

# **Datable Technology Corporation**

(Formerly 3tl Technologies Corp.)

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the Three and Six Months Ended June 30, 2018

(Unaudited and Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 and 2017 have been prepared by the management in accordance with International Financial Reporting Standards and approved by the Board of Directors of Datable Technology Corp. (the “Company”). These condensed interim consolidated financial statements have not been reviewed by the Company’s independent auditors.

**Datable Technology Corporation**

(Formerly 3tl Technologies Corp.)

**Condensed Interim Consolidated Statements of Financial Position**

(Unaudited - Expressed in Canadian Dollars)

	<b>June 30, 2018</b>	December 31, 2017
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	<b>228,741</b>	643,766
Accounts receivable	<b>167,435</b>	143,441
Prepayments and other assets	<b>144,142</b>	74,862
Current assets	<b>540,318</b>	862,069
<b>NON-CURRENT</b>		
Equipment (Note 6)	<b>15,300</b>	11,867
Total assets	<b>555,618</b>	873,936
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade payables and other liabilities (Note 8, 11)	<b>640,530</b>	397,628
Deferred revenue	<b>330,018</b>	113,228
Current liabilities	<b>970,548</b>	510,856
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	<b>10,496,709</b>	10,496,709
Share-based payment reserve (Note 7)	<b>4,220,841</b>	3,837,705
Deficit	<b>(15,132,480)</b>	(13,971,334)
Total shareholders' equity	<b>(414,930)</b>	363,080
Total shareholders' equity and liabilities	<b>555,618</b>	873,936

Going concern (Note 2)

Commitments (Note 8)

Subsequent events (Note 13)

Approved on behalf of the Board

*"Robert Craig"*

Director

*"Kim Oishi"*

Director

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

**Datable Technology Corporation**

(Formerly 3tl Technologies Corp.)

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited – Expressed in Canadian Dollars, except number of shares)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue	<b>392,767</b>	356,520	<b>781,027</b>	559,256
Cost of sales (Note 12)	<b>164,487</b>	127,187	<b>272,627</b>	181,072
Gross profit	<b>228,280</b>	229,333	<b>508,400</b>	378,184
Operating expenses:				
General and administrative (Note 12)	<b>220,211</b>	372,418	<b>479,299</b>	661,716
Sales and marketing (Note 12)	<b>230,123</b>	239,059	<b>501,163</b>	436,227
Research and development (Note 12)	<b>161,739</b>	148,464	<b>301,116</b>	214,476
Share-based payments (Note 7)	<b>65,388</b>	4,259	<b>383,136</b>	17,499
Depreciation (Note 6)	<b>2,519</b>	1,194	<b>8,006</b>	2,061
Total operating expenses	<b>679,980</b>	765,394	<b>1,672,720</b>	1,331,979
Operating loss	<b>(451,700)</b>	(536,061)	<b>(1,164,320)</b>	(953,795)
Other items:				
Interest income	<b>152</b>	80	<b>970</b>	777
Other income (expense)	<b>(26)</b>	-	<b>621</b>	-
Foreign exchange gain (loss)	<b>2,807</b>	22,370	<b>1,583</b>	18,375
	<b>2,933</b>	22,450	<b>3,174</b>	19,152
Net and comprehensive loss	<b>(448,767)</b>	(513,611)	<b>(1,161,146)</b>	(934,643)
Loss per share:				
Loss per share – basic and diluted	<b>(0.02)</b>	(0.04)	<b>(0.04)</b>	(0.08)
Weighted average number of common shares outstanding				
- basic and diluted (Note 7)	<b>27,420,927</b>	11,792,844	<b>26,315,270</b>	11,509,563

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**Datable Technology Corporation**

(Formerly 3tl Technologies Corp.)

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Unaudited - Expressed in Canadian Dollars, except number of shares)

	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
		\$	\$	\$	\$
Balance as at December 31, 2016	11,094,560	9,545,579	2,788,872	(11,931,788)	402,663
Issuance of shares for cash (Note 7)	2,846,144	417,838	-	-	417,838
Share issuance costs (Note 7)	-	(30,885)	-	-	(30,885)
Issuance of Restricted Share Units (Note 7)	-	-	8,000	-	8,000
Share-based compensation (Note 7)	-	-	9,499	-	9,499
Issuance of share purchase warrants (Note 7)	-	-	489,300	-	489,300
Net and comprehensive loss	-	-	-	(9,34,643)	(934,643)
<b>Balance as at June 30, 2017</b>	<b>13,940,704</b>	<b>9,932,532</b>	<b>3,295,671</b>	<b>(12,866,431)</b>	<b>361,772</b>
Balance as at December 31, 2017	25,355,538	10,496,709	3,837,705	(13,971,334)	363,080
Issuance of Restricted Share Units (Note 7)	2,105,000	-	310,993	-	310,993
Share-based compensation (Note 7)	-	-	72,143	-	72,143
Net and comprehensive loss	-	-	-	(1,161,146)	(1,161,146)
<b>Balance as at June 30, 2018</b>	<b>27,460,538</b>	<b>10,496,709</b>	<b>4,220,841</b>	<b>(15,132,480)</b>	<b>(414,930)</b>

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**Datable Technology Corporation**

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**Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended June 30,	
	2018	2017
	\$	\$
Cash flows from operating activities:		
Loss for the year	(1,161,146)	(934,643)
Items not affecting cash:		
Depreciation	8,006	2,061
Share-based compensation	383,136	17,499
Changes in non-cash working capital (Note 10)	366,418	227,583
Net cash flow used in operating activities	(403,586)	(687,500)
Cash flows from investing activity:		
Acquisition of equipment	(11,439)	(3,721)
Net cash flow used in investing activity	(11,439)	(3,721)
Cash flows from financing activities:		
Shares issued for cash, gross (Note 7)	-	773,900
Shares issuance cost (Note 7)	-	(30,885)
Net changes in related-party loan	-	(11,839)
Net cash flow from financing activities	-	731,176
CHANGE IN CASH	(415,025)	39,955
CASH - BEGINNING OF YEAR	643,766	579,116
CASH - END OF YEAR	228,741	619,071

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# **Datable Technology Corporation** (Formerly 3tl Technologies Corp.).

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2018 and 2017

(Unaudited - Expressed in Canadian Dollars)

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### **1. CORPORATE INFORMATION**

Datable Technology Corporation (the “Company”) was incorporated under the Business Corporations Act of British Columbia on July 29, 2011 and changed its name from 3tl Technologies Corp. to Datable Technology Corporation on May 18, 2018. The Company is a technology company operating in the consumer internet advertising sector and is a provider of consumer digital and social media engagement, data mining and loyalty solutions.

The head and registered office of the Company is located at 422 Richards Street, Suite 160, Vancouver, BC, V6B 2Z4. The Company is listed on the TSX Venture Exchange (TSX-V) under the symbol ‘DAC’.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION**

#### **a. Statement of compliance**

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) applicable to the preparation of financial statements. These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 23, 2018.

#### **b. Basis of consolidation and going concern**

The consolidated financial statements include the accounts of the Company and 3 Tier Logic Inc., its wholly-owned subsidiary, for the three and six months ended June 30, 2018 and 2017. These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future and prior operating results. During the six months ended June 30, 2018, the Company incurred a net loss of \$1,161,146 (six months ended June 30, 2017 - \$934,643) and has an accumulated deficit at June 30, 2018 of \$15,132,480 (December 31, 2017 - \$13,971,334). The Company's ability to continue its operations will depend upon, but not be limited to, obtaining additional financing and generating revenues sufficient to cover its operating costs. These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

Management is of the opinion that it will be in a position to raise ongoing financing as needed; however, there is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

#### **c. Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for where IFRS requires recognition at fair value.

Certain figures for the prior year have been reclassified to conform to the current year's presentation.

#### **d. Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

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#### **e. Significant estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its estimates and assumptions in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the allowance for doubtful accounts, fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

#### **f. Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying to accounting policies. The most significant judgments applying to the Company's financial statements include:

- (i) Going concern – The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the upcoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances.
- (ii) Revenue recognition – The Company derives revenues from several sources. Significant management judgements must be made in connection with and determination of the timing of revenue to be recognized.
- (iii) Share-based payments - The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, number of awards that will eventually vest, volatility, dividend yield and forfeiture rate and making assumptions about them. Expected volatility is estimated by considering historic average share price volatility of the Company and comparable companies for periods that exceeds the Company's trading.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Revenue recognition**

The Company derives revenues from three main sources: (1) product subscription to access Platform<sup>3</sup>, (2) program builds where additional customized applications are requested beyond the standard support that is included in the basic subscription fee, and (3) related professional services such as project management, implementation services and training.



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Revenue is recognized when all of the following conditions are met:

- (i) The amount of revenue can be measured reliably;
- (ii) It is probable that the economic benefits associated with the transaction will flow to the Company;
- (iii) The stage of completion of the transaction can be measured reliably; and
- (iv) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

*Subscription Revenues*

Product subscription revenues are recognized straight-lined over the contract terms beginning on the commencement date of each contract, which is the date the service is made available to customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

*Multiple-Deliverable Arrangements*

Multiple-deliverables included in an arrangement are separated into components and the relative fair value is allocated to the identified components of the arrangement. Generally, such contracts may include product subscription, customized applications, and other professional services. If the deliverables have standalone value upon delivery, each deliverable is accounted for separately. Product subscription is generally sold separately and has a standalone value. Customized applications will be valued on its own based on the services required and deliverables. For other professional services, such as training and project management, a time and material charge may be charged for the time spent. Consideration will also be made based on availability of the services from other vendors, the nature of the professional services, and the timing of when the professional services contract was signed in comparison to the product subscription service start date.

**b. Equipment**

Equipment is stated at cost, less accumulated depreciation. Depreciation is calculated using the declining balance method applying the following annual rates:

Computer equipment	55%
Furniture and equipment	20%
Leasehold improvements	3 years straight-line

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

**c. Impairment of assets**

At the end of each reporting period, the Company assesses all cash generating units to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less cost to sell or value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

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In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

**d. Financial assets**

Financial assets are classified into one of four categories:

- (i) Fair value through profit or loss;
- (ii) Held-to-maturity;
- (iii) Available-for-sale; and
- (iv) Loans and receivables.

*Fair value through profit or loss*

A financial asset is classified at fair value through profit or loss ("FVTPL") if it is classified as held for trading, derivatives not held for hedging purpose or is designated as such upon initial recognition. Financial assets are designated as FVTPL, if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

*Held-to-maturity*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Subsequent to initial recognition, these assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

*Available-for-sale*

Non-derivative financial assets not included in the above categories are classified as available-for-sale ("AFS"). They are carried at fair value with changes therein, other than impairment losses, interest calculated using the effective interest method and foreign currency differences on AFS monetary items, recognized in other comprehensive income or loss. When an investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in equity is transferred to profit or loss for the period.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence of the following:

- Significant financial difficulty of the issue or counterparty;

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(Unaudited - Expressed in Canadian Dollars)

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- Default or delinquency in interest or principal payments; or
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

*Derecognition of financial assets*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred, and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

**e. Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost.

*Financial liabilities at amortized cost*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified trade payables at amortized cost.

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*Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**f. Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Warrants that are part of units are assigned value based on the residual value method.

Share-based payment reserves include charges related to the fair value of share-based payments until such equity instruments are exercised, in which case the amounts are transferred to share capital.

**g. Loss per share**

Basic loss per share is computed by dividing the loss for the year by the weighted average number of ordinary shares outstanding for the relevant year.

Diluted earnings per share is computed by dividing the loss for the year by the sum of the weighted average number of ordinary shares issued and outstanding and all additional ordinary shares that would have been outstanding if potentially dilutive instruments were converted and the proceeds used to repurchase outstanding shares. For the six months ended June 30, 2018 and 2017, the potentially diluted loss per share was the same as the basic loss per share since the effect of the outstanding share purchase options and warrants would have been anti-dilutive.

**h. Research and development expenses**

Research and development expenses that do not meet the criteria for recognition as intangible assets are recorded as expenses. Development expenses are recognized as intangible assets when they meet the criteria for recognition. No research and development expenses have been recorded as intangible assets as at June 30, 2018 and 2017.

**i. Income taxes**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings; and, differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

To date, no deferred tax assets have been recognized. Actual results could differ from expectations.

**j. Share-based payments**

Equity-settled share-based payments for employees including directors and officers are measured at fair value at the date of grant and recorded over the vesting period as share-based compensation expense in the financial statements. The fair value determined by using the Black-Scholes Option Pricing Model at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period of each tranche separately based on the Company's estimate of shares that will eventually vest factoring in any forfeitures. The amount recognized as an expense is adjusted to reflect the number of awards for which

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the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital.

Compensation expense on stock options granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be measured reliably, the value is measured by reference to the fair value of the equity instruments granted by use of the Black-Scholes Option Pricing Model.

In order to determine the fair value using the Black-Scholes Option Pricing Model, the expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

**k. Comprehensive loss**

Comprehensive loss is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net loss and other comprehensive loss. The historical make up of net loss has not changed. Other comprehensive loss includes gains or losses, which generally accepted accounting principles requires be recognizing in a period but excluding from net loss for that period. The Company had no other comprehensive loss during the six months ended June 30, 2018 and 2017.

**l. Foreign exchange**

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rates prevailing at the closing date. Non-monetary items are translated at the historical rates of exchange. Revenues and expenses are translated at the rates of exchange in effect on the transaction date or at the average exchange rates for the period. The resulting foreign exchange gains or losses are recognized in profit and loss.

**m. Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**n. Government assistance**

Government assistance, including investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions.

**o. Accounting standards issued but not yet effective**

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its financial statements:

- *IFRS 9 Financial Instruments*

*IFRS 9 Financial Instruments* was issued in July 2014 and addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 – Financial Instruments – Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. The new standard also addresses financial liabilities and they largely carry forward existing requirements in IAS 39, except that fair value changes to credit risk for liabilities designated at fair value through profit and

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loss would generally be recorded in other comprehensive income. This standard is required to be applied for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

- **IFRS 2 Share-based payment**  
The IASB issued has published amendments to IFRS 2, Share-based Payment. The new requirements could affect the classification and/or measurement of cash settled share-based payments, classification of share-based payments settled net of tax advantage, and share-based payment from cash-settled to equity settled – and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments apply for annual periods beginning on or after January 1, 2018.
- **IFRS 15 Revenue from contracts with customers**  
This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.
- **IFRS 16 Leases**  
This new standard replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Certain other accounting standards or amendments to existing accounting standards were issued but the Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

#### **4. CAPITAL MANAGEMENT**

The Company’s objective is to maintain a strong capital base to maintain customer, supplier, investor, creditor, and market confidence and to sustain future development of the business and increase shareholder value through organic growth and strategic acquisitions. As of June 30, 2018, the Company’s capital was (\$414,930) (December 31, 2017 - \$363,080) and is defined by the Company as shareholders’ equity. The Company’s management believes it could issue new shares or raise new debt, increase sales, improve existing products and develop new products to maintain or strengthen its capital structure.

There were no changes in the Company’s approach to capital management during the current year.

The Company is not subject to any externally imposed capital requirements.

#### **5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

##### **a. Financial instruments**

The fair value of the Company’s financial assets and liabilities approximate their carrying value due to their short-term nature.

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The Company's financial assets and liabilities are classified and measured as follows:

Asset/Liability	Category	Measurement
Cash	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Trade payables	Other financial liability	Amortized cost
Due to related parties	Other financial liability	Amortized cost

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

As at June 30, 2018 and December 31, 2017, the Company measures its cash at fair value on a reporting period basis using Level 1 indicators. The fair value of cash is determined by reference to non-restricted funds available to the Company.

During the six months ended June 30, 2018 and December 31, 2017, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

**b. Financial instrument risk exposure and management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk through budgeting, ongoing management and forecasting of operating cash flows, reviews of trade receivables, management of cash, and use of equity financings when appropriate. The Company believes that it will generate sufficient funds from operations and financing activities to cover the expected short and long-term cash requirements.

*Currency risk*

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. The Company's functional and reporting currency is the Canadian dollar. The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to the United States dollar ("USD") as some of the Company's revenues and expenses are in USD. To limit the impact of fluctuations of the Canadian dollar over the foreign currencies, the Company matches, in general and when possible, the cash receipts in a foreign currency with the cash disbursements in the same foreign currency. The Company does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

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*Credit risk*

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. Trade receivables are the most significant financial instrument that is exposed to credit risk. The Company provides credit to its customers in the normal course of operations. To minimize this risk, the Company grants credit to creditworthy customers and requires a portion of payment in advance. The Company believes that its exposure to credit risk is low, at present, due to a small number of customers. The maximum exposure to loss arising from trade receivables is equal to their total carrying amounts.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Management does not believe that the Company is exposed to any material market risk.

**6. EQUIPMENT**

	Computer Equipment			Furniture and Equipment			Leasehold Improvement (construction in progress)			Total
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance - December 31, 2016	46,887	(42,401)	4,486	20,779	(15,743)	5,036	-	-	-	9,522
Additions	7,440	-	7,440	279	-	279	-	-	-	7,719
Depreciation	-	(4,338)	(4,338)	-	(1,036)	(1,036)	-	-	-	(5,374)
Balance - December 31, 2017	54,327	(46,739)	7,588	21,058	(16,779)	4,279	-	-	-	11,867
Additions	1,713	-	1,713	-	-	-	9,726	-	9,726	11,439
Depreciation	-	(7,391)	(7,391)	-	(615)	(615)	-	-	-	(8,006)
Balance - June 30, 2018	56,040	(54,130)	1,910	21,058	(17,394)	3,664	9,726	-	9,726	15,300

**7. SHARE CAPITAL****a. Authorized share capital**

Unlimited common shares, voting, with no par value.

**b. Changes in issued share capital**

On May 23, 2017, the Company completed a share consolidation of ten (10) pre-consolidated common shares for one (1) post-consolidated common share. All share amounts are stated on a post-consolidation basis.

During the years ended December 31, 2017 and 2016, and for the six months ended June 30, 2018, changes in issued share capital was as follows:

On March 14, 2016, the Company completed a non-brokered private placement of 366,667 units of the Company at \$0.75 per unit for gross proceeds of \$275,000. Each unit consists of one common share of the Company and one-half of a warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$1.00 per warrant until March 14, 2018. The warrants were allocated a fair value



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of \$35,500. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.56%, expected life of 2 years, volatility of 77.44% and no expected dividends.

On April 21, 2016, the Company issued 80,000 Restricted Share Units ("RSUs") at a fair value of \$56,000. The RSU's were converted to common shares of the Company on June 14, 2016. Accordingly, the Company reallocated \$56,000 from the share-based payment reserve to share capital.

On May 3, 2016, the Company completed a non-brokered private placement of 366,667 units of the Company at \$0.75 per unit for gross proceeds of \$275,000. Each unit consists of one common share of the Company and one-half of a warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$1.00 per warrant until May 3, 2018. The warrants were allocated a fair value of \$40,500. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.68%, expected life of 2 years, volatility of 76.90% and no expected dividends. Finder's fees of \$1,000 were paid from the gross proceeds.

On November 24, 2016, the Company completed a non-brokered private placement of 2,000,330 units of the Company at \$0.50 per unit for gross proceeds of \$1,000,165. Each unit consists of one common share of the Company and one-half of a warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.75 per warrant until November 24, 2018. The warrants were allocated a fair value of \$100,100. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.68%, expected life of 2 years, volatility of 77.99% and no expected dividends. If the volume weighted average price of the Company's common shares exceeds \$3.00 for any 20 consecutive trading days and the shares trade on at least 10 of such trading days, the Company shall be entitled to accelerate the expiry of the warrants to a date that is 30 days following notice of such acceleration. To December 31, 2016 and 2017, the Company has not met the accelerated exercise criterion. Finder's fees of \$61,544 were paid from the gross proceeds.

During the year ended December 31, 2016, 30,000 common shares were issued from the exercise of options for gross proceeds of \$45,000. Accordingly, the Company reallocated \$12,000 from the share-based payment reserve to share capital.

During the year ended December 31, 2017, the Company issued 266,478 common shares at a fair value of \$109,239 to settle trades payables totaling \$133,239. Accordingly, the Company recorded a gain on settlement of \$24,000.

On March 1, 2017, the Company issued 20,000 RSUs to a consultant at a fair value of \$8,000. As of December 31, 2017, the RSU's have not been converted to common shares of the Company.

On June 13, 2017, the Company completed a non-brokered private placement of 2,579,666 units of the Company at \$0.30 per unit for gross proceeds of \$773,900. Each unit consists of one common share of the Company and one warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.60 per warrant until June 13, 2022. The warrants were allocated a fair value of \$489,300. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.15%, expected life of 5 years, volatility of 76.6% and no expected dividends. Finder's fees of \$30,885 were paid from the gross proceeds.

On September 15, 2017, The Company issued 250,000 RSUs to a consultant at a fair value of \$41,250.

On November 20, 2017, the Company completed a private placement of 11,211,834 units for gross proceeds of \$1,177,243. Each unit consists of one common share of the Company and one-half warrant. Each warrant

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entitles the holder to purchase one additional common share in the capital of the Company at a price of \$0.20 per warrant until November 20, 2019. The Company also issued 553,995 finder's warrants. Each finder's warrant entitles the holder to purchase one finder's unit in the capital of the Company at a price of \$0.105. Each finder's unit consists of one common share and one-half warrant. Each warrant will entitle the holder to purchase one additional share in the Company at a price of \$0.20 per share until November 20, 2019. The warrants were allocated a fair value of \$451,900 and the finder's warrants were allocated a fair value of \$44,700. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.68%, expected life of 2 years, volatility of 84.12% and no expected dividends. Finder's fees consisted of the issuance of 203,000 common shares at a fair value of \$21,315 and the Company incurred share issuance costs of \$92,466.

On January 10, 2018, the Company granted 1,775,778 fully vested RSUs, which were converted to common shares of the Company, to the Executive Chairman and the Chief Executive Officer.

On May 15, 2018, the Company granted 79,222 fully vested RSUs and 185,000 stock options exercisable at \$0.11 to the Chief Financial Officer.

**c. Share-based payment reserve**

The share-based payment reserve records items recognized as share-based compensation expense and the fair value of warrants issued based on the residual method. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital.

**d. Restricted share unit plan**

The Company has adopted a RSU plan. The RSU Plan was designed to provide certain directors, officers, other key employees and consultants of the Company and its related entities with the opportunity to acquire RSUs of the Company to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the shareholders. As at June 30, 2018, the Company has nil RSUs available to be issued (to a maximum of 1,875,000) under the RSU Plan.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSU's. The fair value of RSU's issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon conversion of the RSU, the carrying amount is recorded as an increase in common share capital and a reduction in the share-based payment reserve.

**e. Share option plan**

The Company has adopted a fixed share option plan (the "Fixed Share Option Plan"). Under the Fixed Share Option Plan, as amended on December 22, 2017, a total of 1,875,000 (previously 13,000,000 pre-consolidation) common shares of the Company are reserved for share incentive options to be granted at the discretion of the Company to its directors, officers, management, employees, or consultants.

**f. Stock options**

Summary of the Company's stock options:

	Number	Weighted average exercise price
		\$
December 31, 2016	767,696	0.17
Cancelled	(89,500)	0.17

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Exercised	(124,196)	0.17
Granted	41,000	0.17
December 31, 2017	595,000	0.17
Cancelled	(36,000)	0.13
Expired	-	-
Granted	1,280,000	0.13
June 30, 2018	1,839,000	0.14

The following weighted average assumptions were used in calculating the fair value of stock options granted during the year using the Black-Scholes Option Pricing Model:

	June 30, 2018	December 31, 2017
Risk-free interest rate	2.05%	1.36%
Expected life	5 years	5 years
Expected volatility	114%	77%
Dividend rate	0%	0%
Average share price at date of grant	\$0.13	\$0.36

During the year ended December 31, 2016, the Company granted 257,000 stock options with a fair value of \$89,436, which was recognized as share-based compensation. The fair value of each option is accounted for over the period of the options and the related credit is included in share-based payment reserve. The Company also recorded \$7,672 in share-based compensation for stock options issued during the year ended December 31, 2016, which vested in the current year. During the year ended December 31, 2017, the Company repriced previously granted stock options, resulting in a further \$89,626 in share-based compensation.

During the year ended December 31, 2017 the Company granted 41,000 stock options with a fair value of \$13,683, which was recognized as share-based compensation. The fair value of each option is accounted for over the period of the options and the related credit is included in share-based payment reserve.

During the six months ended June 30, 2018, the Company granted 1,280,000 stock options with a fair value of \$138,950, which will be recognized as share-based compensation over the period. The fair value of each option is accounted for over the period of the options and the related credit is included in share-based payment reserve. During the same period, the Company also repriced the exercise price of a total of 595,000 stock options to certain insiders of the Company and their associates from \$0.75 to \$0.17 per share.

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The table below summarizes information on stock options:

Outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price	Exercisable options
		\$	
315,000	1.35	0.17	315,000
1,000	1.79	0.17	1,000
4,000	2.35	0.17	3,543
82,500	2.82	0.17	82,500
15,000	2.92	0.17	15,000
7,000	3.00	0.17	4,679
137,500	3.05	0.17	137,500
2,000	3.34	0.17	1,107
10,000	3.67	0.17	4,438
20,000	4.01	0.17	6,648
1,060,000	4.63	0.13	132,621
185,000	4.88	0.11	9,326
1,839,000	3.85	0.14	713,363

**g. Warrants**

The table below summarizes information on warrants:

	Number	Weighted average exercise price	Weighted average remaining contractual life (years)
		\$	
December 31, 2016	21,281,816	1.24	0.31
Share purchase warrants	8,739,576	0.32	2.67
Expired	(761,350)	2.00	-
December 31, 2017	10,106,407	0.39	2.40
Expired	(366,666)	0.10	-
June 30, 2018	9,739,741	0.36	1.97

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**8. RELATED PARTY TRANSACTIONS**

During the periods ended June 30, 2018 and 2017, compensation of key management personnel and related parties were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Remuneration, fees and short-term benefits	164,401	159,333	332,312	310,333
Total	164,401	159,333	332,312	310,333

The remuneration, fees and short-term benefits were allocated to cost of sales, general and administrative, sales and marketing, and research and development expenses.

The remuneration, fees and short-term benefits include consulting fees accrued to the Chief Executive Officer and Chief Financial Officer of the Company; salaries accrued to the Chief Technical Officer of the Company; and consulting fees accrued to the directors of the Company. The employment agreements and consulting agreement with the Chief Executive Officer, Chief Technology Officer, and Chief Financial Officer were ratified by the Board of Directors and are reviewed periodically.

As at June 30, 2018, \$117,833 (December 31, 2017 - \$18,030) was due to related parties, of which \$112,457 (December 31, 2017 - \$7,622) has been recorded in trade payables and \$5,376 (December 31, 2017 - \$10,408) has been recorded in accrued liabilities for unpaid compensation and director fees. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

**9. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment. The summarized financial information for the revenue derived by geographic segment is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Canada	108,812	34,793	235,703	84,962
United States	283,955	321,727	545,324	474,294
Total revenues	392,767	356,520	781,027	559,256

During the six months ended June 30, 2018, a total of \$195,205 (2017 - \$276,159) accounted for revenue from 2 (2017 - 3) customers (based in the United States) that each constituted more than 10% of total revenues, comprising 25% (2017 - 49%) of the total during the period.

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**10. SUPPLEMENTAL CASH FLOW INFORMATION**

	Six Months Ended June 30,	
	2018	2017
Net changes in working capital items:	\$	\$
Accounts receivable	(23,994)	(62,228)
Prepaid and other assets	(69,280)	57,262
Trade payables and other liabilities	242,902	91,597
Deferred revenue	216,790	140,952
Total	366,418	227,583

**11. TRADE PAYABLES AND OTHER LIABILITIES**

	June 30, 2018	December 31, 2017
	\$	\$
Trade payables (Note 8)	596,164	335,888
Accrued liabilities (Note 8)	44,366	61,740
Total	640,530	397,628

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**12. OPERATING EXPENSES**

The following table presents the Company's operating expenses by nature for the year:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of sales	\$	\$	\$	\$
Consulting fees	12,456	13,691	25,292	19,927
Wages & salaries	65,538	28,182	114,973	55,531
Hosting and other overhead	86,493	85,314	132,361	105,614
Total	164,487	127,187	272,626	181,072
General and administrative				
Consulting fees	35,053	5,000	72,195	20,000
Wages and salaries	49,862	62,563	100,356	143,843
Professional fees	5,632	2,500	5,632	4,683
Office and other overhead	129,664	302,355	301,116	493,190
Total	220,211	372,418	479,299	661,716
Sales and marketing				
Consulting fees	131,780	86,839	304,187	154,518
Wages and salaries	74,135	103,702	151,880	212,771
Travel and entertainment	8,191	3,002	12,185	7,842
Advertising and licenses	16,017	45,516	32,911	61,096
Total	230,123	239,059	501,163	436,227
Research and development				
Salary and consulting	161,739	148,464	301,116	214,476
Share-based payments	65,388	4,259	383,136	17,499

**13. SUBSEQUENT EVENTS**

On August 8, 2018, the Company completed a non-brokered private placement of 13,569,865 units of the Company (the "Units") at \$0.105 per Unit for gross proceeds of approximately \$1,424,835 (the "Offering"). Each Unit consists of one common share in the capital of the Company (a "Share") and one-half of a share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share in the capital of the Company (a "Warrant Share") at a price of \$0.20 per Warrant Share for a period of two years from the closing of the Offering. The Company will be entitled to accelerate the expiry date of the Warrants to the date that is 30 days following the date a news release is issued announcing the accelerated expiry date in the event that the volume weighted average price of the Shares has been greater than \$0.40 for any ten consecutive trading days after four months and one day after closing of the Offering ("Accelerated Expiry"). The Company has paid eligible finders a cash commission in the aggregate amount of \$48,469.58 on the Offering within the amount permitted by the policies of the TSX Venture Exchange (the "Exchange"). In addition, 110,000 Units were issued to an eligible finder along with 110,000 non-transferable finder's warrants (the

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“Finder’s Warrants”), each Finder’s Warrant will entitle the holder to purchase one additional common share in the capital of the Company (a “Finder’s Warrant Share”) at a price of \$0.20 per Finder’s Warrant Share for a period of two years from the closing of the Offering, subject to Accelerated Expiry. Another eligible finder also received 66,710 Finder’s Warrants. 380,905 finder’s unit warrants were also issued to eligible finders (the “Finder’s Unit Warrants”). Each Finder’s Unit Warrant entitles the holder to purchase one unit of the Company (a “Finder’s Unit”) at a price of \$0.20 per Finder’s Unit. Each Finder’s Unit will consist of one common share in the capital of the Company (a “Finder’s Unit Share”) and one-half of a share purchase warrant (each whole warrant, a “Finder’s Unit Warrant”). Each Finder’s Unit Warrant will entitle the holder to purchase one additional common share in the capital of the Company (a “Finder’s Unit Warrant Share”) at a price of \$0.20 per Finder’s Unit Warrant Share for a period of two years from the closing of the Offering, subject to Accelerated Expiry. Two insiders of the Company subscribed to 758,690 Units which participation is considered as “related party transactions” as such term is defined by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Company is relying on an exemption from the requirement to obtain formal valuation and minority shareholder approval as the fair market value of the participation in the Offering by the insiders does not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101.