ATW Tech Inc.
Interim Consolidated Financial Statements
For the three and six months ended June 30, 2018

Financial Statements

The interim consolidated financials statements have not been reviewed by the independent auditor of the company.

ATW Tech Inc.
Interim Consolidated Statements of Comprehensive Loss
For the three and six months periods ending June 30
(In Canadian Dollars)

(unaudited)

	3-months period ending		6-months period ending	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	$	$	$	$
Revenues	3,227,798	3,081,434	6,584,991	5,808,393
Cost of sales	2,544,162	2,301,651	5,130,392	4,440,146
Gross margin	683,636	779,783	1,454,599	1,368,247
Expenses				
Selling expenses	419,873	406,335	870,621	778,294
Administrative expenses	602,974	461,845	1,128,005	862,115
Amortization	192,351	180,812	390,743	346,827
Operating loss	(531,562)	(269,209)	(934,770)	(618,989)
Financial Expenses	82,499	62,652	172,497	123,850
Other expenses (revenues)	39,231		39,231	
Variation in fair value of warrants		(489,687)		(329,583)
Loss before income taxes	(653,292)	157,826	(1,146,498)	(413,256)
Current income taxes (recovered)				
Deferred income taxes (recovered)				
Income taxes				
Net loss and comprehensive loss	(653,292)	157,826	(1,146,498)	(413,256)
Basic and diluted loss per share	(0.01)	0.00	(0.01)	(0.01)
Basic and diluted weighted average number of common shares outstanding	80,507,666	67,509,565	79,842,413	65,515,979

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

ATW Tech Inc.
Interim Consolidated Statements of Financial Position
(In Canadian Dollars)

	Note	June 30, 2018 (unaudited)	December 31, 2017 (audited)
		$	$
ASSETS			
Current			
Cash		85,733	121,854
Short-term investments	5	80,000	80,000
Receivables	6	1,830,874	1,984,585
Prepaid expenses		157,545	52,151
Income tax credit receivables		156,289	110,289
Income tax receivables			
		2,310,441	2,348,879
Property and equipment	7	44,981	46,948
Intangible assets	8	4,157,233	4,235,707
Deferred income taxes		697,190	697,190
Goodwill		809,930	809,930
		8,019,775	8,138,654
LIABILITIES			
Current			
Bank indebtedness	10	341,276	300,907
Trade and other payables	11	2,346,577	2,237,820
Short-term loans		342,016	61,484
Income tax payables		34,682	20,107
Deferred revenues		725,744	370,267
Short-term portion of long-term debt	12	113,384	134,424
		3,903,679	3,125,009
Long-term debt	12	1,965,837	1,992,754
Deferred income taxes		697,190	697,190
		2,663,027	2,689,944
EQUITY			
Share capital	13	7,411,006	7,315,888
Contributed surplus		2,818,040	2,636,464
Deficit		(8,775,977)	(7,628,651)
		1,453,069	2,323,701
		8,019,775	8,138,654

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

ATW Tech Inc.
Interim Consolidated Statements of Changes in Equity
For the three and six months periods ending June 30
(In Canadian Dollars)

	Note	Share capital		Contributed Surplus	Deficit	Total equity
		Number	$	$	$	$
Balance as at January 1, 2017		63,478,091	5,872,101	2,709,980	(6,467,187)	2,114,894
Issued shares through the conversion of subscription receipts		5,101,771	357,123	(357,123)		
Issued shares through the conversion of warrants		5,300,000	545,000			545,000
Share-based compensation	14			46,885		46,885
Transactions with owners		10,401,771	902,123	(310,238)	–	591,885
Net loss and comprehensive loss					(413,256)	(413,256)
Balance as at June 30, 2017		73,879,862	6,774,224	2,399,742	(6,880,443)	2,293,523
Balance as at January 1, 2018		79,107,606	7,315,888	2,636,464	(7,628,651)	2,323,701
Issued units through private placement	13	1,400,000	95,118	72,882		168,000
Equity issuance costs	13				(828)	(828)
Share-based compensation	14			108,694		108,694
Transactions with owners		1,400,000	95,118	181,576	(828)	275,866
Net loss and comprehensive loss					(1,146,498)	(1,146,498)
Balance as at June 30, 2018		80,507,606	7,411,006	2,818,040	(8,775,977)	1,453,069

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

ATW Tech Inc.
Interim Consolidated Statements of Cash Flows

For the three and six months periods ending June 30
(In Canadian Dollars)

	Note	3-months period ending June 30, 2018	3-months period ending June 30, 2017	6-months period ending June 30, 2018	6-months period ending June 30, 2017
		$	$	$	$
OPERATING ACTIVITIES					
Net Loss		(653,292)	157,826	(1,146,498)	(413,256)
Adjustments for:					
Depreciation and amortization	7 and 8	191,229	164,905	388,499	302,680
Accretion charge of the convertible loan		17,332	14,785	33,808	41,903
Amortization of debt issuance costs		1,122	1,122	2,244	2,244
Share-based compensation	14	57,920	29,636	108,694	46,885
Variation in fair value of warrants			(489,687)		(329,583)
Net change in working capital items	3	239,964	230,537	481,126	250,827
Cash flows from operating activities		(145,725)	109,124	(132,127)	(98,300)
INVESTING ACTIVITIES					
Acquisition of property and equipment		(670)	(1,933)	(11,335)	(6,712)
Acquisition of intangible assets		(166,113)	(177,064)	(296,723)	(251,324)
Cash flows from investing activities		(166,783)	(178,997)	(308,058)	(258,036)
FINANCING ACTIVITIES					
Net variation in bank indebtedness		47,947	(97,256)	40,369	(103,372)
Net change in short-term loans		136,246	545,000	280,532	545,000
Issuance of units or shares				168,000	
Units issuance costs				(828)	
Long-term debt capital repayments		(62,838)	(10,500)	(84,009)	(10,500)
Cash flows from financing activities		121,355	437,244	404,064	431,128
Net change on cash		(191,153)	367,371	(36,121)	74,792
Cash, beginning of year		276,886	85,769	121,854	378,348
Cash, end of year		85,733	453,140	85,733	453,140

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

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

ATW Tech Inc. and its subsidiaries (hereinafter collectively the "Company" or "ATW Tech") is a leader in information technology, owner of several web platforms including VoxTel, Québec Rencontres, VuduMobile, Atman and Bloomed. VoxTel offers various interactive communication and landline and mobile carrier billing phone solutions. Quebec Rencontres is a web and mobile social network application catered to building serious and sustainable relationships. VuduMobile is specialized the text messaging business for enterprises through its unique, user-friendly and bilingual test messaging application et turnkey solution allowing management of text message management programs in all kind of businesses. Atman and its application programming interfaces (API) enable companies to optimize their human capital. Bloomed is a cloud-based platform to manage data (smart data) on consumers and their behaviors, which is developed for marketing agencies and their campaigns for the consumer and corporate markets.

ATW Tech is the ultimate parent of the group and its shares are listed on the TSX Venture Exchange.

ATW Tech is incorporated under the Canada Business Corporations Act. The headquarter, which is also the main establishment, is located at 1050 De La Montagne Street, Suite 400, Montreal, Quebec, Canada H3G 1Y8.

Going concern

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and on a going concern basis, which means that the Company will be able to realize its assets and discharge its liabilities in the ordinary course of business.

In its assessment to determine if the going concern assumption is appropriate, management takes into account all data available regarding the future for at least, without limiting, the next twelve months.

In the last years, the Company has occurred operating losses. As at June 30, 2018, the Company has a deficit of $8,775,977 ($7,628,651 as at Decembre 31, 2017) and a negative working capital of $1,593,238 as at June 30, 2018 (negative of $776,130 as at December 31, 2017). This situation indicates the existence of material uncertainties that may cast a significant doubt about the ability of the Company to continue its operations as a going concern. The capacity of the Company to fulfill obligations and finance its future activities depends on its ability to achieve a level of profitability, the support of its creditors and its capacity to raise additional capital. There is no guarantee that the Company will be able to raise the necessary capital to continue the development of its activities.

The consolidated financial statements do not reflect the adjustments to the carrying amounts of assets, liabilities, income and expenses and the classification that would be necessary if the going concern assumption was not appropriate. Those adjustments could be important.

2. SUMMARY OF ACCOUNTING POLICIES

2.1 IAS 34

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and does not include all the information required to be disclosed in the annual financial statements. Certain information and disclosure normally included in annual financial statements have not been presented or are summarized when they are not considered essential to the understanding of the interim consolidated financial information by the Company. Accordingly, these consolidated interim financial statements should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2017.

The same accounting policies and methods of computation were followed in the preparation of these consolidated interim financial statements as were followed in the preparation and described in note 2 of the annual audited financial statements as at and for the year ended December 31, 2017.

(In Canadian Dollars)

3. *ADDITIONAL INFORMATION - CASH FLOW*

Changes in working capital items are as follows:

	3-months period ending		6-months period ending	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	$	$	$	$
Receivables	55,871	30,805	153,711	(103,779)
Prepaid expenses	(113,527)	(30,803)	(105,394)	(9,518)
Income tax credit receivables	(22,638)	95,813	(46,000)	75,813
Income tax receivables		38,493		38,493
Trade and other payables	190,726	(29,596)	108,757	130,688
Income tax payables	20,611		14,575	
Deferred revenues	108,921	125,825	355,477	119,130
	239,964	230,537	481,126	250,827

4. *SEGMENTED INFORMATION*

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Psychometric assessment		Communications		Total	
	$	$	$	$	$	$
Segmented revenues	242,966	335,280	2,984,832	2,746,154	3,227,798	3,081,434
Segmented cost of sales	(9,508)		(2,534,654)	(2,301,651)	(2,544,162)	(2,301,651)
Segmented gross margin	233,458	335,280	450,178	444,503	683,636	779,783
Segmented sales expenses	251,577	298,308	168,296	108,027	419,873	406,335
Segmented administration expenses	174,178	356,558	428,796	105,287	602,974	461,845
Segmented amortization	70,988	71,608	121,363	109,204	192,351	180,812
Segmented operational income	(263,285)	(391,194)	(268,277)	121,985	(531,562)	(269,209)
Segmented assets	2,164,924	3,144,322	5,854,851	4,994,332	8,019,775	8,138,654
Segmented liabilities	1,726,151	1,674,774	4,840,555	4,140,179	6,566,706	5,814,953

Non-current assets of the Company are all in Canada.

As of June 30, 2018, sales for the Communication segment totaling $853,818 were from one significant customer ($669,390 as of June 30, 2017).

As of June 30, 2018, sales for the Psychometric Assessment segment totaling $53,000 were from one significant customer ($50,000 as of June 30, 2017).

5. **SHORT TERM INVESTMENTS**

	June 30, 2018	Dec. 31, 2017
	$	$
Guaranteed investment certificate, 0.45% (0.30% in 2017), maturing on July 6, 2018. The certificate is given as a collateral for a credit card of the Company.	30,000	30,000
Guaranteed investment certificate, prime rate minus 2.00% or 0.70% (0.70% in 2017), maturing on January 23, 20 The certificate is given as a collateral for a credit card of VoxTel.	50,000	50,000
	80,000	80,000

6. *RECEIVABLES*

	June 30, 2018	Dec. 31, 2017
	$	$
Accounts receivable	1,765,360	1,835,146
Deposits	27,572	27,572
Sales tax receivable	37,942	53,357
Subscription receivable		63,000
Other receivable		5,510
	1,830,874	1,984,585

(In Canadian Dollars)

7. PROPERTY AND EQUIPMENT

				June 30, 2018
	Leasehold improvements	Computer Equipment	Furniture and fixtures	Total
	$	$	$	$
Cost				
Beginning balance	116,032	73,379	37,238	226,649
Acquisitions	3,405	7,930		11,335
Ending balance	119,437	81,309	37,238	237,984
Accumulated depreciation				
Beginning balance	96,474	57,570	25,657	179,701
Depreciation	5,204	7,304	794	13,302
Ending balance	101,678	64,874	26,451	193,003
Ending net carrying amount	17,759	16,435	10,787	44,981

				Dec. 31, 2017
	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
	$	$	$	$
Cost				
Beginning balance	94,968	61,116	33,968	190,052
Acquisitions	21,064	12,263	3,270	36,597
Ending balance	116,032	73,379	37,238	226,649
Accumulated depreciation				
Beginning balance	94,358	44,301	21,541	160,200
Depreciation	2,116	13,269	4,116	19,501
Ending balance	96,474	57,570	25,657	179,701
Ending net carrying amount	19,558	15,809	11,581	46,948

(In Canadian Dollars)

8. INTANGIBLE ASSETS

						June 30, 2018
	Websites/ Domain names	Client Relationships	Supplier Relationships	Trademarks	Intellectual property rights	Total
	$	$	$	$	$	$
Cost						
Beginning balance	2,498,984	1,647,414	553,727	250,979	642,500	5,593,604
Acquisitions	296,723					296,723
Ending balance	2,795,707	1,647,414	553,727	250,979	642,500	5,890,327
Accumulated amortization						
Beginning balance	1,074,102	215,072	68,723			1,357,897
Amortization	253,471	94,040	27,686			375,197
Ending balance	1,327,573	309,112	96,409			1,733,094
Carrying amount at the end	1,468,134	1,338,302	457,318	250,979	642,500	4,157,233

						Dec. 31, 2017
	Websites/ Domain names	Client Relationships	Supplier Relationships	Trademarks	Intellectual property rights	Total
	$	$	$	$	$	$
Cost						
Beginning balance	1,483,672	1,462,200	553,727	250,979	642,500	4,393,078
Acquisitions	622,609					622,609
Business acquisition	392,703	185,214				577,917
Ending balance	2,498,984	1,647,414	553,727	250,979	642,500	5,593,604
Accumulated amortization						
Beginning balance	678,526	40,881	13,350			732,757
Amortization	395,576	174,191	55,373			625,140
Balance at end	1,074,102	215,072	68,723	–	–	1,357,897
Carrying amount at the end	1,424,882	1,432,342	485,004	250,979	642,500	4,235,707

(In Canadian Dollars)

9. LEASES

The Company leases its offices under three leases expiring between September 2018 and March 2020. The Company also leases equipment under le maturing through February 2023.

Future minimum payments under operating leases are as follows:

June 30, 2018			
Minimum payments under the lease			
Less than 1 year	1 to 5 years	More than 5 years	Total
$	$	$	$
145,370	99,153	-	244,523

Payments under the lease expensed during the six months ended June 30, 2018 total $77,909, net of a sub-lease revenue of $8,022 ($50,224 for the six months ended June 30, 2017). The amount represents the minimum payments under the leases.
The Company's lease agreements contain no contingent rent clause, no indexation clause nor any restrictions on such dividends, additional debt and further leasing.

10. BANK INDEBTEDNESS

The Company has a line of credit for an authorized amount of $400,000 bearing interest at prime rate plus 0.625%. (3.325% as of June 30, 2018). The line of credit is guaranteed by all trade receivables.
On August 8, 2018, the Company closed a new bank indebtedness agreement for a maximum authorized amount of $950,000 that replace the existing bank indebtedness of $400,000 and which is bearing interest at prime rate plus 1.50%.
The new bank indebtedness is guaranteed by all trade receivables and bonded at 50% by a credit organism.

11. TRADE AND OTHER PAYABLES

	June 30, 2018	Dec. 31, 2017
	$	$
Trade payables	2,163,751	2,017,454
Salaries, vacation and payroll deductions payable	130,512	142,742
Other payables	52,314	77,624
	2,346,577	2,237,820

(In Canadian Dollars)

12. *LONG-TERM DEBT*

	June 30, 2018	Dec. 31, 2017
	$	$
5-year convertible loan of $2,000,000 expiring on October 4, 2021, bearing interest at 10.0% per year payable monthly, guaranteed by all of the assets of the Company. No capital repayments scheduled prior to expiration. The Company has the option to reimburse partly or fully the loan at anytime. The loan is convertible at anytime by the lender into common shares of the Company at a price of $0.10 per share. An amount of $150,938 equalled to the fair value of the conversion option issued has been recorded in contributed surplus. An amount of $260,279 equalled to the fair value of the warrants issued has been recorded as long-term liabilities. (a) The loan is presented net of issuance costs of $16,828 ($17,849 as of December 31, 2017) amortized over five years.	1,680,542	1,644,490
Balance of sale, bearing interest at 4.0 % per year payable annually, garanteed by a movable hypothec with delivery on the shares of the Company, payable in monthly equal capital payments of $3,517 until March 5, 2022. (b)	141,599	179,368
Balance of sale, bearing no interest and payable in a lump sum payment of $25,000 on October 1, 2018	25,000	50,000
4-year loan expiring on October 8, 2018, bearing interest at the financial institution base rate plus 1.00 % (6.30% as of June 30, 2018) payable in monthly equal capital payments of $1,040.	2,080	8,320
5-year loan expiring on September 23, 2022 and bearing interest at the financial institution base rate plus 4.50 % (10.05% as of June 30, 2018), guaranteed personally by a Director of the Company and equalled to 50 % of the balance outstanding, payable in monthly equal capital payments of $2,500 until September 23, 2022.	127,500	142,500
5-year loan expiring on October 23, 2023 and bearing interest at the financial institution base rate plus 4.88 % (10.43% as of June 30, 2018), guaranteed personally by a Director of the Company and equalled to 50 % of the balance outstanding, payable in monthly equal capital payments of $1,700 from December 23, 2018 to October 23, 2023 and a capital payment of $2,200 on November 23, 2018.	102,500	102,500
	2,079,221	2,127,178
Portion of less than a year of the long-term debt	113,384	134,424
	1,965,837	1,992,754

(a) In June 2017, warrants have been exercised (note 18)
(b) The balance of sale is currently in negotiations with the vendor with regards to the sale price adjustment. No adjustment has been recorded considering the uncertainty of the amount of the adjustment, if any.

Capital repayments scheduled for the next years:

2018	67,082
2019	92,604
2020	92,604
2021	2,092,604
2022	53,451
2023	17,000
	2,415,345

(In Canadian Dollars)

13. *SHARE CAPITAL*

13.1 Share capital

The Company's share capital comprises only fully paid common shares.

Authorized share capital

Unlimited number of voting and participating commun shares without par value.

2018
On March 28, 2018, the Company closed a private placement consisting of the issuance of 1,400,00 units at a price of $0.12 per unit, for total gross proceeds of $168,000. Each unit consists of one common share and one common share purchase warrant, giving the holder the right to subscribe for one common share at a price of $0.15 from a period of 3 years.
A total amount of $72,882 equalled to the fair value of the warrants issued has been recorded in contributed surplus.

13.2 Warrants

The outstanding warrants entitle the holder to purchase an equivalent number of common shares as follows:

	June 30, 2018		Dec. 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Beginning balance	6,906,804	0.15	12,418,126	0.16
Issued through private placements	1,400,000	0.15	3,530,333	0.15
Exercised			(5,300,000)	0.10
Expired			(3,741,655)	0.25
Ending balance	8,306,804	0.15	6,906,804	0.15

The number of outstanding warrants exercisable for an equivalent number of common shares is as follows:

	June 30, 2018		Dec. 31, 2017	
	Number	Exercise price	Number	Exercise price
		$		$
October 12, 2018	2,288,236	0.15	2,288,236	0.15
November 10, 2018	1,088,235	0.15	1,088,235	0.15
December 21, 2020	3,530,333	0.15	3,530,333	0.15
March 27, 2021	1,400,000	0.15		
	8,306,804		6,906,804	

(In Canadian Dollars)

14. EMPLOYEE COMPENSATION

14.1 Salaries and other charges for employee benefits

Salaries and other charges for employee benefits are analyzed as follows:

	June 30, 2018	June 30, 2017
	$	$
Salaries and charge for employee benefits	678,199	481,565
Share-based compensation	34,579	21,461
	712,778	503,026

14.2 Share-based payments

The Company has adopted a share-based payment plan under which members of the Board may grant to directors, officers, employees and consultants options to acquire common shares. The maximum number of shares issuable under the plan shall not exceed 10% of the common shares issued and outstanding.

The exercise price of each option is determined by the Board of Directors and may not be less than the price of common shares the day before the grant and the maturity date cannot exceed five years.

All share-based payments will be settled in equity instruments. The Company has no legal or implicit obligation to repurchase or settle the options in cash.

The Company's share purchase options are as follows for the periods considered:

	June 30, 2018		Dec. 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Beginning balance	5,254,535	0.19	3,989,098	0.25
Granted	2,387,000	0.13	2,300,000	0.13
Forfeited	(200,000)	0.23	(1,034,563)	0.29
Expired	(700,000)	0.30		
	6,741,535	0.17	5,254,535	0.19
Number of exercisable options	1,397,222	0.15	1,807,313	0.27

(In Canadian Dollars)

14. EMPLOYEE COMPENSATION (Continued)

14.2 Share-based payments (Continued)

The following table summarizes information relating to share options:

June 30, 2018			December 31, 2017		
Number of options	Weighted average exercise price	Remaining contractual average life	Number of options	Weighted average exercise price	Remaining contractual average life
	$			$	
1,500,000	0.11	3.80	1,500,000	0.11	4.30
400,000	0.17	3.89	800,000	0.17	4.39
1,591,667	0.20	2.75	1,741,667	0.20	3.26
862,868	0.30	0.50	1,212,868	0.30	1.01
2,387,000	0.13	4.75			
6,741,535	0.17	3.47	5,254,535	0.19	3.21

15. RELATED PARTY TRANSACTIONS

15.1 Transactions with key management and members of the Board of Directors

The remuneration of key management, that is the President, Vice President, Finance and members of the Board includes the following expenses:

	June 30, 2018	June 30, 2017
	$	$
Salaries and expense for key management benefits	125,785	95,145
Interests paid to members of the Board	50,000	50,000
Share-based compensation	27,117	7,430
Fees of the Board	12,410	11,961
	215,312	164,536

On October 5, 2016, the Company contracted a 5-year $2,000,000 convertible loan with a Company owned by a Board member and expiring in October 2021. The loan is secured by all of the assets of the Company. In 2017, the Company contracted a $50,000 temporary loan from a Company owned by another Board member, bearing interest at 12% annually, presented in the short term liabilities as of June 30, 2018 as being repayable as the closest date of July 2nd, 2018 or at the closing of a private placement by the Company.

16. *SUBSEQUENT EVENT TO YEAR END*