

TOTALLY HIP TECHNOLOGIES INC.

Interim Consolidated Financial Statements
Six Months Ended March 31, 2017 and 2016
(Expressed in Canadian dollars)

TOTALLY HIP TECHNOLOGIES INC.

March 31, 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), 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 interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

TOTALLY HIP TECHNOLOGIES INC.

Interim consolidated statements of financial position
(Expressed in Canadian dollars)

	Note	March 31, 2017	September 30, 2016
<u>ASSETS</u>			
Current assets			
Cash		\$ 2,000	\$ -
Accounts receivables		5,737	-
Prepaid expenses		1,250	1,250
Total current assets		8,987	1,250
Non-current assets			
Property and equipment	3	5,729	7,161
Total assets		<u>\$ 14,716</u>	<u>\$ 8,411</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 2,185,245	\$ 1,934,064
Loans payable	5	109,606	199,389
Total liabilities		<u>2,294,851</u>	<u>2,133,453</u>
<u>SHAREHOLDERS' EQUITY (DEFICIT)</u>			
Share capital		11,005,441	10,405,441
Contributed surplus		1,060,827	977,734
Share subscription receivable		(475,000)	-
Deficit		<u>(13,871,403)</u>	<u>(13,508,214)</u>
Total shareholders' equity (deficit)		<u>(2,280,135)</u>	<u>(2,125,039)</u>
Total liabilities and shareholders' equity		<u>\$ 14,716</u>	<u>\$ 8,414</u>

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on May 30, 2017:

"Anthony J. Beruschi"

Anthony J. Beruschi, Director

"James Boyce"

James Boyce, Director

(The accompanying notes are an integral part of these consolidated financial statements)

TOTALLY HIP TECHNOLOGIES INC.

Interim consolidated statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Administrative Expenses				
Amortization	\$ -	\$ -	\$ 1,432	\$ 1,790
Filing fees and transfer agent	7,391	7,871	8,641	9,062
Interest and bank charges	108,452	74,684	205,431	140,877
Consulting fees	7,500	7,500	15,000	15,000
Office and miscellaneous	14,818	4,887	17,796	19,121
Professional fees	16,996	48,600	19,996	67,600
Rent	6,900	6,900	13,800	13,800
Stock based compensation	83,093	-	83,093	-
Loss before other items	(245,150)	(150,442)	(365,189)	(267,250)
Other items:				
Other income	(1,000)	15,000	2,000	30,000
Net loss and total comprehensive loss	<u>\$ (246,150)</u>	<u>\$ (135,442)</u>	<u>\$ (363,189)</u>	<u>\$ (237,250)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>68,123,716</u>	<u>66,282,620</u>	<u>68,123,716</u>	<u>66,282,620</u>

(The accompanying notes are an integral part of these consolidated financial statements)

TOTALLY HIP TECHNOLOGIES INC.

Interim consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share subscriptions receivable	Contributed Surplus	Deficit	Total shareholders' equity
	Number of shares	Amount \$				
Balance, September 30, 2016	66,282,620	10,405,441	-	977,734	(13,508,214)	(2,125,039)
Shares issued for cash	12,000,000	600,000	(475,000)	-	-	125,000
Share based compensation	-	-	-	83,093	-	83,093
Total comprehensive loss	-	-	-	-	(363,189)	(363,189)
Balance, March 31, 2017	78,282,620	11,005,441	(475,000)	1,060,827	(13,871,403)	(2,280,135)

	Share capital		Share subscriptions received	Contributed Surplus	Deficit	Total shareholders' equity
	Number of shares	Amount \$				
Balance, September 30, 2015	66,282,620	10,405,441	-	977,734	(13,035,628)	(1,652,453)
Total comprehensive loss	-	-	-	-	(237,250)	(237,250)
Balance, March 31, 2016	66,282,620	10,405,441	-	977,734	(13,272,878)	(1,889,703)

(The accompanying notes are an integral part of these consolidated financial statements)

TOTALLY HIP TECHNOLOGIES INC.

Interim consolidated statements of cash flows
(Expressed in Canadian dollars)

	Three months ended March 31,		Six months ended March 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating Activities				
Net loss	\$ (246,150)	\$ (135,442)	\$ (363,189)	\$ (237,250)
Adjustments to reconcile loss to net cash used in operating activities:				
Amortization	-	-	1,432	1,790
Share based compensation	83,093	-	83,093	-
	<u>(163,057)</u>	<u>(135,442)</u>	<u>(278,664)</u>	<u>(235,460)</u>
Changes in non-cash working capital items related to operations:				
Other receivables	(1,552)	(13,293)	(5,737)	(31,510)
Accounts payable and accrued liabilities	136,102	136,385	251,181	250,740
Cash used in operating activities	<u>(28,507)</u>	<u>(12,350)</u>	<u>(33,220)</u>	<u>(16,230)</u>
Investing Activities				
Evaluation of Technology Upgrade	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financing Activities				
Issuance of common shares for cash	600,000	-	600,000	-
Advances and loans, net	(94,493)	11,841	(89,780)	15,341
Share subscription receivable	(475,000)	-	(475,000)	-
Cash from financing activities	<u>30,507</u>	<u>11,841</u>	<u>35,220</u>	<u>15,341</u>
Increase/(decrease) in cash	2,000	(509)	2,000	(889)
Cash, beginning	0	509	0	889
Cash, end	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ 0</u>

(The accompanying notes are an integral part of these consolidated financial statements)

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Totally Hip Technologies Inc. (the "Company") was incorporated in the province of Alberta on March 8, 1995. The Company was continued under the laws of the Province of British Columbia on March 18, 1999. The Company is currently seeking new business opportunities. The Company is listed on the TSX Venture Exchange under the symbol 'THP.V'. The Company's registered address is Suite 702, 889 West Pender Street, Vancouver, BC, V6C 3B2.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2017, the Company has not generated any revenues from operations, has a working capital deficiency of \$2,285,864, and has an accumulated deficit of \$13,871,403. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a going concern basis ("IASB").

These interim consolidated financial statements include the accounts of the Company and its wholly-owned and inactive subsidiaries incorporated in the province of British Columbia: Totally Hip Software (B.C.) Inc., Totally Hip Services Inc., and 614604 B.C. Ltd. All inter-company balances and transactions have been eliminated on consolidation.

These interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the useful lives and recoverability of property and equipment and unrecognized deferred income tax assets.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Property and Equipment

The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates:

Automotive	20%	declining balance basis
Office equipment	20%	declining balance basis

(e) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

(f) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash is classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. 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. The Company does not have any assets classified as loans and receivables.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount 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 the consolidated statement of operations.

With the exception of available-for-sale 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 the consolidated statement of operations 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 available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and loans payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(g) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

(h) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(i) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(j) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at March 31, 2017, the Company have 15,600,000 potential dilutive shares outstanding (September 31, 2016 – nil).

(k) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which 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 meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(l) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

(m) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2016, and have not been applied in preparing these consolidated financial statements.

New standard IFRS 9, "Financial Instruments"

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

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

3. Property and Equipment

	Automotive \$	Equipment \$	Total \$
Cost:			
Balance, September 30, 2015 and 2016	54,813	2,589	57,402
Additions	—	—	—
Balance, March 31, 2017	54,813	2,589	57,402
Accumulated depreciation:			
Balance, September 30, 2015	48,192	259	48,451
Additions	1,324	466	1,790
Balance, September 30, 2016	49,516	725	50,241
Additions	1,059	373	1,432
Balance, March 31, 2017	50,575	1,098	51,673
Carrying amounts:			
As at September 30, 2015	5,297	1,864	7,161
As at March 31, 2017	4,238	1,491	5,729

4. Accounts Payable and Accrued Liabilities

	March 31, 2017 \$	September 30, 2016 \$
Trade payables	2,139,093	1,887,912
Accrued liabilities	7,500	7,500
Accrued interest payable (Note 5)	5,461	5,461
Accounts payable	33,191	33,191
	2,185,245	1,934,064

5. Loans Payable

- (a) As at March 31, 2017, the total amount of \$101,610 (September 30, 2016 - \$191,394) is owed to various unrelated parties. The amounts due are non-interest bearing, unsecured, and due on demand.
- (b) As at March 31, 2017, the amount of \$2,335 (September 30, 2016 - \$2,331) is owed to various unrelated parties. The amounts due are unsecured, bear interest at 6.5% per annum, and are due on demand. As at March 31, 2017, accrued interest of \$2,616 (September 30, 2016 - \$2,616) is included in accounts payable and accrued liabilities.
- (c) As at March 31, 2017, the amount of \$4,722 (September 30, 2016 - \$4,722) is owed to a significant shareholder of the Company, which bears interest at 6.5% per annum, is unsecured, and is due on demand. As at March 31, 2017, accrued interest of \$2,452 (September 30, 2016 - \$2,452) is included in accounts payable and accrued liabilities.
- (d) As at March 31, 2017, the amount of \$939 (September 30, 2016 - \$939) is owed to an unrelated party, which bears interest at 6% per annum, is unsecured, and is due on demand. As at March 31, 2017, accrued interest of \$393 (September 30, 2016 - \$393) is included in accounts payable and accrued liabilities.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

6. Share Capital

Authorized: unlimited common shares without par value
100,000,000 preferred shares without par value

On February 3, 2017, the Company closed a non-brokered private placement financing of \$600,000 comprised of 12,000,000 units at \$0.05 per unit. Each unit consists of one common share and one five-year transferable warrant entitling the holder to purchase one additional share at a price of \$0.05 per share. Proceeds of the financing will be used for payment of debt and for general working capital. The terms of the financing have been accepted for filing by the TSX Venture Exchange. The units are restricted from trading until June 4, 2017.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Outstanding, September 30, 2015 and 2016	—	—
Issued	12,000,000	0.05
Outstanding, March 31, 2017	12,000,000	0.05

8. Stock Options

The Company has established a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company. The exercise price is equal to the market price of the Company's shares as calculated on the date of grant. The aggregate number of shares issuable pursuant to stock options granted under the plan is limited to 10% of the issued and outstanding shares at the time of grant. Options are granted for a maximum term of 5 years and are fully vested when granted unless otherwise stated.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price \$
Outstanding, September 30, 2015 and 2016	—	—
Issued on March 1, 2017	3,600,000	0.05
Outstanding, March 31, 2017	3,600,000	0.05

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

8. Stock Options (continued)

The weighted average contractual life remaining is 4.92 years. On March 1, 2017, stock-based compensation expense of \$83,093 (September 31, 2016: \$Nil) was recorded. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions:

	<u>March 31,</u> <u>2017</u>	<u>September 31,</u> <u>2016</u>
Weighted average fair value per share	\$0.05	-
Expected dividend yield	0.0%	-
Expected volatility	75%	-
Risk-free interest rate	2.70%	-
Expected term in years	5 years	-

9. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as at March 31, 2017 as follows:

	<u>Fair Value Measurements Using</u>			<u>Balance,</u> <u>March 31,</u> <u>2017</u> <u>\$</u>
	<u>Quoted prices in</u> <u>active markets</u> <u>for identical</u> <u>instruments</u> <u>(Level 1)</u> <u>\$</u>	<u>Significant</u> <u>other</u> <u>observable</u> <u>inputs</u> <u>(Level 2)</u> <u>\$</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u> <u>(Level 3)</u> <u>\$</u>	
Cash	2,000	—	—	2,000

(a) Fair Values (continued)

The fair values of other financial instruments, which include accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

TOTALLY HIP TECHNOLOGIES INC.

Notes to the interim consolidated financial statements

For the six months ended March 31, 2017

(Expressed in Canadian dollars)

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended September 30, 2016.

11. Subsequent Events

On May 9, 2017, the Company has closed its non-brokered private placement financing of \$200,000 comprised of 4000,000 units at \$0.05 per unit to existing Company shareholders. Each unit consists of one common share and one five-year transferable warrant entitling the holder to purchase one additional share at a price of \$0.05 per share. Proceeds of the financing will be used for payment of debt and for working capital. The terms of the financing have been accepted for filing by the TSX Venture Exchange. The units are restricted from trading until September 10, 2017.

The Company has also closed its non-brokered working capital private placement financing of \$50,000 comprised of 1,000,000 units at \$0.05 per unit to existing Company shareholders. Each unit consists of one common share and one five-year transferable warrant entitling the holder to purchase one additional share at a price of \$0.05 per share. The terms of the financing have been accepted for filing by the TSX Venture Exchange. The units are restricted from trading until September 9, 2017.