

**PORTLOGIC SYSTEMS INC.
ISSUER'S ANNUAL REPORT**

For the annual period ended May 31, 2017

ISSUER'S EQUITY SECURITIES

Preference Stock
Series A Preferred Stock
\$0.001 par value per share
0 shares outstanding as of May 31, 2017

Common Stock
Class A Common Stock
\$0.001 par value per share
150,240,184 shares outstanding as of May 31, 2017

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PORTLOGIC SYSTEMS INC.

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PORTLOGIC SYSTEMS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MAY 31, 2017 AND MAY 31, 2016
(Amounts expressed in US Dollars)

| | May 31, 2017 | May 31, 2016 |
|--|------------------|------------------|
| ASSETS | \$ | \$ |
| Current | | |
| Cash and cash equivalents | 3,769 | 400 |
| Loan receivable, net of allowance for doubtful accounts of \$0 at May 31, 2017 and May 31, 2016 | 7,850 | 7,850 |
| Prepaid expenses and deposits | 7,588 | 6,255 |
| | 19,207 | 14,505 |
| Other assets | 48,212 | 48,212 |
| TOTAL ASSETS | 67,419 | 62,717 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | 252,163 | 261,750 |
| Short term loans | 23,025 | 23,025 |
| New convertible loans | 305,230 | 637,230 |
| Shareholder loan | - | 36,072 |
| Other loan | 2,550 | 2,550 |
| Convertible loan | 7,000 | 7,000 |
| | 589,968 | 967,627 |
| STOCKHOLDERS' DEFICIENCY | | |
| Capital stock | | |
| Preference stock; \$0.001 par value; 1,000,000 shares authorized; 0 issued and outstanding at May 31, 2017 and May 31, 2016 | - | - |
| Common stock; \$0.001 par value; 225,000,000 shares authorized; 150,240,184 issued and outstanding at May 31, 2017 and 33,525,784 issued and outstanding at May 31, 2016 | 150,240 | 33,525 |
| Additional paid in capital | 925,633 | 578,775 |
| Unamortized stock-based compensation for stockholders | (5,000) | - |
| Accumulated deficit | (1,593,422) | (1,517,210) |
| | (522,549) | (904,910) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY | 67,419 | 62,717 |

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

PORTLOGIC SYSTEMS INC.**CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED MAY 31, 2017 AND 2016**

(Amounts expressed in US Dollars)

| | For the Year ended May 31, 2017 | For the Year ended May 31, 2016 |
|--|---------------------------------------|---------------------------------------|
| | \$ | \$ |
| Gross margin | | |
| Revenue | - | - |
| Cost of goods sold | - | - |
| | - | - |
| Expenses | | |
| Selling and administrative | 76,212 | 65,180 |
| Depreciation | - | - |
| | 76,212 | 65,180 |
| Net loss for the period | (76,212) | (65,180) |
| Net loss per share for the period | | |
| Basic | (0.00065) | (0.00209) |
| Fully diluted | (0.00065) | (0.00208) |
| Weighted average number of shares outstanding | | |
| Basic | *117,645,442 | *31,157,976 |
| Fully diluted | *117,845,442 | *31,315,236 |

* Reflects the 1:750 reverse common stock split effective March 16, 2015 on a retroactive basis.

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

PORTLOGIC SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR
ENDED MAY 31, 2017 AND 2016
(Amounts expressed in US Dollars)

| | For the year ended May 31, 2017 | For the year ended May 31, 2016 |
|--|--|--|
| | \$ | \$ |
| Cash Flows from Operating Activities | | |
| Net (Loss)/ Profit | (76,212) | (65,180) |
| Adjustments made to reconcile net loss to net cash from operating activities | | |
| Changes in operating assets and liabilities | | |
| Increase (decrease) in prepaids | (1,333) | - |
| Increase (decrease) in accounts payable and accrued liabilities | (9,587) | 25,130 |
| Cash flows used in operating activities | (87,132) | (40,050) |
| Cash Flows from Investing Activities | | |
| Purchase of equipment | - | - |
| Cash flows used in investing activities | - | - |
| Cash Flows from Financing Activities | | |
| Proceeds from new convertible loans | 14,000 | 39,294 |
| Conversion of convertible loans | (346,000) | (215,000) |
| Conversion of shareholder loan | (36,072) | - |
| Proceeds from issuance of common stock | 458,573 | 215,000 |
| Cash flows provided by financing activities | 90,501 | 39,294 |
| Increase (decrease) in cash and cash equivalents | 3,369 | (756) |
| Cash and cash equivalents, beginning of period | 400 | 1,156 |
| Cash and cash equivalents, end of period | 3,769 | 400 |

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

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Portlogic Systems Inc. (“Portlogic”) was incorporated under the laws of the State of Nevada on June 22, 2004. On June 5, 2008, Portlogic filed a Form S-1 Registration Statement under the United States Securities Act of 1933. It became effective June 24, 2008.

Portlogic is a Toronto, Canada based technology company with enterprise mobile marketing applications solutions, kiosk hardware and software products which fall into six principal product families: m2Meet, m2Bank, m2Market, m2Ticket, m2Kiosk, and m2Workflow. Prior to January 2010, Portlogic created and licensed online interactive community portal software systems and developed a series of web-based community portal products.

On September 16, 2009, Portlogic incorporated a wholly-owned subsidiary, Sunlogic Energy Corporation in Panama City, Republic of Panama for the purpose of looking at solar and alternative green energy software and products. Sunlogic Energy Corporation is still incorporated as a subsidiary but its operations are on hold.

On June 18, 2012, Portlogic incorporated a wholly owned subsidiary, VOIP 1, Inc. under the laws of the State of Nevada. VOIP 1, Inc. specializes in data and voice telecommunications technologies. VOIP 1 began earning revenues in September 2012.

In August 2015, Portlogic started development on a high definition video server platform.

The consolidated financial statements include Portlogic and its subsidiary (herein after referred to collectively as the “Company”). All intercompany balances and transactions have been eliminated on consolidation.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for consolidated financial information. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

NOTE 2. GOING CONCERN

The consolidated financial statements are presented on a going concern basis which contemplates the realization of assets and discharge of obligations in the normal course of business as they come due. Accordingly, they do not include any adjustments relating to the realization of the carrying value of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has incurred losses from inception and, during the year ended May 31, 2017, the Company utilized \$87,132 (May 31, 2016 - \$40,050) of cash in operations. At May 31, 2017, the Company reported a deficit of \$1,593,422 and continues to expend cash in amounts that exceed revenues. These conditions cast substantial doubt on the ability of the Company to continue as a going concern and meet its obligations as they come due. Management is considering various alternatives and is pursuing raising additional capital resources. Nevertheless, there can be no assurance that these initiatives if undertaken will be successful.

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 2. GOING CONCERN (cont'd)

The Company has shifted its focus to specializing in mobile applications solutions marketing, and data and telecommunications technology. The Company also develops a series of web-based community portal products as well as a series of off-the-shelf template based websites. The Company's continuance as a going concern is dependent on the commercialization of more of the Company's products and the achievement of profitable operations as well as the success of the Company in raising additional long-term financing through debt or equity offerings. In the event that the Company is not successful in these efforts, the assets may not be realized or liabilities discharged at their carrying amounts, and differences from the carrying amounts reported in these consolidated financial statements could be material.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position as of May 31, 2017 and the results of operations, and cash flows presented herein have been included in the consolidated financial statements. All such adjustments are of a normal and recurring nature.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant judgment include the expected life of equipment, the net realizable value of accounts receivable, the completeness of expense accruals, as well as income taxes and loss contingencies. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents comprise highly liquid instruments with a maturity of three months or less when purchased. As at May 31, 2017, cash equivalents amounted to \$Nil (May 31, 2016 - \$Nil).

Asset Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows that are expected to result from the use of the asset and its eventual disposition.

Advertising Costs

Advertising costs are expensed as incurred and included as part of selling and administrative expenses. Advertising costs amounted to \$1,200 for the year ended May 31, 2017 (May 31, 2016 - \$Nil).

Revenue Recognition

The Company recognizes revenue at the point of passage to the customer of title and risk of loss when there is persuasive evidence of an arrangement, the sales price is determinable, and collection of the resulting receivable is reasonably assured.

Service revenues are generally recognized at the time of performance. Revenues billed in advance under contracts are deferred and recognized over the corresponding service periods.

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currency Translation

The Company maintains its accounting records in US dollars, which is its functional and reporting currency. At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the functional currency by the use of the exchange rate in effect at that date. At the period end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in operations. Foreign exchange loss amounted to \$Nil for the year ended May 31, 2017 (May 31, 2016 - \$Nil).

Income Taxes

The Company accounts for its income taxes in accordance with ASC 740, "Income Taxes", which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that the deferred tax assets will not be realized.

Earnings (Loss) per Share

The Company reports earnings (loss) per share in accordance with ASC 260, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of the convertible loan into common shares would have an anti-dilutive effect.

Comprehensive Income

The Company has adopted ASC 220, "Comprehensive Income," which establishes standards for reporting and the display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners or distributions to owners. Among other disclosures, the standard requires that all items that are required to be recognized under the current accounting standards as a component of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income would be displayed in the statement of shareholders' equity and in the balance sheet as a component of shareholders' equity (deficiency). The Company had no other comprehensive income (loss) for the year ended May 31, 2017 and May 31, 2016. As such, net loss is equivalent to total comprehensive loss.

Financial Instruments and Risk Concentrations

The Company's financial instruments comprise cash and cash equivalents, loan receivables, accounts payable and accrued liabilities, notes payable and convertible loan. Unless otherwise indicated, the fair value of financial assets and financial liabilities approximate their recorded values due to their short-terms to maturity. The Company determines the fair value of its long-term financial instruments based on quoted market values or discounted cash flow analyses.

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments and Risk Concentrations (cont'd)

Financial instruments that may potentially subject the Company to concentrations of credit risk comprise primarily cash and cash equivalents and accounts receivable. Cash and cash equivalents comprise deposits with major commercial banks and/or checking account balances. With respect to accounts receivable, the Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. Allowances are maintained for potential credit losses consistent with the credit risk of specific customers and other information. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or currency risks in respect of its financial instruments.

Leases

Leases entered into by the Company as a lessee are classified as capital or operating leases. Leases that transfer substantially the entire risks and benefits incidental to ownership are classified as capital leases. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value at the beginning of each lease. Rental payments under operating leases are expensed as incurred.

Stock-Based Compensation

The Company has adopted SFAS 123 (Revised), "Share Based Payment," which requires the Company to measure the cost of employee and non-employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee or a non-employee is required to provide service in exchange for the award-the requisite service period. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. The grant-date fair value of employee and non-employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments.

NOTE 4. FAIR VALUE MEASUREMENTS

Beginning June 1, 2008, the Company partially applied accounting standard, "Fair Value Measurements," codified as ASC 820. The standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

In addition to defining fair value, the standard expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 Assets or liabilities for which fair value is based on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS (cont'd)

Fair Value Measurements Using

| | Assets/Liabilities | | | At Fair Value |
|---------------------------|---------------------------|----------------|---------------|----------------------|
| | Level 1 | Level 2 | Level3 | |
| Asset | | | | |
| Cash and cash equivalents | \$3,769 | \$ - | - | \$ 3,769 |
| Loan receivable | - | - | \$ 7,850 | \$ 7,850 |
| Liability | | | | |
| Short term loans | - | - | \$ 23,025 | \$ 23,025 |
| New convertible loans | - | - | \$ 305,230 | \$ 305,230 |
| Other loan | - | - | \$ 2,550 | \$ 2,550 |
| Convertible loan | - | - | \$ 7,000 | \$ 7,000 |

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | May 31, 2017 | May 31, 2016 |
|----------------------------|---------------------|---------------------|
| | \$ | \$ |
| Audit and review | - | 24,900 |
| Bookkeeping and accounting | 612 | 15,112 |
| Directors fees | 7,500 | - |
| Consulting | 44,000 | 37,000 |
| IT | 48,000 | 48,000 |
| Other | 3,846 | (810) |
| Interest payable | 148,205 | 137,548 |
| | 252,163 | 261,750 |

NOTE 6. SHORT TERM LOANS

In the year ended May 31, 2014, the Company received short-term loans from two separate parties to help meet cash flow needs for operations. These are short term loans that the Company has already started repaying in installments. The aggregate balance payable on these short term loans is \$23,025 as of May 31, 2017 (May 31, 2016 - \$23,025).

NOTE 7. ASSIGNMENT AND NEW CONVERTIBLE LOANS

On October 11, 2012, the Company entered into a convertible loan agreement with Bedford International Ltd. for \$25,000 which was received on October 4, 2012 to meet cash flow needs for operations. On January 12, 2014, the Company received notice that this convertible loan was assigned to Haynes Gallo Wealth Management Ltd. by Bedford International. On May 8, 2015, the Company agreed to settle the convertible note in full by issuing 1,250,000 shares of common stock to Haynes Gallo Wealth Management at the conversion rate of \$0.02 per share. The common stock was issued on July 15, 2015.

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 7. ASSIGNMENT AND NEW CONVERTIBLE LOANS (cont'd)

On December 31, 2013, the Board of Directors approved to amend an existing \$636,546 in Notes Payable and New Loan to provide for conversion and assignment of outstanding amounts due and owing into shares of the Company's common stock. \$70,000 of the Notes Payable were loaned by separate third parties and therefore reclassified. On August 12, 2016, the Company entered into a debt conversion agreement whereby \$300,000 was elected to be converted into 60,000,000 shares of common stock at the conversion rate of \$0.005. The common stock was issued on August 26, 2016. On October 10, 2016, a further \$97,500 of the Notes Payable that had been assigned to third parties was converted. 19,500,000 shares of common stock were issued on December 7, 2016. Therefore, the total balance payable on this convertible loan is restated as \$169,046 as of May 31, 2017 (May 31, 2016 - \$566,546).

On December 3, 2013, the Company borrowed \$45,000, structured as a convertible loan, from KJV Property Group LLC to help meet cash flow needs for operations. On March 26, 2015, \$20,000 of this loan was assigned to Fenwood Capital LLC. On May 5, 2015, \$20,000 of this loan was elected to be converted into 1,000,000 shares of common stock at the conversion rate of \$0.02 per share. The common stock was issued on July 15, 2015. As of May 31, 2016, there is a balance remaining of \$5,000 payable on this convertible loan. Interest accrued on the \$40,000 prior loaned amounts has been written off. On October 16, 2014, the Company borrowed a further \$9,800 from KJV Property. On May 1, 2015, the Company entered into a Convertible Drawdown Loan Agreement with KJV Property, in consideration of a drawdown loan up to \$100,000 for funds advanced over a term of two years. Interest payable on the principal amount shall accrue at a fixed rate equal to the prime interest rate plus 2%. On June 4, 2015, the Company borrowed \$12,460 from the \$100,000 available to be drawn down. On January 11, 2017, the Company borrowed a further \$14,000. The total balance payable on this convertible loan is \$36,260 as of May 31, 2017 (May 31, 2016 - \$22,260).

On September 4, 2014, the Company borrowed \$12,390, structured as a convertible loan, from Fenwood Capital LLC to help meet cash flow needs for operations. On November 20, 2014, a further \$4,200 was borrowed. On August 18, 2015, a further \$10,000 was borrowed as a private placement for 200,000 common shares at \$0.05 per share. As of May 31, 2017, these common shares have not been issued. During the year ended May 31, 2017, a further \$51,500 was borrowed to help meet cash flow needs for operations. As of May 31, 2017, the total balance payable on this convertible loan is \$79,923 (May 31, 2016 - \$28,424).

On March 26, 2015, a convertible loan for \$20,000 was assigned to Fenwood Capital by another party. On May 5, 2015, Fenwood Capital elected to convert the loan into 1,000,000 shares of common stock at the conversion rate of \$0.02 per share. The common stock was issued on July 15, 2015.

On November 16, 2015, the Company borrowed \$15,000, structured as a convertible loan, from Haynes Gallo Wealth Management to help meet cash flow needs for operations. As of May 31, 2017, the total balance payable on this convertible loan is \$15,000 (May 31, 2016 - \$15,000).

Interest expense on all the above loans of the Company has been calculated to May 31, 2017 and amounted to \$11,799 for the year ended May 31, 2017 (May 31, 2016 - \$15,079) and is included in selling and administrative expense. As at May 31, 2017, accrued interest of \$147,848 (May 31, 2016 - \$137,548) is included in accounts payable and accrued liabilities.

NOTE 8. DEBT CONVERSION AGREEMENT

On March 30, 2015, the Company entered into a debt conversion agreement with the Chief Executive and Financial Officer whereby \$150,000 of Accounts Payable owed by the Company to the officer was converted to 30,000,000 shares of restricted common stock in full satisfaction of the \$150,000 amount owed. The restricted common stock was issued on June 22, 2015.

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 9. SHAREHOLDER LOAN

A shareholder of the Company advanced amounts to the Company as required to help meet cash flow needs for operations. The Company entered into a debt conversion agreement with the shareholder on August 9, 2016 whereby the total balance payable was converted to 7,214,400 shares of restricted common stock in full satisfaction of the loan. The restricted common stock was issued on August 22, 2016. Therefore, the total balance payable to the shareholder as of May 31, 2017 is \$Nil (May 31, 2016 - \$36,072).

NOTE 10. CONVERTIBLE LOAN

A convertible debenture, issued March 11, 2005, was unsecured, matured March 11, 2012 and carried interest at a rate of 10% per annum. The instrument is convertible at the option of the holder into common shares of the Company at a rate of \$0.05 per share, and may be redeemed at any time prior to maturity at the option of the holder, should certain conditions prevail. The holder of the debenture has signed agreements waiving interest accrued from March 11, 2005 through to March 10, 2017. This convertible debenture has not been repaid and is due on March 10, 2018.

NOTE 11. STOCK TRANSACTIONS *

Transactions, other than employees' stock issuance, are in accordance with paragraph 8 of SFAS 123 "Share Based Payment". Thus, issuances shall be accounted for on the fair value of the consideration received. Transactions with employees' stock issuance are in accordance with paragraphs (16-44) of SFAS 123. These issuances shall be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, or whichever is more readily determinable.

In January 2005, the Company issued a total of 23,605* shares of common stock to nine individuals for cash in the amount of \$0.1250 per share for a total of \$2,950.

On February 7, 2005, the Company issued a total of 800* shares of common stock to one individual for cash in the amount of \$0.25 per share for a total of \$200.

On May 26, 2005, the Company issued a total of 12,000* shares of common stock to one individual for cash in the amount of \$0.25 per share for a total of \$3,000.

In July 2005, the Company issued a total of 202,200* shares of common stock to nine individuals for cash in the amount of \$0.25 per share for a total of \$50,550.

On September 14, 2005, the Company issued a total of 10,000* shares of common stock to one director for cash in the amount of \$0.25 per share for a total of \$2,500.

On October 31, 2005, the Company issued a total of 17,920* shares of common stock in the amount of \$6.25 per share for a total of \$112,000, which was the fair value of the stock on date of issuance, in consideration for the purchase of source code software. A further \$40,000 in cash was also paid as consideration for this asset purchase agreement.

In April 2006, the Company issued a total of 240* shares of common stock to three individuals for cash in the amount of \$6.25 per share for a total of \$1,500.

In May 2006, the Company issued a total of 1,920* shares of common stock to five individuals for cash in the amount of \$6.25 per share for a total of \$12,000.

In June 2006, the Company issued a total of 250* shares of common stock to three individuals for cash in the amount of \$6.00 per share for a total of \$1,500.

On July 22, 2006, the Company issued a total of 82* shares of common stock to one individual for cash in the amount of \$6.09 per share for a total of \$500.

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 11. STOCK TRANSACTIONS * (cont'd)

On December 22, 2006, the Company issued a total of 250* shares of common stock to one individual for cash in the amount of \$6.00 per share for a total of \$1,500.

On February 22, 2007, the Company issued a total of 1,068* shares of common stock to one individual for cash in the amount of \$18.72 per share for a total of \$20,000.

In May 2007, the Company issued a total of 5,138* shares of common stock to three individuals for cash in the amount of \$32.99 per share for a total of \$169,500.

On January 10, 2008, the Company issued a total of 231* shares of common stock to one individuals for cash in the amount of \$43.29 per share for a total of \$10,000.

On April 11, 2012, the Company issued a total of 40* shares of common stock to a director in return for services. The market value of shares on the date of issuance was \$120.00 per share.

On April 11, 2012, the Company issued a total of 40* shares of common stock to another director in return for services. The market value of shares on the date of issuance was \$120.00 per share.

On June 22, 2015, pursuant to the Debt Conversion Agreement dated March 30, 2015, the Company issued 30,000,000 shares of restricted common stock to an officer of the Company in full satisfaction of \$150,000 of Accounts Payable owed to the officer for past services.

On July 15, 2015, pursuant to the Conversion Notice dated May 5, 2015, the Company issued 1,000,000 shares of common stock to Fenwood Capital LLC in the amount of \$0.02 per share for a total of \$20,000.

On July 15, 2015, pursuant to the Conversion Notice dated May 5, 2015, the Company issued 1,000,000 shares of common stock to KJV Property Group LLC in the amount of \$0.02 per share for a total of \$20,000.

On July 15, 2015, pursuant to the Conversion Notice dated May 8, 2015, the Company issued 1,250,000 shares of common stock to Haynes Gallo Wealth Management Ltd in the amount of \$0.02 per share for a total of \$25,000.

On August 22, 2016, the Company issued a total of 30,000,000 shares of restricted common stock to a director in return for services in the amount of \$0.001 per share for a total of \$30,000.

On August 22, 2016, pursuant to the Debt Conversion Agreement dated August 9, 2016, the Company issued 7,214,400 shares of restricted common stock to a shareholder of the Company in full satisfaction of \$36,072 loan owed to the shareholder.

On August 26, 2016, pursuant to the Conversion Notice dated August 12, 2016, the Company issued 60,000,000 shares of restricted common stock to Next Level Ltd in full satisfaction of a \$300,000 promissory note.

On December 7, 2016, pursuant to the Conversion Notice dated October 10, 2016, the Company issued 6,500,000 shares of common stock to one individual in full satisfaction of a \$32,500 promissory note.

On December 7, 2016, pursuant to the Conversion Notice dated October 10, 2016, the Company issued 6,500,000 shares of common stock to one individual in full satisfaction of a \$32,500 promissory note.

On December 7, 2016, pursuant to the Conversion Notice dated October 10, 2016, the Company issued 6,500,000 shares of common stock to one individual in full satisfaction of a \$32,500 promissory note

As of May 31, 2017, the Company had 150,240,184* share of common stock issued and outstanding.

** After giving retroactive effect of 1:750 reverse common stock split effective March 16, 2015*

PORTLOGIC SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2017
(Amounts expressed in US Dollars)

NOTE 12. UNAMORTIZED STOCK-BASED COMPENSATION FOR STOCKHOLDERS

On August 22, 2016, the Company issued 30,000,000 shares of its restricted common stock to a director of the Company in return for services. The stock-based compensation issued has been in the amount of \$0.001 per share for a total of \$30,000. The amount of this compensation is being amortized over twelve months starting August 9, 2016. The unamortized portion of this is \$5,000 as at May 31, 2017. \$25,000 has been expensed as directors' fees.

The total unamortized portion of stock-based compensation for stockholders is \$5,000 as at May 31, 2017 (May 31, 2016 - \$Nil).

NOTE 13. STOCKHOLDERS' DEFICIENCY

The stockholders' deficiency section of the Company contains the following classes of capital stock as of May 31, 2017:

Preferred stock: \$0.001 par value: 1,000,000 shares authorized and 0 shares issued and outstanding.

Common stock, \$0.001 par value; 225,000,000 shares authorized and 150,240,184* shares issued and outstanding.

The stockholders' deficiency section of the Company contains the following classes of capital stock as of May 31, 2016:

Preferred stock: \$0.001 par value: 1,000,000 shares authorized and 0 shares issued and outstanding.

Common stock, \$0.001 par value; 225,000,000 shares authorized and 33,525,784* shares issued and outstanding.

* After giving retroactive effect of the 1:750 reverse common stock split effective March 16, 2015.

NOTE 14. COMMITMENTS AND RELATED PARTY TRANSACTIONS

a) On June 25, 2008, the Company advanced \$9,807 to UOMO Media Inc. ("UOMO"). The director of the Company is also a director of UOMO. This advance was paid back to the Company on February 19, 2010. In April and May 2010, the Company advanced a total amount of \$13,500 as a temporary loan again. In June 2010, a further \$1,600 was advanced totaling the temporary loan to \$15,100. In August 2011, a payment of \$1,624 was applied against this loan. On September 11, 2011, a payment of \$490 was applied against this loan. In December 2011, payments of \$4,043 were further applied against this loan. On October 1, 2012, \$1,094 was repaid. As at May 31, 2017, \$7,850 remains receivable from UOMO (May 31, 2016 - \$7,850).

b) On May 1, 2007, an independent contractor agreement was entered into under which compensation of \$3,000 per month was to be paid to perform services as an officer to October 31, 2007. New agreements have been entered into with this contractor from November 1, 2007 to October 31, 2008 at \$3,000 per month. The agreement was continued on a month-to-month basis. On June 30, 2012, the Company entered into a new agreement with the independent contractor under which compensation of \$3,000 per month would be paid from July 1, 2012 to November 30, 2012. Then compensation of \$10,000 per month would be paid from December 1, 2012 through to June 30, 2014. The officer has waived compensation for the final month of the term. On March 30, 2015, the Company entered into a debt conversion agreement with the officer whereby \$150,000 of Accounts Payable owed by the Company to the officer for past services was converted to 30,000,000 shares of restricted common stock. Until another formal agreement was entered into, the officer agreed to accrue \$2,500 per quarter to provide services. On August 9, 2016, a director service agreement was entered into under which compensation of 30,000,000 restricted common stock and \$1,000 per month was to be paid to continue performing services as a director to August 8, 2017. The stock based compensation will be amortized over the twelve months, therefore, the related service fee for the year ended May 31, 2017 amounted to \$35,000 (May 31, 2016 - \$10,000).

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NOTE 14. COMMITMENTS AND RELATED PARTY TRANSACTIONS (cont'd)

- c) On March 10, 2014, a former officer issued a promissory note to the Company, in consideration of a loan of \$150,000 for funds advanced, over a term of two years. Proceeds from any repayment of the promissory note will be credited against start-up costs of our telecommunications operations. As of May 31, 2017, \$150,000 remains payable by the former officer.
- d) On August 31, 2016, an executive appointee agreement was entered into under which compensation of \$1,000 per month was to be paid to perform services as an officer. The related service fee for the year ended May 31, 2017 amounted to \$9,000 (May 31, 2016 - \$Nil).

NOTE 15. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after May 31, 2017 up through the date these financial statements were available for issuance. During this period, the Company did not have any other material recognizable subsequent events.

