will not have a significant impact on its condensed interim consolidated financial statements.

c) Amendments to IFRS, Business combinations

In October 2018, the IASB issued amendments to IFRS 3 "Business combinations". The amendments clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for the Company to transactions for which the acquisition date is on or after February 1, 2020. The Company is currently assessing the impact of the adoption of these amendments on its condensed interim consolidated financial statements.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

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 31 October 2018 and 31 January 2019. 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, restricted cash and funds due from processors, assets held for clients, due to related parties, accounts payable, client deposits, loans payable, funds due to merchants, and loans payable. As at 31 January 2019 and 31 October 2018, the carrying value of cash, assets held for clients and client deposits are at fair value. The remaining financial instruments 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 amounts due from payment processors. During the year period 31 January 2019, the Company recorded an allowance of \$nil (2018 - \$nil) due from a payment processor where collection is uncertain. The Company's secondary 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.

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.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

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 31 January 2019, the Company held financial liabilities denominated in foreign currencies totalling \$65,529 (31 October 2018 - \$144,155), as well as financial assets denominated in foreign currencies totalling \$86,187 (31 October 2018 - \$287,498). A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately \$1,000. Accordingly, the Company is moderately exposed to foreign currency risk.

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. The Company manages liquidity risk by restricting cash reserves to offset client deposits and funds due to merchants. As at 31 January 2019, the Company had an unrestricted cash balance of \$142,513 to settle current liabilities, other than client deposits, provision for coin sale, and funds due to merchants for which cash reserves have been restricted, totalling \$2,032,401 which are due within one year. Accordingly, the Company is significantly exposed to liquidity risk.

7) Digital currencies

Digital currencies are recorded at their fair value on the date they are received, and are revalued to their current market value at each reporting date. Fair value, with the exception of NCCO, is determined by the spot closing rate of the currency from <https://cryptocoincharts.info>.

	31 January 2019	31 October 2018
Bitcoin	\$ 13,170	\$ 47,437
Bitcoin Cash	873	3,270
Ethereum	6,188	17,877
Litecoin	12,226	8,715
NCCO	48,261	68,956
NEM	31	-
Verge	11	-
TRX	7	-
	\$ 80,767	\$ 146,255

8) Funds due from payment processors / to merchants

In providing merchant services, the Company temporarily holds funds for customers while the funds are in transit. As at 31 January 2019, the Company had funds due from processors in the amount of \$2,362 (31 October 2018 - \$2,362) to settle funds due to merchants in the amount of \$311,233 (31 October 2018 - \$429,497). Due to uncertainty of collecting funds owed from one payment processor, an allowance was recorded in the amount of \$379,406 and charged to bad debt expense for the year ended October 31, 2017.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

9) Assets held for clients

The Company holds funds in trust for clients that use the NC client wallet. Users transfer fiat and cryptocurrency funds into their NC client wallets enabling them to purchase and sell cryptocurrencies. As at 31 January 2019, the Company held client funds totalling \$1,052,847 (31 October 2018 - \$1,808,393) in the NC client wallets.

The assets held for clients is broken down as follows:

Assets held for clients	31 January 2019	31 October 2018
Cash	\$ 124,552	\$ 156,070
NCCO	855,346	1,548,420
Digital currencies	72,949	103,903
	\$ 1,052,847	\$ 1,808,393

All assets held for clients and the corresponding liability are carried at their fair value.

This fair value measurement is considered a level 1 fair value measurement on the basis that these digital currencies are traded on an active market. However, to date prices have been extremely volatile.

The fair value of the NCCO coin is considered a level 3 fair value measurement on the basis that to date the volume of trades of NCCO coins on the NetCents Exchange has been minimal. The fair value of the NCCO coins was determined based on the most recent market-based trade prior to the reporting period end date. Future prices of the NCCO coin may significantly vary in comparison to October 31, 2018.

10. Proceeds from the sale of coin

As at 31 January 2019, the Company has received proceeds of \$3,341,041 (31 October 2018 - \$3,341,041) in connection with the sale of NCCO coins.

For the coin sale transactions, the Company received funds from the client's wallet in both fiat currencies (CAD, USD and Euro), and, cryptocurrencies (BTC and ETH). The Company converted the funds received into Canadian dollars using the spot closing rate of the currency from <https://cryptocoincharts.info>, and the closing exchange rate between Canadian dollars, US dollars and Euros as at period end.

The Company recorded the proceeds from the sale of the coin as a liability being the amount required to fulfil a constructive obligation to the coin holders to set up the NCCO Foundation and transfer all proceeds from the sale of the treasury coins the NCCO Foundation whereby the NCCO foundation will use the funds to back the value of the NCCO coin for the benefit of the coin holders.

The foundation was registered and filed under the general registry of the Cayman Islands on July 12th, 2018

The NCCO Foundation's role is to be an independent, non-profit organization with a purpose to support the value of the coin by managing:

- the release of the coins according through its transparent release mechanism;
- the network of nodes for transaction authorizations;
- the treasury reserve account; and
- evolving the coin's technology for the benefit of all of the coin holders.

On April 24th, 2018, the Company transferred all proceeds from the coin sale from the Company bank account to a trust account managed by the Company's legal counsel.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2019 AND 2018

Canadian Funds
(Unaudited)

The funds are being held by Harper Grey LLP pursuant to an undertaking provided to the Executive Director of the British Columbia Securities Commission ("BCSC"). The Company has a legal obligation to transfer the funds to the NCCO now that it has been established, and therefore the Company does not consider itself to have any discretion to release the funds or use the funds for any other purpose.

The Company intends to transfer the funds to the NCCO Foundation as soon as is reasonably possible. Pursuant to the undertaking under which the funds are currently held by Harper Grey LLP, the Company must provide the Executive Director of the BCSC with 14 days written notice prior to transferring the funds to the NCCO Foundation.

Expenses of \$135,434 incurred on the transfer of funds into the wallets and the related exchange differences were expensed by the Company. The Company also incurred expenses of \$165,691 in connection with the set-up of the NCCO coin which the Company is entitled to be reimbursed by the NCCO Foundation. However, because there is uncertainty as to the collectability of this balance, the Company has written down the receivable of \$165,691 for the year ended October 31, 2018.

11) Equipment

	Equipment
COST	
Balance at 31 October 2017	\$ 16,661
Additions	383,446
Disposals	(23,874)
Balance at 31 October 2018	376,233
Additions	-
Balance at 31 January 2019	\$ 376,233
DEPRECIATION	
Balance at 31 October 2017	\$ 1,666
Additions	61,089
Disposals	(3,790)
Balance at 31 October 2018	\$ 58,965
Additions	24,434
Balance at 31 January 2019	\$ 83,399
CARRYING AMOUNTS	
At 31 October 2018	\$ 317,268
At 31 January 2019	\$ 292,834

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12) Intangible assets

	Software Development
COST	
Balance at 1 November 2017	\$ 194,027
Additions	-
Balance at 31 October 2018	\$ 194,027
Additions	-
Balance at 31 January 2019	\$ 194,027
DEPRECIATION	
Balance at 1 November 2017	\$ 64,676
Additions	64,219
Balance at 31 October 2018	\$ 128,895
Additions	16,169
Balance at 31 January 2019	\$ 145,064
CARRYING AMOUNTS	
At 31 October 2018	\$ 65,132
At 31 January 2019	\$ 48,963

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company 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 Company 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.

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13) Loans payable

	31 January 2019	31 October 2018
Balance – Beginning of period	\$ 98,181	\$ 104,043
Proceeds from loans	-	-
Interest expense	-	353
Prepaid interest expense	-	-
Settlement of loans payable	-	(6,215)
Balance – End of period	\$ 98,181	\$ 98,181

Details of loans outstanding during the periods ended 31 January 2019 and 31 October 2018 are as follows:

Pursuant to an agreement entered into on 2 October 2015, the Company was advanced \$40,000. The loan was repayable in six months from the date of the agreement and bears interest at a rate of 10% per annum. During the year ended 31 October 2017, the principal amount of \$40,000 was paid and accrued interest of \$6,215 remained outstanding. On 29 November 2017, the Company entered into a debt settlement agreement with a lender to settle loan payable in the amount of \$6,215 by issuing 100,000 common shares of the Company. On the date of issuance, the shares had a fair value of \$409,000; accordingly, the Company recognized a loss on settlement of debt in the amount of \$402,785 during the year ended October 31, 2018.

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. At 31 January 2019, the balance payable including interest is \$26,331 (2018: \$26,331).

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 (Note 6). Effective 1 July 2015, the lender agreed that interest would stop accruing on the loan. At 31 January 2019, the outstanding loan balance was \$52,000 (2018: \$52,000) and there was outstanding interest of \$16,270 (2018: \$16,270).

Other loans totalling \$3,500 (2018: \$3,500) are unsecured, non-interest bearing with no fixed terms of repayment. Also included in the loan balance at 31 January 2019 is \$Nil (31 October 2018: \$Nil) of accrued interest.

14) Convertible loan

	31 January 2019	31 October 2018
Balance – Beginning of period	\$ 449,479	\$ -
Proceeds from issuance of convertible loans	-	1,388,965
Allocated to equity	-	(25,547)
Interest and accretion	63,347	104,035
Settlement of loans payable	-	(1,017,974)
Balance – End of period	\$ 512,826	\$ 449,479

On 30 April 2018, the Company entered into a convertible loan agreement with a director of the Company for net proceeds of \$969,985. The loan is interest bearing of 8% per annum, calculated daily and compounded monthly. At any time prior to October 30, 2018, the holder may elect to convert all but not less than all, of principal amount into common share at a conversion price of \$2.71. As additional consideration for the loan, the Company will issue the holder on the closing date 369,000 common share purchase warrants entitling the holder to subscribe for and purchase up to 369,000 common shares at an exercise price of \$2.71 per warrant. The warrants shall be exercisable for a period of 4 years following the closing date. The Company record the initial fair value of the convertible loan at

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\$898,738, using a discount rate of 20%, which is management estimate of the prevailing market rate for a company of similar size and operations. The convertible feature of the conversion rights and warrants was recorded as equity, at an amount of \$25,547 on initial recognition. The convertible loan was fully repaid during the year ending 31 October 2018 resulting in a gain of \$9,298.

On 4 September 2018, the Company entered in six convertible loan agreements for net proceeds of \$418,980. The face value of the convertible loans is \$520,796. The loans are interest bearing of 10% per annum, calculated daily and compounded monthly. At any time prior to March 4, 2019, the holder may elect to convert all but not less than all, of principal amount into common shares of the Company at a conversion price of \$1.08 unit. Each unit will consist of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase a further common share of the Company at \$1.08 for a period expiring on August 27, 2020. The Company determined that the proceeds received approximated the fair value of the liability component and therefore no value was allocated to the equity component.

15) Share capital

a) Authorized

Unlimited Class A common shares, without par value.

b) Issued

As at 31 January 2019 there were 44,946,979 (31 October 2018: 44,740,551) common shares issued and fully paid common shares outstanding.

During the three months period ended 31 January 2019, the Company issued 35,000 common shares for proceeds of \$12,250 on the exercises of stock options. On the issuance of the shares, the \$10,966 previously recorded in reserves was reclassified to share capital.

On 31 January 2019, the Company issued 100,000 common shares of the Company with a fair value of \$90,000 for services.

On 11 January 2019, the Company issued 35,714 common shares of the Company with a fair value of \$29,643 for services.

On 9 November 2018, the Company issued 35,714 common shares of the Company with a fair value of \$42,857 for services.

During the year ended 31 October 2018, the Company issued 894,940 common shares for proceeds of \$226,235 on the exercises of stock options. On the issuance of the shares, the \$212,582 previously recorded in contributed surplus was reclassified to share capital.

During the year ended 31 October 2018, the Company issued 4,611,137 common shares for proceeds of \$2,871,775 on the exercises of warrants.

On 31 October 2018, the Company issued 14,084 common shares of the Company with a fair value of \$22,535 for services recorded in stock based compensation.

On 31 October 2018, the Company issued 75,000 common shares of the Company with a fair value of \$84,000 for settlement of \$94,920 of debt resulting in a gain of \$10,920.

On 16 October 2018, the Company issued 150,000 common shares of the Company with a fair value of \$174,000 for services recorded in stock based compensation.

On 25 September 2018, the Company closed a non-brokered private placement issuing 2,161,000 units of the Company for gross proceeds of \$2,161,000 incurring share issuance costs of \$221,668. Each Unit consists of one

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common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the Company at an exercise price of \$1.25 for a period of two years from the date of issuance.

On 18 April 2018, the Company issued 250,000 common shares of the Company with a fair value of \$555,000 to a director of the Company for consulting services.

On 19 December 2017, the Company closed a non-brokered private placement for an aggregate of 1,116,071 units of the Company ("Units") for gross proceeds of \$500,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the Company at an exercise price of \$0.70 for a period of two years from the date of issuance. The Company incurred share issuance costs of \$4,281 in connection with this financing.

On 7 December 2017, the Company issued 198,068 common shares of the Company with a fair value of \$907,151 to a third party in error. The Company is in the process of requiring the third party to return these shares for cancellation.

On 7 December 2017, the Company issued 100,000 common shares of the Company with a fair value of \$409,000 for settlement of \$6,215 of debt resulting in a loss of \$402,785.

On 7 December 2017, the Company issued 200,000 common shares of the Company with a fair value of \$916,000 for services recorded in stock based compensation.

On 30 November 2017 the Company entered into a settlement agreement and release with a private company whereby the Company issued 180,000 common shares of the Company and 300,000 warrants in exchange for cash proceeds of \$63,160. Each warrant entitles the holder to acquire an additional common share of the Company at an exercise price of \$0.80 for a period of 24 months from the date of issuance. The fair value of the shares was determined to be \$462,600 and the fair value of the warrants was estimated to be \$674,685 based on a Black Scholes calculation using a volatility of 120%, an expected life of 2 years, a risk-free rate of 1.70% and a dividend yield of Nil%. This settlement resulted in a net loss of \$1,074,125.

c) Warrants

As of 31 January 2019, there were 3,517,408 share purchase warrants outstanding as follows:

- 28,571 warrants which expire on 23 June 2019 are exercisable at \$0.50 per share.
- 292,766 warrants which expire on 17 October 2019 are exercisable at \$0.40 per share.
- 135,552 warrants which expire on 31 October 2019 are exercisable at \$1.42 per share.
- 666,071 warrants which expire on 24 October 2022 and are exercisable at \$0.70 per share.
- 369,000 warrants which expire on 30 April 2022 and are exercisable at \$2.71 per share.
- 2,161,000 warrants which expire on 25 September 2022 and are exercisable at \$1.25 per share.

WARRANT ACTIVITY	31 January 2019	Weighted Average Exercise Price	31 October 2018	Weighted Average Exercise Price
Balance – Beginning of period	4,252,960	\$ 0.62	6,084,097	\$ 0.54
Issued	-	1.20	2,965,552	1.39
Exercised	(600,000)	0.61	(4,611,137)	-
Expired	-	0.71	(185,552)	0.35
Balance – End of period	3,652,960	\$ 0.46	4,252,960	\$ 0.62

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d) Stock Options

On 19 December 2018, the Company granted incentive stock options to executives and directors of the Company to purchase 500,000 common shares of the Company at an exercise price of \$0.76 per share with an expiry date of 19 December 2023. The grant date fair value was estimated to be \$383,203 on a Black-Scholes calculation using a volatility of 169.36%, an expected life of 5 years, a risk-free rate of 1.90% and a dividend yield of Nil%.

On 19 December 2018, the Company granted incentive stock options to executives and directors of the Company to purchase 178,500 common shares of the Company at an exercise price of \$0.76 per share with an expiry date of 19 December 2021. The grant date fair value was estimated to be \$125,203 on a Black-Scholes calculation using a volatility of 169.36%, an expected life of 3 years, a risk-free rate of 1.90% and a dividend yield of Nil%.

On 10 April 2018, the Company granted incentive stock options to employees and consultants of the Company to purchase 275,000 common shares of the Company at an exercise price of \$1.90 per share with an expiry date of 10 April 2022. The grant date fair value was estimated to be \$479,901 on a Black-Scholes calculation using a volatility of 172%, an expected life of 4 years, a risk-free rate of 2.03% and a dividend yield of Nil%.

On 10 April 2018, the Company granted incentive stock options to employees and consultants of the Company to purchase 90,000 common shares of the Company at an exercise price of \$1.90 per share with an expiry date of 10 April 2022. The grant date fair value was estimated to be \$157,058 on a Black-Scholes calculation using a volatility of 172%, an expected life of 4 years, a risk-free rate of 2.03% and a dividend yield of Nil%. The options vest quarterly over a 12 and 24-month term. On 7 January 2019, the Company cancelled 90,000 stock options and recognized stock-based compensation expense of \$62,606 in connection with these options for the period ended 31 January 2019.

On 11 April 2018, the Company granted incentive stock options to a director of the Company to purchase 250,000 common shares of the Company at an exercise price of \$2.22 per share with an expiry date of 11 April 2023. The grant date fair value was estimated to be \$526,389 on a Black-Scholes calculation using a volatility of 172%, an expected life of 5 years, a risk-free rate of 2.06% and a dividend yield of Nil%. The options vest quarterly over a 24-month term; accordingly, the Company recognized stock-based compensation expense of \$62,172 in connection with these options for the period ended 31 January 2019.

On 20 March 2018, the Company granted incentive stock options to a director of the Company to purchase 100,000 common shares of the Company at an exercise price of \$1.28 per share with an expiry date of 20 March 2023. The grant date fair value was estimated to be \$117,824 on a Black-Scholes calculation using a volatility of 120%, an expected life of 5 years, a risk-free rate of 2.00% and a dividend yield of Nil%. The options vest quarterly over a 24-month term; accordingly, the Company recognized stock-based compensation expense of \$11,428 in connection with these options for the period ended 31 January 2019.

On 13 February 2018, the Company granted incentive stock options to an employee of the Company to purchase 50,000 common shares of the Company at an exercise price of \$1.95 per share with an expiry date of 13 February 2022. The grant date fair value was estimated to be \$84,389 on a Black-Scholes calculation using a volatility of 170%, an expected life of 4 years, a risk-free rate of 1.97% and a dividend yield of Nil%. The options vest quarterly over a 12-month term; accordingly, the Company recognized stock-based compensation expense of \$5,058 for the period ended 31 January 2019.

On 8 January 2018, the Company granted incentive stock options to an officer of the Company to purchase 500,000 common shares of the Company at an exercise price of \$2.87 per share with an expiry date of 19 December 2021. The grant date fair value was estimated to be \$1,213,111 on a Black-Scholes calculation using a volatility of 172%, an expected life of 3.95 years, a risk-free rate of 1.92% and a dividend yield of Nil%. The options vest quarterly over a 24-month term; accordingly, the Company recognized stock-based compensation expense of \$404,369 in

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connection with these options for the year ended 31 October 2018. Subsequent to the second tranche of these options vesting, the options were forfeited.

On 17 November 2017, the Company granted incentive stock options to directors and consultants of the Company to purchase 1,090,000 common shares of the Company at an exercise price of \$0.84 per share with an expiry date of 17 November 2021. The grant date fair value was estimated to be \$828,218 on a Black-Scholes calculation using a volatility of 147%, an expected life of 5 years, a risk-free rate of 1.60% and a dividend yield of Nil%. The options vest quarterly over a 12-month term; accordingly, the Company recognized stock-based compensation expense \$818,653 in connection with these options for the year ended October 31, 2018.

On 19 December 2017, the Company granted incentive stock options to directors of the Company to purchase 750,000 common shares of the Company at an exercise price of \$3.20 per share with an expiry date of 19 December 2021. The grant date fair value was estimated to be \$2,203,897 on a Black-Scholes calculation using a volatility of 173%, an expected life of 4 years, a risk-free rate of 1.70% and a dividend yield of Nil%. These options were cancelled on 7 January 2019.

Stock option activity during the period is summarized as follows:

STOCK OPTION ACTIVITY	31 January 2019	Weighted Average Exercise Price	31 October 2018	Weighted Average Exercise Price
Balance – Beginning of period	4,750,060	\$ 1.13	3,040,000	\$ 0.26
Granted	678,500	0.76	3,105,000	2.00
Exercised	(35,000)	0.35	(894,940)	0.25
Forfeited	-	-	(500,000)	2.87
Cancelled	(890,000)	3.00	-	-
Balance – End of period	4,503,560	\$ 0.71	4,750,060	\$ 1.13

As at 31 January 2019 and 31 October 2018 the Company had the following stock options outstanding:

Expiry date	Exercise Price	31 January 2019 Outstanding	31 January 2019 Exercisable	31 October 2018 Outstanding
7 April 2026	\$ 0.25	1,480,000	1,480,000	1,480,000
4 July 2021	0.25	-	-	-
13 July 2020	0.25	240,060	240,060	240,060
23 June 2020	0.35	390,000	295,000	425,000
21 November 2021	0.82	1,090,000	1,090,000	1,090,000
19 December 2021	3.20	-	-	750,000
19 December 2021	0.76	178,500	178,500	-
13 February 2022	1.95	-	-	50,000
10 April 2022	1.90	275,000	275,000	365,000
19 March 2023	1.28	100,000	18,000	100,000
11 April 2023	2.22	250,000	250,000	250,000
19 December 2023	0.76	500,000	500,000	-
		4,503,560	4,421,560	4,750,060

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16) Related party transactions

a) Related party transactions

Transactions with related parties for the nine months period ended 31 January 2019 and 2018 are as follows:

KEY MANAGEMENT COMPENSATION

Principal Position	Fiscal Period ⁽ⁱ⁾	Remuneration or Fees ⁽ⁱⁱ⁾	Share based payments
Clayton Moore, CEO and director – ⁽ⁱⁱⁱ⁾ salary and consulting fees	2019	\$ 55,500	\$ 79,712
	2018	\$ 55,000	\$ 912,480
Gord Jessop, President and director – ⁽ⁱⁱⁱ⁾ salary and consulting fees	2019	\$ 49,500	\$ 79,712
	2018	\$ 42,500	\$ 912,480
Jennifer Lowther, CRO and director – consulting fees	2019	\$ 36,000	\$ 153,281
	2018	\$ 36,000	\$ 706,333
Chris Cherry, CFO – consulting fees	2019	\$ 22,500	\$ -
	2018	\$ -	\$ -
Mehdi Mehrtash, CTO – consulting fees	2019	\$ 30,000	\$ 78,747
	2018	\$ 30,000	\$ -
Michael Laitinen, former CFO – ⁽ⁱⁱⁱ⁾ salary and consulting fees	2019	\$ -	\$ -
	2018	\$ 11,000	\$ 66,263
Jean-Marc Bougie, former director – shares for services	2019	\$ -	\$ 555,000
	2018	\$ -	\$ -

(i) For the nine months period ended 31 July 2018 and 2017.

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

(iii) All payments to January 31, 2018 were in the form of consulting fees; February 1, 2018 forward all payments in the form of salary.

b) Related party balances

Included in loans payable as at 31 January 2019 is \$54,500 (31 October 2018: \$54,500) plus accrued interest of \$16,270 (31 October 2018: \$16,270) owing to the President of the Company (Note 13). 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.

Included in due from related parties as at 31 January 2019 is \$78,125 (31 October 2018: \$78,125) owing from the CEO of the Company. These amounts are non-interest bearing with repayment expected before the end of the fiscal year.

Included in due from related parties as at January 31, 2019 is \$115,625 (31 October 2018: \$Nil) owing from a company controlled by the President of the Company. These amounts are non-interest bearing with repayment expected before the end of the fiscal year.

Included in accounts payable as at 31 January 2019 is \$292,870 (31 October 2018: \$311,232) owing to key management. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

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17) Commitments

a) Commitments with related parties

Pursuant to the employment agreement, effective 1 January 2018, the Company will remunerate the President of the Company \$16,500 per month. 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 the employment agreement, effective 1 January 2018, the Company will remunerate the Chief Executive Officer of the Company \$18,500 per month. In the event that the CEO is terminated without cause, the Company must continue paying the salary for a period of 18 months.

b) Other commitments

On 1 March 2018, the Company entered into a premises lease agreement for a period of seven years, expiring on 28 February 2025. Minimum annual lease payments for the term of the lease is as follows:

LEASE PERIOD	Amount
1 February 2019 to 31 October 2019	\$ 193,608
1 November 2019 to 31 October 2020	258,144
1 November 2020 to 31 October 2021	258,144
1 November 2021 to 31 October 2022	258,144
1 November 2022 to 31 October 2023	258,144
1 November 2023 to 31 October 2024	258,144
1 November 2024 to 28 February 2025	86,048
	<u>\$ 1,570,376</u>

18) 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 current operations and the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity and debt 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.

19) Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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20) Subsequent events

The following events occurred subsequent to January 31, 2019:

- a. In February 2019, the Company entered into a marketing services agreement, for a period of 6 months, whereby the Company will pay the service provider a monthly fee of \$22,000 and 69,600 for common shares of the Company;
- b. On February 28, 2019, the Company issued 151,896 common shares of the Company to be held as security pursuant to a debt settlement agreement.