HAPUNA VENTURES
(a division of ACT360 Media Ltd.)

CARVE-OUT FINANCIAL STATEMENTS
(Unaudited)

CARVE-OUT STATEMENTS OF FINANCIAL POSITION
AS AT
JUNE 30, 2017 AND SEPTEMBER 30, 2016

CARVE-OUT STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
CARVE-OUT STATEMENTS OF CASH FLOWS
CARVE-OUT STATEMENTS OF CHANGES IN OWNER'S NET INVESTMENT
FOR THE THREE AND NINE MONTHS ENDED
JUNE 30, 2017 AND 2016

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AUDITOR'S INTERIM REVIEW REPORT

August 31, 2017

To the Audit Committee of Kona Bay Technologies Inc.,

Dear Sirs:

In accordance with our engagement letter dated August 16, 2017, we have performed interim reviews of the carve-out statement of financial position of Hapuna Ventures as at June 30, 2017, the carve-out statements of operations and comprehensive income (loss) for the three and nine-month periods ended June 30, 2017 and 2016, and the carve-out statements of cash flows and changes in owner's net investment for the nine-month periods ended June 30, 2017 and 2016. These carve-out financial statements are the responsibility of Kona Bay Technologies Inc.'s management.

We performed our interim reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the carve-out financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim reviews, we are not aware of any material modification that needs to be made for these interim carve-out financial statements to be in accordance with the International Financial Reporting Standards.

This report is solely for the use of the Audit Committee of Kona Bay Technologies Inc. to assist it in discharging its regulatory obligation to review these carve-out financial statements, and should not be used for any other purpose.

Yours truly,

De Visser Gray LLP

De Visser Gray LLP

HAPUNA VENTURES
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CARVE-OUT STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2017 AND SEPTEMBER 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

	Notes	JUNE 30 2017 $	SEP 30 2016 $
ASSETS			
Current			
Cash and cash equivalents		2,172	29,029
Accounts receivable	4	15,782	50,905
Prepaid expenses and other assets		982	1,311
		18,936	81,245
EQUIPMENT	5	1,745	2,855
		20,681	84,100
LIABILITIES			
Current			
Accounts payable and accrued liabilities		23,704	35,425
Unearned revenue		112,446	121,411
Due to Kona Bay	2, 7	233,680	119,800
		369,830	276,636
NET INVESTMENT			
Owner's net investment	6	(349,149)	(192,536)
		20,681	84,100

"Vincent Wong"
Vincent Wong, Director

The Accompanying Notes are an Integral Part of these Carve-out Financial Statements

HAPUNA VENTURES
(a division of ACT360 Media Ltd.)

CARVE-OUT STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2017 AND 2016

(Expressed in Canadian dollars)

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2017 $	June 30, 2016 $	June 30, 2017 $	June 30, 2016 $
SALES	36,624	198,060	148,043	735,093
EXPENSES				
Accounting and legal	1,196	1,978	5,597	7,381
Depreciation	370	517	1,110	1,122
Foreign exchange (gain) loss	(563)	5,075	480	6,448
Selling, office and general	60,967	172,064	237,885	712,586
Wages and benefits	3,106	4,557	11,584	12,995
	65,076	184,191	256,656	740,532
INCOME (LOSS) BEFORE OTHER ITEMS	(28,452)	13,869	(108,613)	(5,439)
OTHER ITEMS				
Management fees	(16,000)	(8,000)	(48,000)	(24,000)
Gain on debt settlement	-	-	-	13,447
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(44,452)	5,869	(156,613)	(15,992)

The Accompanying Notes are an Integral Part of these Carve-out Financial Statements

HAPUNA VENTURES
(a division of ACT360 Media Ltd.)

CARVE-OUT STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED JUNE 30, 2017 AND 2016

(Expressed in Canadian dollars)

(Unaudited)

	For the Nine Months Ended	
	June 30, 2017	**June 30, 2016**
	$	$
OPERATING ACTIVITIES		
Net loss	(156,613)	(15,992)
Items not affecting cash:		
Depreciation	1,110	1,122
Gain on debt settlement	-	13,447
	(155,503)	(1,423)
Changes in non-cash working capital items:		
Accounts receivable	35,123	32,596
Prepaid expenses and other assets	329	3,159
Accounts payable and accrued liabilities	(11,721)	(88,533)
Unearned revenue	(8,965)	59,174
Due to Kona Bay	113,880	31,205
	(26,857)	36,178
INVESTING ACTIVITIES		
Purchase of equipment	-	(1,638)
CASH USED IN INVESTING ACTIVITIES	-	(1,638)
CHANGE IN CASH AND CASH EQUIVALENTS	(26,857)	34,540
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	29,029	23,089
CASH AND CASH EQUIVALENTS – END OF PERIOD	2,172	57,629

HAPUNA VENTURES
(a division of ACT360 Media Ltd.)

CARVE-OUT STATEMENTS OF CHANGES IN OWNER'S NET INVESTMENT

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2017 AND 2016

(Expressed in Canadian dollars)

(Unaudited)

	Owner's Net Investment $	**Total $**
As at October 1, 2015	(49,282)	(49,282)
Net loss for the period	(15,992)	(15,992)
As at June 30, 2016	(65,274)	(65,274)
As at October 1, 2015	(49,282)	(49,282)
Net loss for the year	(143,254)	(143,254)
As at October 1, 2016	(192,536)	(192,536)
Net loss for the period	(156,613)	(156,613)
As at June 30, 2017	(349,149)	(349,149)

1. CORPORATE INFORMATION

Hapuna Ventures (the "Spin-Out") is a division of ACT360 Media Ltd. ("ACT360" or the "Parent"), a wholly-owned subsidiary of Kona Bay Technologies Inc. (formerly ACT360 Solutions Ltd.) ("Kona Bay"). The Spin-Out specializes in digital customer acquisition and its customers are primarily higher education institutions that promote campus and online degree programs to consumers through digital media such as websites, mobile apps, social media networks, and direct e-mail. The Spin-Out manages and optimises its customers' digital marketing campaigns using a proprietary inquiry management platform and database of over 5 million international prospects. The address of the Spin-Out's corporate office and its principal place of business is 1116-207 West Hastings Street, Vancouver, BC, V6B 1H7.

On January 12, 2017, Kona Bay announced the proposed spinoff of ACT360's online advertising business into a new corporation, Hapuna Ventures Inc., including all of ACT360's right, title and interest in any of the assets and intellectual property relating to the on-line advertising business. Under the proposed terms of the Plan of Arrangement (the "Plan"), the shareholders of Kona Bay will receive one share of Hapuna Ventures Inc. for each share of Kona Bay.

2. BASIS OF PREPARATION

a) Statement of compliance

These interim Carve-Out financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These interim Carve-Out financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements and audited Carve-Out financial statements for the years ended September 30, 2016 and 2015 but do not contain all of the information required for full annual financial statements. Accordingly, these interim Carve-Out financial statements should be read in conjunction with the Company's most recent annual financial statements and the Carve-Out financial statements for the years ended September 30, 2016 and 2015, which were prepared in accordance with IFRS as issued by the IASB.

b) Basis of preparation

These Carve-Out financial statements have been prepared from the books and records of the Parent and purport to represent the historical results of operations, financial position, and cash flows of the Company as if it had existed as a separate standalone entity for the periods presented under the Parent's management. Upon completion of the Plan, Hapuna Ventures Inc. will cease to be a wholly owned subsidiary of the Parent, pursuant to the transactions contemplated by the Arrangement Agreement.

The historical results of operations, financial position and cash flows of the Spin-Out may not be indicative of what they would actually have been had the Spin-Out been carried out as a separate stand-alone entity, nor are they indicative of what Spin-Out results of operations, financial position and cash flows may be in the future.

The basis of preparation applied for the Carve-Out financial statements is the same as that described for the carve-out financial statements for the years ended September 30, 2016 and 2015.

2. BASIS OF PREPARATION (continued)

These Carve-Out financial statements, prepared in connection with the Plan, present the historical carve-out financial position, results of operations, changes in net investment and cash flows of the Spin-Out. These Carve-Out financial statements have been derived from the accounting records of ACT360 on a carve-out basis and should be read in conjunction with Kona Bay's annual audited consolidated financial statements and the notes thereto for the year ended September 30, 2016, Kona Bay's condensed interim consolidated financial statements and the notes thereto for the three and nine month periods ended June 30, 2017, and the audited Carve-Out financial statements and the notes thereto for the years ended September 30, 2016 and 2015.

Management believes the assumptions and allocations underlying the Carve-Out financial statements are reasonable and appropriate under the circumstances. The expenses and cost allocations have been determined on a basis considered by the Parent to be a reasonable reflection of the utilization of services provided to or the benefit received by the Spin-Out during the periods presented. However, these assumptions and allocations are not necessarily indicative of the costs the Spin-Out would have incurred if it had operated on a stand-alone basis or as an entity independent of the Parent.

c) Presentation and Functional Currency

These Carve-Out financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Spin-Out.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Spin-Out are set out in Note 3 to the annual audited Consolidated Financial Statements as of and for the year ended September 30, 2016 and in Note 3 to the audited Carve-Out financial statements as of and for the years ended September 30, 2016 and 2015, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

These interim Carve-Out financial statements as at and for the three and nine month periods ended June 30, 2017 and 2016 have been prepared in accordance with the policies described in the annual audited Consolidated Financial Statements and the audited Carve-Out financial statements, which have been applied consistently to these financial statements.

Kona Bay and ACT360 make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions of Kona Bay and ACT360 are set out in Note 3 to the annual audited Consolidated Financial Statements as of and for the year ended September 30, 2016 and in Note 3 to the audited carve-out financial statements as of and for the years ended September 30, 2016 and 2015, which are also incorporated herein by reference.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

(Expressed in Canadian dollars)

4. ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	JUNE 30, 2017 $	SEPTEMBER 30, 2016 $
Trade accounts receivable	15,584	50,197
Recoverable goods and services / harmonized sales tax	198	708
	15,782	50,905

5. EQUIPMENT

	Computer Equipment $	Furniture and Fixtures $	Total $
Cost			
As at October 1, 2015	4,381	643	5,024
Additions	1,484	154	1,638
As at September 30, 2016	5,865	797	6,662
Additions	-	-	-
As at June 30, 2017	5,865	797	6,662
Accumulated Depreciation			
As at October 1, 2015	1,851	428	2,279
Depreciation	1,409	119	1,528
As at September 30, 2016	3,260	547	3,807
Depreciation	1,030	80	1,110
As at June 30, 2017	4,290	627	4,917
Carrying Amounts			
Balance, September 30, 2016	2,605	250	2,855
Balance, June 30, 2017	1,575	170	1,745

6. OWNER'S NET INVESTMENT

Kona Bay's investment in Hapuna Ventures is presented as Net Investment in these Carve-Out financial statements. Owner's Net Investment represents the accumulated net loss of the operations.

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS

The Spin-Out had the following transactions with related parties during the periods presented:

	JUNE 30, 2017 $	JUNE 30, 2016 $
Management fees (a)	48,000	24,000

(a) ACT360 was charged management fees by Kona Bay during the nine months ended June 30, 2017 and 2016. Of this amount, $24,000 (2016 - $24,000) was allocated to the Spin-Out. In preparing these Carve-Out financial statements, $24,000 (2016 - $nil) in directors' fees and certain corporate expenses incurred by Kona Bay have been allocated to the Spin-Out. These allocated amounts have been recorded in management fees. The management fees charged by Kona Bay were recorded at the exchange amount as agreed upon between Kona Bay and ACT360.

The balance payable to Kona Bay (ultimate parent) is unsecured, non-interest bearing and has no specific terms of repayment. Also see Note 2.

8. CONTINGENT LIABILITY

On January 3, 2014, the Parent acquired a license to operate and monetize certain websites. The Parent committed to minimum royalty payments of $120,000 per year for a period of three years. The first year's payments were prepaid, with all subsequent licence fees being accrued, but not paid due to certain specific non-performance matters. Accordingly, the Parent now considers that no fees are payable as the licence was effectively terminated prior to its expiry on December 31, 2016. As at September 30, 2016, the accrued royalties were $210,000 (2015 - $90,000). These royalties had previously been accrued as expenses (2016 - $120,000; 2015 - $120,000) in this division and in the consolidated financial statements of Kona Bay.

As a result, there is significant uncertainty with respect to these royalty fees, in regards to when, or if, the fees are payable and the amount that may ultimately be payable. These royalties will never be paid in full and any amount that will, or might, be payable cannot realistically be determined at this time. Accordingly, these royalties have been disclosed as a contingent liability, and not recognized as a liability or provision in these Carve-Out financial statements.

9. CAPITAL MANAGEMENT

Kona Bay's objective when managing capital is to safeguard its ability to continue as a going concern, meet financial obligations, have sufficient capital to achieve and maintain profitable operations and to provide returns for shareholders and benefits for other stakeholders.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Spin-Out is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Spin-Out is exposed to risks that arise from its use of financial instruments. This note describes the Spin-Out's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Carve-Out financial statements.

General Objectives, Policies, and Processes

The Board of Directors of Kona Bay has overall responsibility for the determination of the Spin-Out's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to Kona Bay's finance function.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Spin-Out's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Spin-Out's operations and financial results. The Spin-Out has significant exposure to foreign exchange rate fluctuation. The Spin-Out is exposed to currency risk to the extent that monetary assets and liabilities held by the Spin-Out are not denominated in Canadian dollars. The Spin-Out has not entered into any foreign currency contracts to mitigate this risk. The Spin-Out holds balances in United States dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the US dollar to the Canadian dollar would affect the reported income and comprehensive income by approximately $(10,242) (September 30, 2016: $6,332) as detailed below:

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

United States Dollar Denominated Balances	**JUNE 30, 2017 $**	**SEPTEMBER 30, 2016 $**
Cash	1,507	25,729
Trade accounts receivable	13,107	47,430
Accounts payable and accrued liabilities	(117,031)	(9,838)
	(102,417)	63,321
10% change in exchange rate impact	**(10,242)**	**6,332**

Credit Risk

Credit risk is the risk of financial loss to the Spin-Out if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Spin-Out consist primarily of cash and cash equivalents and trade accounts receivable. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. The Spin-Out has gross credit exposure at June 30, 2017 and September 30, 2016 relating to cash and cash equivalents of $2,172 and $29,029 held in deposits at a Canadian chartered bank. The Spin-Out considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date. The Spin-Out has gross credit exposure at June 30, 2017 and September 30, 2016 relating to trade accounts receivable of $15,584 and $50,197. The Spin-Out considers this credit risk to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Spin-Out will not be able to meet its financial obligations as they become due. The Spin-Out's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Spin-Out's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Spin-Out ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Spin-Out prepares annual capital expenditure budgets which are regularly monitored and updated as considered necessary.

The Spin-Out monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Accounts payable and accrued liabilities	**Up to 3 months $**	**Between 3 and 12 months $**	**Between 1 and 2 years $**	**Over 5 years $**	**Total $**
June 30, 2017	23,704	-	-	-	23,704
September 30, 2016	35,425	-	-	-	35,425

Due to Kona Bay	**Up to 3 months $**	**Between 3 and 12 months $**	**Between 1 and 2 years $**	**Over 5 years $**	**Total $**
June 30, 2017	-	233,680	-	-	233,680
September 30, 2016	-	119,800	-	-	119,800

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statements of Financial Position carrying amounts for cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities and due to Kona Bay approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

11. ECONOMIC DEPENDENCE

During the nine month periods ended June 30, 2017 and June 30, 2016, approximately 69% (2016 – 80%) of the Spin-Out's sales were made to three (2016 – three) customers. The loss of a material amount of sales to any of these customers could have a material adverse effect on operations.