



NETCENTS TECHNOLOGY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

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.

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 6 July 2020 and were signed on its behalf by:

"Clayton Moore"
Clayton Moore, CEO

"Christopher Cherry"
Christopher Cherry, CFO

Canadian Funds
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at	
		30 April 2020	31 October 2019
ASSETS			
Current Assets			
Cash		\$ 200,255	\$ 205,088
Digital currencies	(6)	143,354	100,221
Restricted cash and funds due from processors	(7)	2,362	2,362
Prepaid amounts and deposits		110,946	109,458
Due from related parties	(16)	174,614	100,008
Loan receivable		23,764	-
		655,295	517,137
Proceeds of coin sale	(9)	3,341,041	3,341,041
Equipment	(10)	174,575	219,532
Right-of-use assets	(12)	1,742,601	-
		\$ 5,913,512	\$ 4,077,710
LIABILITIES			
Current Liabilities			
Accounts payable	(16)	\$ 918,325	\$ 1,141,537
Accrued liabilities		50,000	180,752
Client deposits	(8)	1,200,677	1,255,593
Funds due to merchants	(7)	835,826	292,499
Loans payable	(13)	204,401	31,281
Due to related parties	(16)	-	114,118
Provision for coin sale	(9)	3,341,041	3,341,041
Current portion of lease liabilities	(12)	444,088	-
		6,994,358	6,356,821
Lease liabilities	(12)	1,331,212	-
		8,325,570	6,356,821
EQUITY			
Share capital	(15)	25,687,778	20,932,448
Contributed surplus – options	(15)	5,843,219	5,772,866
Contributed surplus – warrants	(15)	1,458,852	1,458,852
Subscriptions receivable	(15)	(1,838,079)	(1,805,359)
Deficit		(33,563,828)	(28,637,918)
		(2,412,058)	(2,279,111)
		\$ 5,913,512	\$ 4,077,710
Nature of operations and going concern	(1)	Commitments	(17)
Basis of preparation – statement of compliance	(2)	Subsequent events	(19)

The consolidated financial statements were approved by the Board of Directors on 6 July 2020 and were signed on its behalf by:

“Christopher Cherry”

Christopher Cherry, Director

“Clayton Moore”

Clayton Moore, Director

Canadian Funds
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Note	Three months ended 30 April 2020	Three months ended 30 April 2019	Six months ended 30 April 2020	Six months ended 30 April 2019
CONTINUING OPERATIONS				
Income				
Merchant processing revenue	\$ 57,485	\$ 12,677	\$ 102,061	\$ 23,503
Cost of sales	(19,751)	(3,551)	(35,412)	(6,156)
Gross profit	37,734	9,126	66,649	17,347
Operating Expenses				
Amortization of intangible assets (12)	-	16,169	-	32,338
Amortization of tangible assets (11)	114,569	24,434	229,137	48,868
Consulting fees (16)	94,022	135,398	543,879	278,212
Marketing	295,813	264,061	555,169	375,899
Office	21,862	81,559	70,431	192,026
Professional fees	104,792	49,397	132,475	63,109
Rent	7,944	116,815	16,065	233,731
Salaries and wages (16)	182,878	340,427	808,180	644,806
Share based payments (15)	1,467,497	155,999	1,510,353	977,734
Transfer agent and filing fees	25,751	37,948	32,388	47,384
Travel	33,493	93,278	39,036	135,908
	2,348,621	1,315,485	3,937,113	3,030,015
Loss from Operations	(2,310,887)	(1,306,359)	(3,870,464)	(3,012,668)
Other Income (Loss)				
Gain (loss) on settlement of debt (13)	(127,939)	(176,906)	(254,017)	(173,859)
Revaluation of digital currencies	-	65,811	-	17,052
Foreign exchange gain (loss)	(665,982)	(179,597)	(726,955)	(65,247)
Interest and accretion expense	(36,501)	19,674	(74,474)	(43,673)
	(830,422)	(271,018)	(1,055,446)	(265,727)
Net Loss and Comprehensive Loss for the Period	\$ (3,141,309)	\$ (1,577,377)	\$ (4,925,910)	\$ (3,278,395)
Basic and Diluted Loss per Common Share	\$ (0.05)	\$ (0.03)	\$ (0.07)	\$ (0.07)
Weighted Average Number of Shares Outstanding				
Basic and Diluted	66,462,111	45,301,766	68,983,255	45,160,614

Canadian Funds
(Unaudited)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

	# of Shares	Share Capital	Contributed surplus - options	Contributed surplus - warrants	Subscriptions receivable	Deficit	Equity
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	514,422	444,006	-	-	-	-	444,006
Shares issued for debt settlement	1,394,118	784,064	-	-	-	-	784,064
Shares issued for exercise of options	925,000	461,296	(221,546)	-	-	-	239,750
Shares issued for exercise of warrants	628,571	254,286	-	-	-	-	254,286
Units issued for cash	5,448,217	2,971,013	-	351,346	(1,805,359)	-	1,517,000
Shares issued for exercise of convertible debt	456,623	493,153	-	-	-	-	493,153
Share issuance costs	-	(25,500)	-	-	-	-	(25,500)
Share based payments	-	-	972,933	-	-	-	972,933
Net loss for the year	-	-	-	-	-	(6,665,702)	(6,665,702)
Balance 31 October 2019	54,107,502	\$ 20,932,448	\$ 5,772,866	\$ 1,458,852	\$(1,805,359)	\$(28,637,918)	\$ (2,279,111)
Shares issued for services	5,147,032	1,768,813	-	-	-	-	1,768,813
Shares issued for debt settlement	6,435,835	1,689,048	-	-	-	-	1,689,048
Units issued for cash	4,643,497	1,300,179	-	-	(32,720)	-	1,267,459
Share issuance costs	-	(2,710)	-	-	-	-	(2,710)
Share based payments	-	-	70,353	-	-	-	70,353
Net loss for the period	-	-	-	-	-	(4,925,910)	(4,925,910)
Balance 30 April 2020	70,333,866	\$ 25,687,778	\$ 5,843,219	\$ 1,458,852	\$(1,838,079)	\$(33,563,828)	\$ (2,412,058)

Canadian Funds
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended 30 April 2020	Six Months Ended 30 April 2019
OPERATING ACTIVITIES		
Net Loss for the Period	\$ (4,925,910)	\$ (3,278,395)
Items not Affecting Cash		
Share based payments	1,839,166	977,731
Loss on settlement of debt	254,017	173,859
Amortization of intangible assets	-	32,338
Amortization of tangible assets	225,226	48,868
Accretion and other non-cash interest	(145,570)	-
Revaluation of digital currencies	-	(17,052)
Foreign exchange	(98,049)	65,247
	(2,755,071)	(1,953,731)
Change in Non-cash Working Capital Items		
Prepaid amounts and other assets	(1,488)	29,164
Accounts payable and accrued liabilities	1,051,067	107,419
Funds due to merchants	543,327	(3,992)
Digital currencies	-	10,521
Loan receivable	(23,764)	-
	(1,283,978)	(1,810,619)
FINANCING ACTIVITIES		
Proceeds from unit issuances, net of costs	1,264,749	449,500
Proceeds from exercise of options	-	231,000
Proceeds from exercise of warrants	-	240,000
Proceeds from loans payable	203,120	-
Repayment of loans payable	-	(80)
Advances to related parties	(188,724)	(137,508)
	1,279,145	782,912
Net increase in Cash	(4,833)	(1,027,707)
Cash position – beginning of period	205,088	1,081,293
Cash Position – End of period	\$ 200,255	\$ 53,586

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

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.

	30 April 2020	31 October 2019
Working capital deficiency	\$ (6,339,063)	\$ (5,839,684)
Accumulated deficit	\$ (33,563,828)	\$ (28,637,918)

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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. This outbreak could decrease spending, adversely affect demand for the Company’s product and harm the Company’s business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2) Basis of preparation – statement of compliance

The Financial Statements were authorized for issue on 30 June 2020 by the directors of the Company.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

2) Basis of preparation – statement of compliance (continued)

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, 2019.

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.

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 2019.

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.

Many aspects of the digital currency and blockchain industry have not yet been addressed by current IFRS guidance. The Company is required to make significant assumptions and judgements as to its accounting policies and the application thereof which is disclosed in the notes to these consolidated financial statements. If specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company’s profit or loss and financial position as currently presented.

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 judgements 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

Digital assets - accounting

There is limited guidance on the recognition and measurement of digital assets. The Company has assessed that it acts in a capacity as a commodity broker trader as defined in IAS 2, Inventories, in characterizing certain of its holdings as inventory, or more specifically, digital assets. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders’ margin, such assets are accounted for as inventory, and changes in fair value (less cost to sell) are recognized in profit or loss.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

4) Critical accounting judgements and key sources of estimation uncertainty (continued)

a) Key sources of estimation uncertainty (continued)

Share-based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 3 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 6) 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.

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 2020.

Proceeds received on sales of NCCO

The Company originally 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"). During fiscal 2018, the funds were transferred to a trust account pending the outcome of an investigation by the British Columbia Securities Commission. The provision remained pending the outcome of the investigation. See Note 9.

Presentation of assets held for clients

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:

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

4) Critical accounting judgements and key sources of estimation uncertainty (continued)

b) Key sources of judgement uncertainty (continued)

- 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; and
- The funds are not "ring-fenced" and may be required to fund general claims in respect to an insolvency or bankruptcy of the Company.

5) 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 2020 and 31 October 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, cash included in assets held for clients, due to related parties, accounts payable and accrued liabilities, client deposits, loans payable and funds due to merchants. As at 30 April 2020 and 31 October 2019, the carrying value of cash and certain 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 a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Company's cash, digital currencies, due from related parties and proceeds of coin sale are exposed to credit risk. The Company limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

5) Financial instruments and risk management (continued)

d) Credit risk (continued)

Company has performed internal due diligence procedures. The Company deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at 30 April 2020, the Company held approximately \$200,255 (31 October 2019 - \$205,088) in cash and \$143,354 (31 October 2019 - \$100,221) in digital assets at exchanges that do not have system or organization control reporting available. As of each reporting period, the Company assesses if there may be expected credit losses requiring recognition of a loss allowance. As of 30 April 2020, the Company recorded an allowance of \$NIL (31 October 2019 - \$Nil). While the Company intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result.

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 2020, the Company held financial liabilities denominated in foreign currencies totalling \$1,217,043 (31 October 2019 - \$453,000), as well as financial assets denominated in foreign currencies totalling \$nil (31 October 2019 - \$175,000). A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately \$85,000. 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 30 April 2020, the Company had an unrestricted cash balance of \$200,255 to settle current liabilities, other than provision for coin sale for which cash reserves have been restricted, totalling \$3,651,823 which are due within one year. Accordingly, the Company is significantly exposed to liquidity risk.

h) Digital asset risk

Digital assets are measured at fair value less cost to sell. Digital currency or cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Further, cryptocurrencies have no underlying backing or contracts to enforce recovery of invested amounts.

The Company may not be able to liquidate its inventory of cryptocurrencies at its desired price if necessary. Prices of cryptocurrencies are volatile and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

5) Financial instruments and risk management (continued)

h) Digital asset risk (continued)

Cryptocurrencies have a limited history, their fair values have historically been volatile and the value of cryptocurrencies held by the Company could decline rapidly. A decline in the market prices of cryptocurrencies could negatively impact the Company's future operations. Historical performance of cryptocurrencies is not indicative of their future performance.

Many cryptocurrency networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. In the data packets distributed from cryptocurrency software programs to confirm transaction activity, each party to the transaction user must sign transactions with a data code derived from entering the private key into a hashing algorithm, which signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency.

This process is vulnerable to hacking and malware, and could lead to theft of the Company's digital wallets and the loss of the Company's cryptocurrency.

Cryptocurrencies are loosely regulated and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, exchanges may suffer from operational issues, such as delayed execution, that could have an adverse effect on the Company.

The cryptocurrency exchanges on which the Company uses are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets.

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Company to recover money or digital assets being held on the exchange. Further, the Company may be unable to recover digital assets awaiting transmission into or out of the Company, all of which could adversely affect an investment of the Company.

i) Loss of access risk

The loss of access to the private keys associated with the Company's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Company may be unable to access the cryptocurrency.

j) Irrevocability of transactions

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

5) Financial instruments and risk management (continued)

k) Hard fork and air drop risks

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the event of a hard fork in a cryptocurrency held by the Company, it is expected that the Company would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free.

The Company may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Company may not receive any new cryptocurrencies created as a result of a hard fork or airdrop, thus losing any potential value from such cryptocurrencies.

l) Regulatory oversight risk

Regulatory changes or actions may restrict the use of cryptocurrencies or the operation of cryptocurrency networks or exchanges in a manner that adversely affects investments held by the Company.

6) 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 April 2020	31 October 2019
Bitcoin	\$ 33,827	\$ 48,988
Bitcoin Cash	7,510	9,362
Ethereum	75,273	14,691
Litecoin	21,141	23,278
Verge	3,272	3,902
Ripple	2,331	-
	\$ 143,354	\$ 100,221

Due to the uncertainty, the value of the NCCO coin was reduced to NIL as at 30 April 2020 and 31 October 2019 resulting in a write down of \$109,806 for the year ended 31 October 2019.

7) 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 30 April 2020, the Company had funds due from processors in the amount of \$2,362 (31 October 2019 - \$2,362) to settle funds due to merchants in the amount of \$835,826 (31 October 2019 - \$292,499).

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

8) Assets held for clients

Users transfer fiat and cryptocurrency funds into their NC client wallets enabling them to purchase and sell cryptocurrencies. As at 30 April 2020, the Company held cash and digital assets totalling \$nil (31 October 2019 - \$nil) in the NC client wallets. Due to the uncertainty in value, the Company has written down the NCCO Coins to nil as at October 31, 2019 resulting in a write down of \$856,289.

Client deposits are comprised of the following:

Assets held for clients	30 April 2020	31 October 2019
Cash	\$ 102,893	\$ 231,425
NCCO coin	856,289	856,289
Digital currencies	241,495	167,879
	\$ 1,200,677	\$ 1,259,593

All assets held for clients and the corresponding liability are carried at their fair value with the exception of the NCCO coin.

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 coin on the NetCents Exchange has been minimal. The fair value of the provision relating to the NCCO coin 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.

9) Proceeds from the sale of coin

As 30 April 2020, the Company has \$3,341,041 (31 October 2019 - \$3,341,041) held in trust in connection with the sale of NCCO treasury coin ("NCCO coin").

The Company originally 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 to 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.

During the year ended 31 October 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.

As at 30 April 2020, the funds are being held in trust subject to an investigation by the British Columbia Securities Commission ("BCSC"). The outcome of this investigation is unknown and the funds are to remain in trust until the investigation by the BCSC is complete.

During the year ended 31 October 2018, the Company incurred expenses of \$135,434 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 wrote down the receivable of \$165,691 for the year ended 31 October 2018.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

10) Equipment

	Equipment
COST	
Balance at 31 October 2018	\$ 376,233
Additions	-
Balance at 31 October 2019 and 30 April 2020	\$ 376,233
DEPRECIATION	
Balance at 31 October 2018	\$ 58,965
Additions	97,736
Balance at 31 October 2019	156,701
Additions	48,868
Balance at 30 April 2020	\$ 205,569
CARRYING AMOUNTS	
At 31 October 2019	\$ 219,532
At 30 April 2020	\$ 170,664

11) Intangible assets

	Software Development
COST	
Balance at 31 October 2018	\$ 194,027
Additions	-
Balance at 31 October 2019 and 30 April 2020	\$ 194,027
DEPRECIATION	
Balance at 31 October 2018	128,895
Additions	65,132
Balance at 31 October 2019 and 30 April 2020	\$ 194,027
CARRYING AMOUNTS	
At 31 October 2019	\$ -
At 31 January 2020	\$ -

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.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

12) Right-of-use assets

Right-of-Use Assets

	Office Leases
Cost:	\$
At 31 October 2018 and 2019	-
Adjustment on initial adoption of IFRS 16	1,922,870
At 30 April 2020	1,922,870
Depreciation:	
At 31 October 2018 and 2019	-
Charge for the period	180,269
At 30 April 2020	180,269
Net book value:	
At 31 October 2019	-
At 30 April 2020	1,742,601

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

Lease Liabilities

	\$
Lease liabilities recognized as of 1 November 2019	1,922,870
Interest expense on lease liabilities	(147,570)
	1,775,300
Less: current portion	(444,088)
At 30 April 2020	1,331,212

Refer to Note 17 Commitments for the remaining minimum future lease payments, excluding estimated operating costs.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

13) Loans payable

	30 April 2020	31 October 2019
Balance – Beginning of period	\$ 31,281	\$ 104,043
Proceeds from loans	303,120	3,950
Settlement of loans payable	(130,000)	(70,850)
Balance – End of period	\$ 204,401	\$ 31,281

Details of loans outstanding during the periods ended 30 April 2020 and 31 October 2019 are as follows:

Pursuant to an agreement entered into on 4 November 2019, the Company was loaned \$33,120. The loan is non-interest bearing and is repayable within 90-day written notice on demand.

Pursuant to an agreement entered into on 4 December 2019, the Company was loaned \$130,000. The loan is non-interest bearing for the first 12 months and will accrue at an interest rate of 1.5% thereafter. \$100,000 of the loan was repaid by issuing 586,667 common shares of the Company with a fair value of \$140,800. The remaining \$30,000 of loans payable was repaid on 17 April 2020 by issuing 110,714 common shares of the Company with a fair value of \$63,107.

Pursuant to an agreement entered into on 30 December 2019, the Company was loaned \$100,000. The loan is non-interest bearing and is repayable on demand.

On April 23, 2020, the Company received a loan from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the amount of \$40,000. The CEBA is a government guaranteed loan of up to \$40,000 that is interest-free until December 31, 2022. The loan is available to help businesses with operating costs during COVID-19. Twenty-five percent of the loan amount (\$10,000) is eligible for forgiveness as long as the business pays back \$30,000 on or before December 31, 2022. If the business cannot pay back the loan by December 31, 2022, it can be converted into a 3-year term loan at an interest rate of 5%.

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 2020, the balance payable including interest is \$30,281 (31 October 2019: \$30,281).

Pursuant to an agreement entered into on 14 November 2011, the Company was loaned \$60,000 from the Company's president and director. 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. During the year ended 31 October 2019, the outstanding loan balance of \$52,000 and interest of \$16,270, bonus payable of \$69,400 and accrued liabilities of \$41,250 was settled through issuance of 461,538 common shares with a fair value of \$276,923 resulting in a loss on settlement of debt of \$96,923.

Other loans totalling \$1,000 (31 October 2019: \$3,500) are unsecured, non-interest bearing with no fixed terms of repayment.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

14) Convertible loan

	30 April 2020	31 October 2019
Balance – Beginning of period	\$ -	\$ 449,479
Interest and accretion	-	63,347
Settlement of loans payable	-	(512,826)
Balance – End of period	\$ -	-

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 including interest is \$520,796. The loans are interest bearing of 10% per annum, calculated daily and compounded monthly. At any time prior to 4 March 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 27 August 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.

On 11 April 2019, the holders of the convertible loan exercised their option to convert the principal amount of the convertible loan outstanding into 456,623 units of the Company valued at \$493,153.

15) Share capital

a) Authorized

Unlimited Class A common shares, without par value.

b) Issued

As at 30 April 2020, there were 70,333,866 (31 October 2019: 54,107,502) common shares issued and outstanding.

On 17 April 2020, the Company issued 437,722 common shares of the Company with a fair value of \$249,502 for settlement of debt.

On 8 April 2020, the Company completed a non-brokered private placement issuing 405,357 units of the Company for gross proceeds of \$239,161. 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.

On 19 March 2020, the Company issued 3,000,000 common shares with fair value \$1,230,000 for services.

On 12 March 2020, the Company issued 147,032 common shares with fair value \$58,813 for services.

On 12 March 2020, the Company completed a non-brokered private placement issuing 1,246,800 units of the Company for gross proceeds of \$349,104. 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.

On 28 February 2020, the Company completed a non-brokered private placement issuing 2,634,197 units of the Company for gross proceeds of \$737,575. 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.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

15) Share capital (continued)

b) Issued (continued)

On 10 February 2020, the Company completed a non-brokered private placement issuing 357,143 units of the Company for gross proceeds of \$100,000. 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.

On 31 December 2019, the Company issued 5,998,113 common shares with a fair value of \$1,439,547 for settlement of debt of which 280,000 common shares with a fair value of \$67,200 was issued to the CFO and director of the Company, 270,443 common shares with a fair value of \$64,906 was issued to the former President and director of the Company and 3,696,205 common shares with a fair value of \$887,089 was issued to the CEO and director of the Company.

On 31 December 2019, the Company issued 2,000,000 common shares with fair value \$480,000 for services.

As at 31 October 2019, there were 54,107,502 (31 October 2018: 44,740,551) common shares issued of which 151,896 are held in treasury under an escrow agreement with the remaining 53,955,606 outstanding.

During the year ended 31 October 2019, the Company issued 925,000 common shares for proceeds of \$239,750 on the exercises of stock options. On the issuance of the shares, the \$221,546 previously recorded in contributed surplus was reclassified to share capital.

During the year ended 31 October 2019, the Company issued 628,571 common shares for proceeds of \$254,286 on the exercises of warrants.

On September 24, 2019, the Company issued 500,000 units for gross proceeds of \$225,000. 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 \$0.55 for a period of five years from the date of issuance. The residual value assigned to the warrants is \$nil.

On September 13, 2019, the Company issued 461,538 common shares of the Company with a fair value of \$276,923 for settlement of debt with a director of the Company (Note 13).

On 4 July 2019, the Company issued 646,552 common shares of the Company with a fair value of \$375,000 for settlement of debt with a director of the Company.

On 22 July 2019, the Company completed a non-brokered private placement issuing 4,163,099 units of the Company for gross proceeds of \$2,497,859 on which \$1,805,359 has not been received and is recorded as subscriptions receivable as at October 31, 2019. 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 three years from the date of issuance. The residual value assigned to the warrants is \$351,346.

On 2 July 2019, the Company issued 35,000 common shares of the Company with a fair value of \$20,650 for settlement of debt.

On 6 June 2019, the Company issued 142,994 common shares of the Company with a fair value of \$81,507 for services.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

15) Share capital (continued)

b) Issued (continued)

On 29 May 2019, the Company received gross proceeds of \$150,000 in relation to a non-brokered private placement resulting in an obligation to issue 250,000 units. The Company issued 250,000 units of the Company on September 5, 2019. 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 \$0.90 for a period of three years from the date of issuance. The residual value assigned to the warrants is \$nil.

On 1 May 2019, the Company issued 29,532 common shares of the Company with a fair value of \$26,579 for settlement of debt.

On 1 May 2019, the Company issued 100,000 common shares of the Company with a fair value of \$90,000 for services.

On 11 April 2019, the Company issued 456,623 units of the Company for exercise of the convertible loan into common shares of the Company (Note 14). 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 \$1.08 which expires on 12 October 2020. The residual value assigned to the warrants is \$nil.

On 3 April 2019, the Company completed a non-brokered private placement issuing 535,118 units of the Company for gross proceeds of \$449,500. 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 \$1.20 for a period of two years from the date of issuance. The residual value assigned to the warrants is \$nil.

On 5 March 2019, the Company issued 69,600 common shares of the Company with a fair value of \$84,912 for settlement of debt.

On 21 February 2019, the Company entered into a settlement and tolling agreement and release with Nootropics Depot, LLC ("Nootropics") and Ceretropic, LLC ("Ceretropic"). Pursuant to the settlement and tolling agreement and release, the Company issued 151,896 common shares subject to escrow restrictions. Pursuant to the escrow agreement, the common shares will be released in full in the event the Company fails to pay Nootropics and Ceretropic the combined settlement amount of US\$168,000 ("Settlement Amount") of which US\$35,272 is payable on or before 7 March 2019 and US\$13,272 is payable on or before the first calendar day of each calendar month commencing on 1 April 2019 until the Settlement Amount is fully repaid. As at 31 October 2019, the 151,896 common shares were in escrow and are recorded as common shares held in treasury. Subsequent to 31 October 2019, these common shares were released from escrow and remained treasury shares held by the Company.

On 26 February 2019, the Company issued 100,000 common shares with a fair value of \$110,000 for services.

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 \$42,856 for services.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

15) Share capital (continued)

c) Warrants

As of 30 April 2020, there were 9,100,911 share purchase warrants outstanding as follows:

- 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.
- 456,623 warrants which expire on 12 October 2020 and are exercisable at \$1.08 per share.
- 535,118 warrants which expire on 3 April 2021 and are exercisable at \$1.20 per share.
- 4,163,099 warrants which expire on 21 July 2022 and are exercisable at \$0.70 per share.
- 250,000 warrants which expire on 4 September 2022 and are exercisable at \$0.90 per share.
- 500,000 warrants which expire on 24 September 2024 and exercisable at \$0.55 per share.
- 357,143 warrants which expire on 9 February 2022 and exercisable at \$0.70 per share.
- 2,634,197 warrants which expire on 28 February 2022 and exercisable at \$0.70 per share.
- 1,246,800 warrants which expire on 12 March 2022 and exercisable at \$0.70 per share.
- 405,357 warrants which expire on 8 April 2022 and exercisable at \$0.70 per share.

WARRANT ACTIVITY	30 April 2020	Weighted Average Exercise Price	31 October 2019	Weighted Average Exercise Price
Balance – Beginning of period	9,100,911	\$ 0.97	4,252,960	\$ 1.11
Issued	4,643,497	0.70	5,904,840	0.77
Exercised	-	-	(628,571)	0.40
Expired	-	-	(428,318)	0.72
Balance – End of period	13,744,408	\$ 0.88	9,100,911	\$ 0.97

d) Stock Options

On 24 June 2019, the Company granted incentive stock options to employees of the Company to purchase 100,000 common shares of the Company vesting every quarter start the six-month anniversary of employment at an exercise price of \$0.56 per share with an expiry date of 24 June 2022. The grant date fair value was estimated to be \$56,895 on a Black-Scholes calculation using a volatility of 187.2%, an expected life of 3 years, a risk-free rate of 1.37% and dividend yield of Nil%. The Company recognized stock-based compensation expense of \$19,952 for the period ended 30 April 2020.

On 30 May 2019, the Company granted incentive stock options to an officer of the Company to purchase 200,000 common shares of the Company vesting immediately at an exercise price of \$0.58 per share with an expiry date of 9 January 2022. The grant date fair value was estimated to be \$98,003 on a Black-Scholes calculation using a volatility of 174.4%, an expected life of 2.62 years, a risk-free rate of 1.56% and dividend yield of Nil%.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

15) Share capital (continued)

d) Stock Options (continued)

On 29 May 2019, the Company granted incentive stock options to employees of the Company to purchase 155,000 common shares of the Company vesting every quarter starting on the six-month anniversary of employment at an exercise price of \$0.61 per share with an expiry date of 29 May 2022. 40,000 of these stock options were cancelled as a result of termination. The grant date fair value was estimated to be \$59,677 on a Black-Scholes calculation using a volatility of 187.2%, an expected life of 3 years, a risk-free rate of 1.50% and dividend yield of Nil%. The Company recognized stock-based compensation expense of \$19,213 for the period ended 30 April 2020.

On 15 April 2019, the Company granted incentive stock options to advisors of the Company to purchase 300,000 common shares of the Company vesting every quarter starting on 15 April 2019 at an exercise price of \$0.95 per share with an expiry date of 14 April 2021. The grant date fair value was estimated to be \$114,507 on a Black-Scholes calculation using a volatility of 187.2%, an expected life of 2 years, a risk-free rate of 1.56% and dividend yield of Nil%.

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.

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 \$19,469 in connection with these options for the period ended 30 April 2020.

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 \$11,719 in connection with these options for the period ended 30 April 2020.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

15) Share capital (continued)

d) Stock Options (continued)

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. On January 7, 2019, the Company cancelled 50,000 stock options.

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 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 4 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 \$9,565 in connection with these options for the year ended October 31, 2019.

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	30 April 2020	Weighted Average Exercise Price	31 October 2019	Weighted Average Exercise Price
Balance – Beginning of period	4,078,660	\$ 0.80	4,750,060	\$ 1.13
Granted	-	-	1,433,500	0.74
Exercised	-	-	(925,000)	0.26
Forfeited	-	-	(40,000)	0.61
Cancelled	-	-	(1,140,000)	3.00
Balance – End of period	4,078,660	\$ 0.80	4,078,560	\$ 0.80

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

15) Share capital (continued)

d) Stock Options (continued)

As at 30 April 2020 and 31 October 2019 the Company had the following stock options outstanding:

Expiry date	Exercise Price	30 April 2020 Outstanding	30 April 2020 Exercisable	31 October 2019 Outstanding
7 April 2026	\$ 0.25	715,000	715,000	715,000
13 July 2020	0.25	240,060	240,060	240,060
23 June 2020	0.35	340,000	340,000	340,000
21 November 2021	0.82	1,090,000	1,090,000	1,090,000
19 December 2021	3.20	-	-	-
19 December 2021	0.76	178,500	178,500	178,500
13 February 2022	1.95	-	-	-
10 April 2022	1.90	365,000	365,000	365,000
19 March 2023	1.28	100,000	42,000	100,000
11 April 2023	2.22	250,000	250,000	250,000
19 December 2023	0.76	500,000	500,000	500,000
9 January 2022	0.58	200,000	200,000	200,000
24 June 2022	0.56	100,000	12,500	100,000
		4,078,560	3,933,060	4,078,560

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

16) Related party transactions

a) Related party transactions

Transactions with related parties for the six months period ended 30 April 2020 and 2019 are as follows:

KEY MANAGEMENT COMPENSATION

Principal Position	Fiscal Period	Remuneration or Fees	Share based payments
Clayton Moore, CEO and director – salary	2020	\$ 86,213	\$ -
	2019	\$ 125,000	\$ 79,712
Gord Jessop, former President and director – salary	2020	\$ 5,000	\$ -
	2019	\$ 113,000	\$ 79,712
Jennifer Lowther, CRO and director – consulting fees	2020	\$ 75,600	\$ -
	2019	\$ 75,600	\$ 153,281
Christopher Cherry, CFO and director – consulting fees	2020	\$ 63,623	\$ -
	2019	\$ 47,625	\$ -
Mehdi Mehrtash, CTO – salary	2020	\$ 60,000	\$ -
	2019	\$ 60,000	\$ 78,747

⁽ⁱ⁾ 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 due from related parties as at 30 April 2020 is \$174,614 (31 October 2019: \$100,008) from a company controlled by the President of the Company. The amount will be non-interest bearing for the first 12 months and 1.5% interest for the following 12 months with no fixed terms of repayment.

Included in due to related parties as at 30 April 2020 is \$nil owed to the CRO of the Company. The amounts as at 31 October 2019 is \$114,118 owing to the CEO of the Company. These amounts are non-interest bearing with no fixed terms of repayment.

Included in accounts payable as at 30 April 2020 is \$58,353 (31 October 2019: \$233,248) owing to key management. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in accrued liabilities as at 30 April 2020 is \$nil (31 October 2019: \$140,750) of salaries payable owing to key management. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds
(Unaudited)

17) Commitments

a) Commitments with related parties

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 May 2020 to 31 October 2020	\$ 129,072
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>\$ 1,247,696</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.

NETCENTS TECHNOLOGY INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 APRIL 2020 AND 2019

Canadian Funds

(Unaudited)

19) Subsequent events

Subsequent to 30 April 2020, the Company:

- a) entered into debt settlement agreements with consultants to settle amounts owing by issuing 584,754 common shares of the Company;
- b) issued 5,263,497 units for gross proceeds of \$1,473,779. 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;
- c) granted 3,000,000 stock options with an exercise price of \$0.62 for a term of five years, 2,000,000 stock options with an exercise price of \$1.10 for at term of one year and 5,000,000 stock options with an exercise price of \$1.25 for a one year term. These options were granted to officers, directors, consultants and employees of the company;
- d) issued 3,000,000 common shares of the Company for services provided by consultants;
- e) issued 4,785,000 common shares of the Company for exercise of stock options;
- f) issued 2,362,196 common shares of the Company for exercise of warrants;
- g) issued 50,000 common shares of the Company as severance payment to a former employee of the Company.