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**NOVATEQNI CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Nine Month Period Ended July 31, 2017**

**(In United States dollars)**

**(UNAUDITED)**

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements for Novateqni Corporation have been prepared by management in accordance with International Financial Reporting Standards. These financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim financial statements.

The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators.

**NOVATEQNI CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in United States Dollars)  
(Unaudited)

<b>As at,</b>	<b>July 31,</b>	<b>October 31,</b>
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 118,271	\$ 23,252
Trade receivables (note 8)	8,974	279,902
Goods and services tax recoverable and other receivables	10,549	3,225
Prepaid expenses	13,416	25,081
Due from director (note 9)	-	196,179
Inventory (note 3)	25,781	27,155
Due from Novameric (note 9)	1,687	2,582
Income taxes receivable	87,843	66,017
	<b>266,521</b>	<b>623,393</b>
<b>Non-Current Assets</b>		
Property and equipment, net (note 4)	6,995	18,575
Development costs (note 4)	-	192
<b>Total Assets</b>	<b>\$ 273,516</b>	<b>\$ 642,160</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 196,898	\$ 321,513
Due to director (note 9)	296,198	-
Customer deposits	293,778	4,170
Warranty provision	15,000	15,000
<b>Total Liabilities</b>	<b>801,874</b>	<b>340,683</b>
<b>Shareholders' Equity (Defecit)</b>		
Share capital (note 5)	1,865,518	1,865,518
Warrants (note 5c)	36,640	36,640
Accumulated other comprehensive loss	(36,903)	(17,073)
Contributed surplus	660,752	460,900
Deficit	(3,054,365)	(2,044,508)
<b>Total Shareholders' Equity (Deficit)</b>	<b>(528,358)</b>	<b>301,477</b>
<b>Total Liabilities and Shareholders' Equity (Deficit)</b>	<b>\$ 273,516</b>	<b>\$ 642,160</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**Going Concern** (note 2)

**Commitments** (note 11)

Approved by the Board of Directors:

Signed "Gerhard Mynhardt"  
Director

Signed "Larry Youell"  
Director

# Novateqni Corporation

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in United States Dollars)

(Unaudited)

	Three months ended July 31, 2017	Three months ended July 31, 2016	Nine months ended July 31, 2017	Nine months ended July 31, 2016
<b>Sales</b>	\$ 19,018	\$ 1,001,760	\$ 224,545	\$ 1,736,739
<b>Cost of sales</b>	(4,857)	(310,025)	(127,851)	(928,340)
	14,161	691,735	96,694	808,399
<b>Expenses</b>				
Professional fees	23,117	25,266	62,028	54,116
Bad debt expense	-	-	3,300	-
Depreciation	2,441	16,635	11,772	45,416
Share based payments	-	5,800	199,852	29,221
Management and consulting fees (note 9)	89,217	82,894	454,504	257,823
Listing and filing fees	4,131	5,713	29,200	13,056
Marketing	(113)	37	-	59,769
Research and development	3,051	15,306	26,610	114,454
Travel	7,821	28,803	17,669	67,075
Office and general	24,002	25,996	78,998	157,563
Salaries and wages	85,010	132,096	248,810	462,126
	238,677	338,546	1,132,743	1,260,619
<b>Loss before other income</b>	(224,516)	353,189	(1,036,049)	(452,220)
Other income (expense)	1,006	2,379	7,573	7,417
<b>(Loss) income before income taxes</b>	(223,510)	355,568	(1,028,476)	(444,803)
Income tax adjustment	18,619	-	18,619	-
<b>Net (loss) income to the common shareholders</b>	(204,891)	355,568	(1,009,857)	(444,803)
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to profit or loss				
Unrealized foreign exchange loss on translation of Novateqni Corporation and Novateqni South Africa	(25,454)	(42,365)	(19,830)	(23,122)
<b>Total comprehensive loss</b>	\$ (230,345)	\$ 313,203	\$ (1,029,687)	\$ (467,925)
<b>Weighted average number of common shares outstanding – basic and diluted (note 6)</b>	32,236,815	32,236,815	32,236,815	32,236,815
<b>Basic and fully diluted loss per share (note 6)</b>	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# NovaTeqni Corporation

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (DEFICIT)

(Expressed in United States Dollars)

(Unaudited)

### FOR THE NINE MONTH PERIOD ENDED JULY 31, 2017

	Shares #	Warrants #	Share Capital \$	Warrants \$	Accumulated Other Comprehensiv e Loss \$	Deficit \$	Contributed Surplus \$	Total
Balance, October 31, 2016	32,236,815	454,747	\$1,865,518	\$ 36,640	\$ (17,073)	\$(2,044,508)	\$ 460,900	\$ 301,477
Unrealized foreign exchange gain	-	-	-	-	(19,830)	-	-	(19,830)
Issuance of stock options	-	-	-	-	-	-	199,852	199,852
Net loss for the period	-	-	-	-	-	(1,009,857)	-	(1,009,857)
<b>Balance, July 31, 2017</b>	<b>32,236,815</b>	<b>454,747</b>	<b>\$1,865,518</b>	<b>\$ 36,640</b>	<b>\$ (36,903)</b>	<b>\$(3,054,365)</b>	<b>\$ 660,752</b>	<b>\$ (528,358)</b>

### FOR THE NINE MONTH PERIOD ENDED JULY 31, 2016

	Shares #	Warrants #	Share Capital \$	Warrants \$	Accumulated Other Comprehensiv e Loss \$	Deficit \$	Contributed Surplus \$	Total
Balance, October 31, 2015	32,236,815	454,747	1,865,518	36,640	(26,886)	(1,351,828)	426,735	950,179
Net Loss for the period	-	-	-	-	-	(444,803)	-	(444,803)
Issuance of stock options	-	-	-	-	-	-	29,221	29,221
Unrealized foreign exchange gain	-	-	-	-	3,764	-	-	3,764
<b>Balance, July 31, 2016</b>	<b>32,236,815</b>	<b>454,747</b>	<b>\$1,865,518</b>	<b>\$ 36,640</b>	<b>\$ (23,122)</b>	<b>\$(1,796,631)</b>	<b>\$ 455,956</b>	<b>\$538,361</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**NovaTeqni Corporation**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in United States Dollars)  
(Unaudited)

	Nine-months ended July 31, 2017	Nine-months ended July 31, 2016
<b>Operating activities</b>		
Net loss for the period	\$ (1,009,857)	\$ (444,803)
Items not involving cash		
Share based payments	199,852	29,221
Depreciation	11,772	45,416
Bad debt expense	3,300	-
Changes in non-cash working capital:		
Trade and goods and services tax receivable	260,996	829,691
Due to/from NovaMeric (Proprietary) Ltd.	983	(23,388)
Due from director	192,669	(7,458)
Inventory	1,568	(17,646)
Prepaid expenses	12,040	(1,587)
Customer deposits	289,608	(541,232)
Accounts payable and accrued liabilities	(132,004)	(157,571)
Income taxes receivable	(21,085)	(134,292)
Cash flows used in operating activities	(190,158)	(423,649)
<b>Investing activities</b>		
Purchase of property and equipment	-	(12,703)
Cash flow used in investing activities	-	(12,703)
<b>Financing activities</b>		
Due to/from director	286,900	-
Cash flows provided by financing activities	286,900	-
<b>Increase in cash</b>	<b>97,742</b>	<b>(436,352)</b>
<b>Effect of foreign exchange on cash</b>	<b>(1,723)</b>	<b>3,410</b>
<b>Cash, beginning of period</b>	<b>23,252</b>	<b>655,649</b>
<b>Cash, end of period</b>	<b>\$ 118,271</b>	<b>\$ 222,707</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

# NOVATEQNI CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

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### 1. NATURE OF BUSINESS

#### Nature of Business

Novateqni Corporation (the "Company" or "Novateqni") carries on business in the development and sales of technology based solutions and related hardware. The Company was incorporated under the Business Corporations Act (Alberta) on July 31, 2012. NovaMeric South Africa is the ultimate parent of Novateqni Corporation.

Novateqni is a publicly traded company with registered office at: 1250, 639 – 5th Avenue S.W., Calgary, Alberta, T2P 0M9. The Company's common shares are listed on the TSX Venture Exchange ("TSXV" or the "Exchange") under the symbol NTO.

### 2. BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

These condensed interim consolidated financial statements for the nine month period ended July 31, 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as were used for the Company's Annual Consolidated Financial Statements for the years ended October 31, 2016 and 2015. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements dated October 31, 2016.

The condensed consolidated financial statements were approved by the Board of Directors on September 28, 2017.

#### Basis of measurement

These condensed interim consolidated financial statements were prepared under the historical cost convention, except for certain financial instruments which are measured at fair value with changes in fair value recorded in earnings, and share based transactions.

#### Going concern

The establishment of new markets for technology companies and the winning of tenders involves significant financial risks. The success of the Company is dependent upon the winning of tenders and its ability to establish new markets for its products and to bring such products into profitable production. The Company is subject to a number of risks, including contractual risks, obsolescence risks, competition risks, legal risks and political risks, and other factors beyond the Company's control. The Company has not yet generated enough revenue to date to sustain all operations. The Company incurred a net loss of \$1,009,857 during the nine month period ended July 31, 2017 and has an accumulated deficit of \$3,054,365. As of July 31, 2017, the Company has cash resources of \$118,271 which is considered insufficient to meet its obligations for at least twelve months from the end of the reporting period.

Management considers that the current economic environment is difficult and the outlook for companies bringing new unproven products to market presents significant challenges in terms of raising funds through the issuance of shares or issuing of debt. To the extent necessary, the Company has relied on its ability to raise funds via equity issuances in order to finance its operations. The Company has been successful in raising funds in previous years and plans to continue to complete equity or debt issuances in the upcoming year. However, there can be no assurance the Company will continue to be able to raise funds under suitable terms. In addition, management has instituted measures to preserve cash through significantly decreasing its corporate costs. During the quarter, an amount due from director was settled and the director also advanced additional funds to the Company to meet their current cash requirements.

Management has concluded that the combination of these circumstances may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

## NOVATEQNI CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

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#### 2. BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

##### Functional and presentation currency

The presentation currency of Novateqni Corporation is United States dollars ("US dollars" or "US").

The functional currency of Novateqni Hong Kong Ltd. and Novateqni USA is US dollars. The functional currency of Novateqni Corporation is Canadian dollars ("CDN dollars"). The functional currency of Novateqni South Africa is South African Rand.

##### Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Novateqni Hong Kong Limited, a company registered in Hong Kong; Novateqni USA, a company registered in the USA; and Novateqni South Africa, a company registered in South Africa. The subsidiaries are fully consolidated from the date of acquisition or formation, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. The Company has consolidated the assets, liabilities, revenues and expenses of its subsidiaries after the elimination of inter-company transactions and balances.

##### Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the condensed interim consolidated financial statements are discussed below:

##### Allowance for doubtful accounts

The Company makes allowance for doubtful accounts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

##### Shared based payments

The Company measures the cost of non-cash stock based compensation transactions with employees by reference to the fair value of the equity instruments. Amounts recorded for share based payments are subject to inputs used in the Black-Scholes option pricing model, including assumptions such as expected life, volatility and dividend yield of the share option. The Company measures the cost of non-cash stock based compensation transactions with consultants by reference to the fair value of the services to be performed.

##### Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

**NOVATEQNI CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

**2. BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*Going concern

Determining if the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations and obtaining additional financing to support operations. Certain judgments are made when determining if the Company will achieve profitable operations and its financing.

**3. INVENTORY**

Inventory consist of the following components:

	July 31, 2017	October 31, 2016
Spare Parts	\$ 16,988	\$ 18,362
Finished Goods	8,793	8,793
	<b>\$ 25,781</b>	<b>\$ 27,155</b>

**4. PROPERTY AND EQUIPMENT AND DEVELOPMENT COSTS**

Cost	Property and Equipment	Development Costs
Balance, October 31, 2016	\$ 108,618	\$ 22,863
Additions	-	-
<b>Balance, July 31, 2017</b>	<b>\$ 108,618</b>	<b>\$ 22,863</b>
<u>Accumulated Depreciation</u>		
Balance October 31, 2016	\$ (90,043)	\$ (22,671)
Depreciation	(11,580)	(192)
<b>Balance, July 31, 2017</b>	<b>\$ (101,623)</b>	<b>\$ (22,863)</b>
<b>Carrying Value, July 31, 2017</b>	<b>\$ 6,995</b>	<b>\$ -</b>
Carrying Value October 31, 2016	\$ 18,575	\$ 192

# NOVATEQNI CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

### 5. SHARE CAPITAL

#### (a) Capital

**Authorized:** unlimited Class A common shares

	Number	Amount
<b>Balance, October 31, 2016 and July 31, 2017</b>	<b>32,236,815</b>	<b>\$ 1,865,518</b>

#### (b) Stock option plan

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase Class A Common Shares, provided that the number of Class A Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Class A Common Shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. During the nine month ended July 31, 2017 1,325,000 stock options were issued to acquire up to an aggregate of 1,325,000 common shares of the Company. Each of the stock options is exercisable for a five year term expiring on February 21, 2022 and exercisable at a price of \$0.25 per common share.

A summary of the Company's stock option activity is as follows:

	Number of Stock Options	Weighted Average Exercise Price (CDN)
Outstanding, October 31, 2016	1,875,000	\$ 0.37
Issued	1,325,000	0.25
<b>Outstanding, July 31, 2017</b>	<b>3,200,000</b>	<b>\$ 0.32</b>

The weighted average remaining contractual life and weighted average exercise price of stock options outstanding and of options exercisable as at July 31, 2017 are as follows:

	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding	Weighted Average Exercise Price (CDN)	Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price (CDN)
Exercise Price (CDN)					
\$0.37	1,875,000	\$0.37	2.28	1,875,000	\$0.37
\$0.25	1,325,000	0.25	4.56	1,325,000	0.25
<b>Total</b>	<b>3,200,000</b>	<b>\$0.32</b>	<b>3.23</b>	<b>3,200,000</b>	<b>\$0.32</b>

**NOVATEQNI CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

**5. SHARE CAPITAL** *(continued from previous page)*

The fair value of the stock option issued in 2017 to Directors, Officers and employees was determined using the Black-Scholes model based on the following assumptions:

	1,325,000
	Options
Risk free interest rate	1.17%
Dividend yield	Nil
Forfeiture rate	0%
Expected stock volatility	110.72%
Weighted-average expected life (years)	5.0

During the nine month ended July 31, 2017, a total of \$199,273 was recognized as share based payments for the 1,325,000 stock options issued with immediate vesting, with the corresponding increase in contributed surplus

The fair value of the stock option issued in 2015 to Directors, Officers and employees was determined using the Black-Scholes model based on the following assumptions:

	1,875,000
	Options
Risk free interest rate	1.5%
Dividend yield	Nil
Forfeiture rate	0%
Expected stock volatility	94.00%
Weighted-average expected life (years)	5.0

During the nine months ended July 31, 2017, a total of \$579 was recognized as compensation expense for the 775,000 stock options issued with vesting provisions to various employees during the year ended October 31, 2015, with the corresponding increase in contributed surplus.

**(c) Warrants**

In conjunction with a private placement that closed on August 26, 2015, the Company issued 454,747 warrants. Each whole warrant could be exercised to acquire one common share at a price of \$1.00 CDN per share for a period of 12 months from the date of issuance of the warrant provided, however, if the volume weighted average closing price of the common shares exceeds \$1.25 CDN per share for more than 10 consecutive trading days, Novateqni could accelerate the warrant exercise period to a date which is 30 calendar days following the date a press release is issued by Novateqni announcing the reduced warrant exercise period. On July 21, 2016 the Company extended the expiry of the warrants to July 24, 2017 as to 396,247 warrants and August 26, 2017 as to 58,500 warrants which was 24 months from the date of their original issuance. All the warrants expired unexercised.

# NOVATEQNI CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

### 5. SHARE CAPITAL *(continued from previous page)*

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (CDN)
<b>Outstanding, October 31, 2016 and July 31, 2017</b>	<b>58,500</b>	<b>\$ 1.00</b>

The weighted average remaining contractual life and weighted average exercise price warrants outstanding and of warrants exercisable as at July 31, 2017 are as follows:

Warrants Outstanding				Warrants Exercisable	
Exercise Price (CDN)	Number Outstanding	Weighted Average Exercise Price (CDN)	Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price (CDN)
\$1.00	58,500	\$1.00	0.09	58,500	\$1.00
<b>Total</b>	<b>58,500</b>	<b>\$1.00</b>	<b>0.09</b>	<b>58,500</b>	<b>\$1.00</b>

The fair value of the warrants issued of \$36,640 was determined using the Black-Scholes model.

### 6. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the nine months ended July 31, 2017 was based on the loss attributable to common shareholders of \$1,009,857 (2016 Loss - \$444,803) and the weighted average number of common shares outstanding of 32,236,815 (2016 - 32,236,815). Diluted earnings (loss) per share did not include the effect of 58,500 warrants (2016 - 454,747) and 3,200,000 options (2016 - 1,681,250) as they are anti-dilutive.

### 7. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on its financial instruments are summarized below:

#### Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment/contractual obligations. The Company has deposited the cash with reputable Canadian and Hong Kong financial institutions, from which management believes the risk of loss is minimized. The Company is subject to concentration of credit risk as 100% (October 31, 2016 - 80%) of trade receivables is from one customer. The Company continuously evaluates that financial condition and credit worthiness of all customers and potential customers in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in income or loss.

#### Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and the availability of funding through an adequate amount of committed credit lines. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at July 31, 2017, the Company has current assets of \$266,521 (October 31, 2016 - \$623,393) to settle current financial liabilities of \$801,874 (October 31, 2016 - \$340,683). Accounts payable and accrued liabilities generally have contractual maturities of 30 days and they are all current. The Company will need to generate more sales or raise capital through equity placements and/or long term debt financing in order to address the current liquidity issue.

#### Interest Rate Risk

The Company's current policy is to invest excess cash in short term guaranteed investment certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk the Company will realize a loss as a result of a decline in the fair value of short-term deposits is limited due to the short-term nature of these investments. The Company is not exposed to interest rate risk as all debt is non-interest bearing.

# NOVATEQNI CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

### 7. FINANCIAL RISK FACTORS *(continued from previous page)*

#### Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at July 31, 2017, the Company had \$94,175 in current assets (October 31, 2016 – \$231,400) and \$453,761 in current liabilities (October 31, 2016 - \$186,825) denominated in Canadian dollars. A 10% change in exchange rates would cause an increase/decrease of approximately \$6,500 to comprehensive loss. As at July 31, 2017, the Company had \$529,541 (October 31, 2016 - \$210,353) in current assets and \$593,435 (October 31, 2016 - \$660,305) in current liabilities denominated in South African Rand. A 10% change in exchange rates would cause an increase/decrease of approximately \$3,500 to comprehensive loss.

### 8. TRADE RECEIVABLES

Trade receivables are unsecured and non-interest bearing and are on terms subject to the specific contract entered into with the customer.

The aging of the trade receivables were as follows:

	July 31, 2017	October 31, 2016
1-30 days	\$ 8,974	\$ 1,847
30-60 days	-	-
61-90 days	-	52,335
Greater than 90 days	-	246,390
Allowance for doubtful accounts	-	(20,670)
	<u>\$ 8,974</u>	<u>\$ 279,902</u>

In determining the recoverable amount of a trade receivable, the Company performed a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. Based on the account balance greater than 90 days, the Company determined that an impairment allowance of \$Nil (October 31, 2016 - \$20,670) was necessary in respect of certain trade receivables. Bad debt expense of \$3,300 (October 31, 2016 - \$20,670) has been recorded in the condensed interim consolidated statements of loss and comprehensive loss. All other account received balances that are past due are not impaired.

### 9. RELATED PARTY TRANSACTIONS

- i) The remuneration expense of directors and other members of key management personnel, or companies under their control, during the nine month period ended July 31, 2017 was as follows:

	2017	2016
Consulting fees	\$ 214,778	\$ 275,547

As of July 31, 2017 related party amounts included in accounts payable and accrued liabilities was \$49,525 (October 31, 2016 - \$64,820). Due from Novameric of \$1,687 (October 31, 2016 - \$2,582) represents an amount advanced for expenses to be incurred on the Company's behalf. As a result of the transfer of operations from Novameric to Novateqni South Africa, several operating expenses were incurred by Novameric on Novateqni South Africa's behalf. These expenses were reimbursed to Novameric. Any excess funds will be returned to the Company by Novameric. NovaMerich is the majority shareholder of the Company and is controlled by the Company's Chief Executive Officer.

- ii) On October 14, 2015, the Company loaned the Chief Executive Officer/Director \$250,000 USD to assist with his relocation. The loan carried interest of 5% per annum and was repayable on or before October 14, 2016. As security for repayment of the loan, The Chief Executive Officer's wholly owned company, NovaMerich Pty Ltd. has pledged 10,000,000 common shares of the Company until the loan and all interest and any other amounts payable under the loan were paid in full to the Company. The loan and accrued interest were repaid during the quarter.

# NOVATEQNI CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

### 9. RELATED PARTY TRANSACTIONS *(continued from previous page)*

- iii) During the nine month period ended July 31, 2017 the Chief Executive Officer/Director loaned the Company funds for operations. The amount due to the Chief Executive Officer/Director on July 31, 2017 was \$296,198. The loan is non-interest bearing and has no set repayment terms.
- iv) During the nine month period ended July 31, 2017, the Company recorded \$127,836 in share based payments for stock options granted to directors and officers of the Company.

All related party transactions are recorded at fair value.

### 10. GEOGRAPHICAL SEGMENTED INFORMATION

The Company's primary business is the provision of technology based solution and supply of related electronic hardware. It currently markets its services out of Hong Kong, China. This is currently the Company's only operating segment. Certain sales during the quarter were allocated to Novateqni South Africa as requested by the Company's South African customer. Novateqni South Africa is the research and development center for the Company and does not typically participate in sales transactions.

The tables below present the sales to external customers for the nine month period ended July 31, 2017 and July 31, 2016 and the total non-current assets attributable to the Company's geographical segments as at July 31, 2017 and October 31, 2016:

	2017	2016
Sales to external customers:		
Country of domicile		
Malawi	\$ 224,545	\$ -
South Africa	1,637	734,979
Central African Republic	13,391	-
	\$ 224,545	\$ 734,979

	July 31, 2017	October 31, 2016
Total non-current assets:		
Canada	\$ -	\$ -
China	4,385	14,598
South Africa	2,610	4,169
	\$ 6,995	\$ 18,767

### 11. COMMITMENTS

The Company was committed to an office lease for 24 months at the rate of \$1,500 per month which commenced March 1, 2015 and ended during the quarter.

### 12. CAPITAL DISCLOSURES

The Company's capital is composed of cash and shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds available in order to support the development of its technology based solutions. In order to carry out the expansion of the Company's product lines and pay for administrative costs, the Company may spend its existing working capital and may raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements.

### 13. ECONOMIC DEPENDENCE

**NOVATEQNI CORPORATION**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine month period ended July 31, 2017

(Expressed in United States Dollars)

(Unaudited)

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The Company's revenue was earned primarily from one major customer during the nine month period, which comprised of 93% of total revenues.