TIO Networks Corp.

Condensed Interim Consolidated Financial Statements
(Unaudited)
Third quarter ended April 30, 2017
(in thousands, expressed in Canadian dollars)

Notice to Reader

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 financial statements of the company have been prepared by and are the responsibility of the company's management.

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

TIO Networks Corp.

Consolidated Statements of Financial Position (unaudited)

As at April 30, 2017 and July 31, 2016

(in thousands, expressed in Canadian dollars)

	April 30, 2017 $	July 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents (note 4)	94,086	54,226
Restricted cash (note 4)	6,796	6,730
Funds to settle bill payment obligations (note 6)	96,550	85,436
Funds to settle money orders outstanding (note 6)	13,947	15,004
Accounts receivable	1,156	1,400
Prepaid expenses and deposits	1,064	1,207
Inventories	121	177
Total current assets	213,720	164,180
Property and equipment (note 7)	1,645	1,973
Intangible assets (note 8)	37,139	38,406
Deferred tax asset (note 13)	3,634	2,828
Deposits and investment	451	471
Goodwill (note 3)	29,425	28,081
Total assets	286,014	235,939
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	11,980	13,094
Derivative financial instruments	121	41
Current portion term loan and lines of credit (note 5)	4,291	4,095
Bill payment obligations (note 6)	147,577	104,392
Money orders outstanding (note 6)	27,640	28,680
Money orders outstanding longer than one year (note 6)	3,161	2,823
Current portion of obligations under finance lease	153	284
Current portion of asset retirement obligations	16	15
Current portion of leasehold inducement	48	9
Customer deposits and deferred revenue	43	16
Total current liabilities	195,030	153,449
Term loan (note 5)	4,803	5,699
Promissory notes (note 5)	5,641	5,383
Obligations under finance lease	52	138
Leasehold inducement	61	33
Asset retirement obligations	140	134
Deferred tax liability (note 13)	1,500	1,597
Other liabilities (note 9)	1,054	1,263
Total liabilities	208,281	167,696
Shareholders' Equity (note 10)		
Share capital	86,872	84,589
Contributed surplus	4,556	4,991
Accumulated other comprehensive income	6,617	2,800
Deficit	(20,312)	(24,137)
Total shareholders' equity	77,733	68,243
Total liabilities and shareholders' equity	286,014	235,939

Approved by the Board of Directors

(signed) Kenneth Cawkell Director *(signed) Hamed Shahbazi* Director

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

TIO Networks Corp.

Consolidated Statements of Operations and Comprehensive Income (unaudited)

For Three months and Nine months ended April 30, 2017 and 2016

(in thousands, expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30, 2017 $	**April 30, 2016 $**	**April 30, 2017 $**	**April 30, 2016 $**
Revenue (note 11)	23,763	17,967	72,518	49,641
Cost of sales	12,371	9,048	37,233	24,870
	11,392	8,919	35,285	24,771
Expenses				
General and administration	5,849	4,078	16,433	10,838
Research and development	1,992	1,308	5,479	3,681
Sales and marketing	1,499	1,076	4,465	3,173
Stock-based compensation	221	228	692	469
Depreciation	209	182	621	550
Amortization	973	274	2,938	823
Loss (gain) on disposition of property and equipment	13	-	41	(6)
	10,756	7,146	30,669	19,528
Income before the following	636	1,773	4,616	5,243
Foreign exchange loss (income)	507	(66)	479	(19)
Interest expense (income) and other	(18)	143	(106)	329
Finance expense	266	87	820	242
	755	164	1,193	552
Income (loss) before income taxes	(119)	1,609	3,423	4,691
Provision for (recovery of) income taxes				
Current	57	50	358	159
Deferred	(254)	(46)	(760)	(138)
	(197)	4	(402)	21
Net income for the period	78	1,605	3,825	4,670
Other comprehensive income (loss) on foreign currency translation differences of foreign subsidiary	3,891	(2,291)	3,817	(1,503)
Total comprehensive income (loss) for the period	3,969	(686)	7,642	3,167
Net income per share				
Basic	0.001	0.025	0.044	0.077
Fully diluted	0.001	0.026	0.042	0.049
Weighted average number of common shares	87,939	64,202	87,360	60,547

TIO Networks Corp.

Consolidated Statements of Changes in Equity (unaudited)

For Nine months ended April 30, 2017 and 2016

(in thousands, expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total $
Balance - August 1, 2015	31,638	4,373	1,639	(28,330)	9,320
Loss for the period	-	-	-	4,670	4,670
Exercise of stock options	145	(65)	-	-	80
Private placement net of issue cost	6,768	-	-	-	6,768
Value of shares issued for acquisition	46,900	-	-	-	46,900
Stock-based compensation expense	-	469	-	-	469
Effect of foreign currency translation (1)	-	-	(1,503)	-	(1,503)
Balance – April 30, 2016	85,451	4,777	136	(23,660)	66,704
Balance - August 1, 2016	84,589	4,991	2,800	(24,137)	68,243
Income for the period	-	-	-	3,825	3,825
Exercise of stock options	2,293	(1,127)	-	-	1,166
Private placement net of issue cost					
Issuance of Shares	(10)	-	-	-	(10)
Stock-based compensation expense	-	692	-	-	692
Effect of foreign currency translation (1)	-	-	3,817	-	3,817
Balance – April 30, 2017	86,872	4,556	6,617	(20,312)	77,733

(1) Recycles through the consolidated statement of operations in future periods.

TIO Networks Corp.

Consolidated Statements of Cash Flows (unaudited)

For the Three Months and Nine Months ended April 30, 2017 and 2016

(in thousands, expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30, 2017 $	April 30, 2016 $	April 30, 2017 $	April 30, 2016 $
Cash flows from operating activities				
Income for the period	78	1,605	3,825	4,670
Adjustments to reconcile net income for the period to net cash generated from operating activities				
Amortization of intangible assets	973	274	2,938	823
Depreciation of property and equipment	212	184	628	557
Depreciation of leasehold inducement	(3)	(2)	(7)	(7)
Rent abatement included in general and administration	-	(5)	-	(14)
Rent abatement received	74	-	74	-
Stock-based compensation expense	221	228	692	469
Loss on disposition of property and equipment	13	-	41	-
Unrealized foreign exchange	891	(276)	1,152	(583)
Changes in fair value of derivatives	198	88	81	88
Deferred income tax recovery	(254)	(46)	(760)	(138)
	2,403	2,050	8,664	5,865
Changes in non-cash working capital items				
Funds to settle bill payment obligations	(37,309)	7,730	(11,114)	(17,977)
Funds to settle money orders outstanding	8,841	623	1,057	(1,109)
Accounts receivable	29	(20)	244	540
Other non-current liabilities	40	(93)	(209)	(12)
Prepaid expenses and deposits	13	(31)	144	9
Inventories	35	(7)	56	(37)
Accounts payable and accrued liabilities	1,523	(1,150)	(1,115)	(206)
Bill payment obligations	50,341	(9,127)	43,185	12,181
Money orders outstanding	(9,805)	(2,063)	(702)	801
Customer deposits and deferred revenue	(23)	(181)	26	(101)
Restricted cash	255	675	253	675
	13,940	(3,644)	31,825	(5,236)
Net cash generated from (used by) operating activities	16,343	(1,594)	40,489	629
Cash flows from investing activities				
Purchases of property and equipment	(157)	(119)	(329)	(258)
Purchases of intangible assets	(24)	(58)	(124)	(64)
Acquisition, net of cash acquired	-	11,485	-	11,485
Change in Deposits and investments	33	(137)	20	(405)
Net cash (used by) generated from investing activities	(148)	11,171	(433)	10,758
Cash flows from financing activities				
Proceeds from issuance of common shares	1,145	5,132	1,166	7,380
Share issue costs	-	(520)	(10)	(532)
Operating loans and lines of credit	(377)	-	(1,135)	-
Repayment of obligations under finance lease	(74)	(62)	(217)	(199)
Net cash generated from (used by) financing activities	694	4,550	(196)	6,649
Increase in cash and cash equivalents	16,889	14,127	39,860	18,036
Cash and cash equivalents – Beginning of period (note 4)	77,197	35,077	54,226	31,168
Cash and cash equivalents – End of period (note 4)	94,086	49,204	94,086	49,204

(in thousands, expressed in Canadian dollars)

1 Nature of operations

TIO Networks Corp ("TIO") and its subsidiaries (together "the company") are incorporated under the laws of British Columbia, Maryland, Washington, New Jersey and California and domiciled both in Canada and the US. Its principal business activity is processing bill payment transactions through internet enabled platforms. The company through its subsidiary Global Express Money Orders, Inc. ("Global Express") is licenced to sell money orders in 13 states and the District of Columbia. Softgate Systems, Inc. and Softgate Systems of California, Inc. (collectively, "Softgate") is a money transmitter licensee in 46 states and the District of Columbia. The company's shares are listed for trading on the TSX Venture Exchange under the symbol TNC. The address of its head office is 1550 - 250 Howe Street, Vancouver, BC, V6C 3R8.

2 Accounting policies and basis of presentation

Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements have been prepared on a basis consistent with and should be read in conjunction with the quarterly financial statements for the year ended July 31, 2016 which have been prepared in accordance with IFRS as issued by the IASB.

The consolidated financial statements have been prepared under the historical cost convention.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on June 22, 2017.

Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Consolidation

The financial statements of the company consolidate the accounts of the company and its subsidiaries. Subsidiaries are all entities over which the company has control. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is obtained by the company and is de-consolidated from the date that control ceases.

These consolidated financial statements include the following subsidiaries:

Name	Place of incorporation	Ownership interest
TIO Networks USA Inc.	Washington, United States	100%
ChargeSmart USA Inc.	Washington, United States	100%
Globex Financial Services, Inc.	Maryland, United States	100%
Global Express Money Orders, Inc.	Maryland, United States	100%
Softgate Systems, Inc.	New Jersey, United States	100%
Softgate Systems of California, Inc.	California, United States	100%

Intercompany balances, transactions, income and expenses, and profit and losses arising are eliminated in preparing the consolidated financial statements.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars, which is TIO’s functional currency. The financial statements of entities that have a functional currency different from that of the company (“foreign operations”) are translated into Canadian dollars using the current rate method:

- assets and liabilities - at the closing rate at the date of the statement of financial position;
- equity - at historical rate; and
- income and expenses - at the average rate for the period (as this is considered a reasonable approximation to the actual rate).

All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity’s functional currency are recognized in the statements of operations.

(in thousands, expressed in Canadian dollars)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with a term to maturity on the date of purchase of less than three months.

Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligations specified in the contract are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables comprise accounts receivable, funds to settle bill payment and money order obligations, and cash and cash equivalents and restricted cash and are included in current assets due to their short-term nature.

Loans and receivables are initially recognized at the amount expected to be received less a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

b) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities, operating loans and lines of credit, and bill payment and money order obligations. Financial liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

(in thousands, expressed in Canadian dollars)

Inventories

Inventory consists primarily of prepaid wireless airtime and spare parts. Inventories are stated at the lower of cost and net realizable value, cost being determined on a weighted average basis. Net realizable value is the estimated selling price less applicable selling expenses.

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. Repairs and maintenance are charged to the statements of operations during the financial period in which they are incurred.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term.

Depreciation is provided using the following annual rates and methods:

Leasehold improvements and equipment under lease	straight-line over the shorter of the term of the lease or useful life
Furniture and fixtures	straight-line over four years
Kiosks and agent hardware	straight-line over three to five years
Computer and office equipment	straight-line over four years

Methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. An impairment loss is recorded when it is determined that the carrying amount of these assets is not recoverable and exceeds their recoverable amount.

Intangible assets

The company's intangible assets are stated at cost less accumulated amortization and include acquired and internally generated computer software with finite useful lives.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

(in thousands, expressed in Canadian dollars)

Directly attributable costs that are capitalized as part of the software product include costs from third parties and the software development employee costs.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Intangible assets are capitalized and amortized on a straight-line basis in the statements of operations as follows:

Acquired and internally generated software	two to seven years
Bill pay distribution relationships	ten to fifteen years
Money order agent relationships	twenty years
Money transmission licenses	fifteen years
Intellectual property	seven to ten years

The amortization methods and estimated useful lives of intangible assets are reviewed annually.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of its underlying net identifiable assets at the time of acquisition. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill impairment is assessed based on a comparison of the fair value of a cash generating unit (“CGU”) to the underlying carrying amount of the CGU’s net assets, including goodwill. When the carrying amount of the CGU exceeds its fair value, the difference is charged to earnings.

Leases

The company leases office premises and certain equipment. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of operations on a straight-line basis over the period of the lease.

Leases of equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in obligations under finance lease. The interest element of the finance cost is charged to the statements of operations over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(in thousands, expressed in Canadian dollars)

Asset retirement obligations

The company records liabilities for the retirement of its kiosk assets at their fair value (being the discounted future costs associated with the disposition of the kiosk assets after their estimated useful lives). Liabilities are recognized in the period in which they are incurred. A corresponding increase to the carrying value of the kiosk assets is recorded and depreciated over their useful lives. The amount of the liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation, recorded as accretion expense and included as part of depreciation of property and equipment.

Share capital

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

Revenue recognition

Revenue is recognized when the amount of revenue can be reliably measured; it is probable that economic benefits will flow to the company; delivery has occurred; the sale price is fixed and determinable; and collectability is reasonably assured.

Transaction services

Transaction service revenue derived from pay-per-use consumer fees and prepaid wireless airtime is recognized as the related transactions are completed at third-party and company-owned kiosks, point-of-sale, web and mobile devices. The company records the gross amount of the pay-per-use consumer fee. A variable portion of the company's transaction service fee is payable to the third-party bill payment partners and is recorded as a cost of sale.

Third-party kiosk and software

Revenue is recognized when the product is shipped and delivered to the customer, and depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained.

Money order service revenue

Revenue is recognized when the money order is sold to the customer by the agent. The company records the net service fee charged as the gross total fee collected from the agent is undeterminable. The company also collects service revenue on money orders outstanding more than six months. In the seventh month, the company collects the monthly service fee for all months the money order is outstanding. Each month the money order remains outstanding the service fee will be collected and recognized as revenue during that month.

(in thousands, expressed in Canadian dollars)

Maintenance

The company recognizes hardware and software maintenance service fees earned on a straight-line basis over the term of the related agreements.

Professional services

Professional services include computer software programming and consulting services. Professional service revenue is recognized when delivered and accepted by the customers.

Customer deposits and deferred revenue

Customer deposits and deferred revenue consist mainly of prepaid software maintenance fees and deposits received from customers.

Research and development costs

Research expenditures are expensed when incurred. Development costs are capitalized in the event they meet capitalization criteria under IFRS; otherwise, they are expensed as incurred.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statements of operations except to the extent that it relates to items recognized directly in equity, in which case, the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

(in thousands, expressed in Canadian dollars)

Stock-based compensation

The company grants stock options to certain employees and non-employees for performance of services. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to the statements of operations, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. When an option is exercised, the company issues new shares. The cash proceeds received are credited to share capital.

Impairment of assets

c) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in the statements of operations. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

d) Non-financial assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not depreciated or amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows or CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(in thousands, expressed in Canadian dollars)

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net (loss) income for the period attributable to shareholders of the company by the weighted number of shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The company's potentially dilutive common shares comprise stock options granted to directors, officers, employees, and consultants.

New accounting standards and interpretations not yet applied

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after August 1, 2016, and have not been applied in preparing these consolidated financial statements. These include:

IFRS 9 - Financial Instruments

This standard replaces the parts of International Accounting Standards ("IAS") 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the impairment. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of operations, unless this creates an accounting mismatch. The standard is effective for accounting periods beginning on or after January 1, 2018 and early adoption is permitted. The company is currently assessing the impact of this standard.

IFRS 15 - Revenue from Contracts with Customers

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The company is currently assessing the impact of this standard.

IFRS 16 - Leases

IFRS 16 was released in January 2016 to improve the accounting for leases, generally by eliminating a lessees' classification of leases and introducing a single lessee accounting model. The most significant

(in thousands, expressed in Canadian dollars)

effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low-value assets are both exempted.

The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. The presentation on the statement of operations and comprehensive income required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased.

The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17, *Leases*. The company is currently assessing the impact of this standard.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations where events are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the consolidated financial statements which may change in the next 12 months:

Capitalization of software development

In applying its accounting policy for costs incurred during the development phase for software related to various bill payment applications, the company must determine whether the criteria for capitalization have been met. The most subjective judgement is whether a project will generate probable future economic benefits. Management considers all appropriate facts and circumstances in making this assessment including historical experience, expected market demand, cost and future economic conditions.

Business combinations

The accounting of business combinations requires the identification and fair value measurement of the various assets and liabilities acquired. The company makes judgements and estimates in relation to these fair value measurements.

(in thousands, expressed in Canadian dollars)

Income tax provision

The provision for deferred income taxes is based on changes in the estimated temporary differences between the value of the assets and liabilities used for tax purposes and those used for accounting purposes. In determining these temporary differences, certain management judgments and estimates are required. Furthermore, deferred income tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax assets will be realized.

Recovery of long-lived assets

The company is required to perform an annual impairment test on its goodwill and indefinite life intangible assets. In addition, the company performs a test for impairment of other long-lived assets if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections discounted at an appropriate rate.

3 Goodwill

The change in goodwill from acquisition date to April 30, 2017 is as follows:

	$
Goodwill at July 31, 2014, Globex	3,539
Goodwill at acquisition date, Chargesmart	485
Foreign exchange translation adjustment	793
Goodwill as at July 31, 2015	4,817
Goodwill at acquisition date, Softgate Systems	22,610
Foreign exchange translation adjustment	654
Goodwill as at July 31, 2016	28,081
Foreign exchange translation adjustment	1,344
Goodwill as at April 30, 2017	**29,425**

(in thousands, expressed in Canadian dollars)

4 Cash and cash equivalents and restricted cash

	April 30, 2017 $	July 31, 2016 $
Cash and cash equivalents	94,086	54,226
Restricted cash	6,796	6,730
	100,882	60,956

Included in cash and cash equivalents is unrestricted cash which is set aside to settle bill payment and money order obligations as they fall due if not otherwise settled by funds held to settle bill payment and money order obligations (note 6).

5 Operating loans and lines of credit

As at April 30, 2017, the company has the following operating loan and credit facilities:

Currency	**US$**	**US$**	**US$**
Facilities	Revolving line of credit #1	Revolving line of credit #2	Operating loan
Amount	1,500	2,500	4,655
Term	Annual renewal	Annual renewal	5 years
Expiry	10/30/2017	01/02/2018	05/31/2021
Interest	LIBOR + 2%	LIBOR + 2%	Bank prime rate + 1.5%

Revolving line of credit #1 terms are as follows: the interest rate is the one-month London Interbank Offered Rate as published in the Wall Street Journal (“WSJ”), plus two percentage points (“LIBOR plus 2%”) which is 2.99% at April 30 2017 and the line of credit is US$1,500. As at April 30, 2017, the company has drawn US$1,500.

Revolving line of credit #2 has a variable rate with its lender, which, at its sole and absolute discretion, may lend to TIO’s subsidiary such sums of money as may be requested, up to but not exceeding in the aggregate at any one time outstanding, the face amount of US$2,500. The sums advanced are payable to the bank on demand, plus interest at a rate equal to the independent index, which is LIBOR plus 2%. The loan agreement provides that the TIO’s subsidiary maintain a minimum Liquid Tangible Net Worth of not less than US$800 as of April 30, 2017, and continuing until maturity. The value of the collateral shall not be below US$2,389 at any time. At April 30, 2017, TIO’s subsidiary complies with this covenant and the company has drawn US$500. The funds drawn were used to partially fund the acquisition of Globex. An additional US$800 is secured against a letter of credit which has not been drawn upon.

On April 22, 2016, the company had drawn down on a term loan of US$5,700 at a rate of WSJ prime rate +1.5% if the leverage ratio is < 1.5. If the company’s leverage ratio is > 1.5 then the rate is WSJ prime rate + 2.5%. Leverage Ratio is defined as (a) the principal amount owing from TIO to Silicon Valley Bank (“SVB”) in connection with the Term Loan provided by SVB hereunder divided by (b) TIO’s Adjusted EBITDA (measured on a trailing twelve (12) month basis. Notwithstanding the above, until SVB has determined, in its sole discretion that trailing twelve (12) month data is available for Adjusted EBITDA, adjusted EBITDA shall be calculated on an annualized basis using TIO’s Adjusted EBITDA measured beginning on the effective date and continuing through the date of any such measurement (as

(in thousands, expressed in Canadian dollars)

determined by SVB in its reasonable business discretion). The loan is repayable in 60 equal monthly payments of principal plus interest.

On April 22, 2016, the company, issued US$4,128 in vendor take-back promissory notes related to the Softgate transaction. The promissory notes bear interest of 8% in the first two years, 12% in the third year and 16% after the fourth year. There are no required repayment terms.

6 Funds held to settle bill payment obligations, bill payment obligations and money orders outstanding

The company has entered agreements with various service vendors (referred to as bill payment partners), such as utility and telephone companies, whereby their consumer invoices to end consumers will be paid mainly in cash at the company's kiosks or third-party owned kiosks and point-of-sale devices connected via the company's transaction processing system. Pursuant to these agreements, the company, principally via certain banks in the US and Canada, collects the gross cash from these locations. These banks in the US and Canada then remit the funds to the bill payment partners at specified dates in accordance with the agreements and remit the company's portion of the transaction processing fee.

The gross cash collected by the bank but not yet distributed to the company and the bill payment partners is recorded in funds held to settle bill payment obligations. The amounts not yet distributed to the bill payment partners are recorded as bill payment obligations. Included in bill payment obligations are amounts owing to certain bill payment partners not subject to the collection process of the bank.

In addition, the company sets aside a certain portion of its cash balances to settle bill payment obligations as they fall due (note 4).

If the bank does not settle its payments to the bill payment partners, the company has an obligation to settle such amounts to the bill payment partners. Given the above and that there is no legal right of set-off between the asset and liability, the company has reflected the gross asset and liability on its statements of financial position in accordance with IFRS.

The company is dependent upon these banks in the US and Canada for many its cash collection and remittance services of its service providers. A loss or disruption to this service could have a material adverse impact on the company's results of operations and financial condition.

Through the Global Express Financial Services ("Globex") acquisition, the company provides many of its retail partners with hardware and software systems that allow them to offer the sale of money orders. Money orders sold that have not been presented for settlement are recorded as money orders outstanding. Money order funds from issuance of a money order to a customer are recorded as funds to settle money orders outstanding. Any money orders outstanding in the past six months are serviced and a service fee recognized as revenue in the company's financial statements until the state regulations require the balance to be escheated. Historically, there has been a low likelihood of money orders in excess of one year being cashed. As such, it has been separately classified in current liabilities as "Money orders outstanding longer than one year".

(in thousands, expressed in Canadian dollars)

7 Property and Equipment

	Kiosks and Agent Equip. $	Furniture and fixtures $	Computer equipment $	Office equipment $	Equipment under lease $	Leasehold improvements $	Total $
Year ended July 31, 2016							
Opening net book value	885	65	313	15	648	193	2,119
Acquired through business combination	-	29	109	-	-	15	153
Additions	291	1	147	21	-	-	460
Disposals			(5)				(5)
Depreciation charge	(331)	(28)	(156)	(8)	(197)	(44)	(764)
Exchange differences	12	(3)	-	-	-	1	10
Closing net book value	857	64	408	28	451	165	1,973
At July 31, 2016							
Cost	15,884	749	1,320	146	1,004	989	20,092
Accumulated depreciation	(15,027)	(685)	(912)	(118)	(553)	(824)	(18,119)
	857	64	408	28	451	165	1,973

	Kiosks and Agent Equip. $	Furniture and fixtures $	Computer equipment $	Office equipment $	Equipment under lease $	Leasehold improvements $	Total $
9 Months ended April 30, 2017							
Opening net book value	857	64	408	28	451	165	1,973
Additions	210	1	112	-	-	6	329
Disposals	(1)	(10)	(28)	-	-	(2)	(41)
Depreciation charge	(266)	(24)	(151)	(7)	(148)	(32)	(628)
Exchange differences	21	(1)	(7)	-	-	(1)	12
Closing net book value	821	30	334	21	303	136	1,645
At April 30, 2017							
Cost	16,635	835	1,851	146	1,004	1,001	21,472
Accumulated depreciation	(15,814)	(805)	(1,517)	(125)	(701)	(865)	(19,827)
	821	30	334	21	303	136	1,645

(in thousands, expressed in Canadian dollars)

8 Intangible assets

	Computer software $	Internally generated software $	BP and MO relationships $	Intellectual property $	Money transmission licenses $	Total $
Year ended July 31, 2016						
Opening net book value	185	1,193	3,674	1,784	-	6,836
Acquired through business combination	56	1,033	8,000	4,641	18,695	32,425
Additions	67	-	-	142	-	209
Amortization charge	(128)	(561)	(449)	(379)	(321)	(1,838)
Exchange differences	3	(24)	168	85	542	774
Closing net book value	183	1,641	11,393	6,273	18,916	38,406
At July 31, 2016						
Cost	2,646	9,653	12,496	6,998	19,236	51,029
Accumulated amortization	(2,463)	(8,012)	(1,103)	(725)	(320)	(12,623)
	183	1,641	11,393	6,273	18,916	38,406
9 Months ended April 30, 2017						
Opening net book value	183	1,641	11,393	6,273	18,916	38,406
Additions	124	-	-	-	-	124
Amortization charge	(124)	(666)	(640)	(560)	(948)	(2,938)
Exchange differences	-	10	467	225	845	1,547
Closing net book value	183	985	11,220	5,938	18,813	37,139
At April 30, 2017						
Cost	2,960	10,116	13,094	7,326	20,157	53,653
Accumulated amortization	(2,777)	(9,131)	(1,874)	(1,388)	(1,344)	(16,514)
	183	985	11,220	5,938	18,813	37,139

9 Other Liabilities

	April 30, 2017 $	July 31, 2016 $
Other liabilities	1,054	1,263

Other liabilities comprise of financial guarantee deposits that are held on behalf of dealers and agents. The company has the right to draw down these deposits in the event of non-payment.

(in thousands, expressed in Canadian dollars)

10 Shareholders' Equity

a) Share Capital

Authorized
Unlimited shares of common stock without par value

Issued

	9 Months ended April 30, 2017		12 Months ended July 31, 2016	
	Number of Shares	**Amount $**	**Number of shares**	**Amount $**
Balance - Beginning of period	87,051	84,589	57,139	31,638
Issued for cash				
Exercise of options	1,727	2,293	173	189
Private placement net of issuance cost	-	(10)	4,739	6,762
Stock issued for acquisition of Softgate	-	-	25,000	46,000
Balance - End of period	88,778	86,872	87,051	84,589

During the nine months ended April 30, 2017, 1,796 options were exercised at prices between $0.55 and $1.87. Certain amount of these options was treated as a cashless exercise and thus the Company held back 69 shares to satisfy the consideration normally received as part of the exercise. The proceeds of $1,167, together with the fair value of the options of $1,127, were allocated to share capital.

b) Contributed surplus

	9 months ended April 30, 2017 $	**12 months ended July 31, 2016 $**
Balance - Beginning of period	4,991	4,373
Stock-based compensation expense	692	703
Transfer to share capital on exercise of stock options	(1,127)	(85)
Balance - End of period	4,556	4,991

Contributed surplus relates to the value of compensatory stock options for employees and non-employees. During the nine months ended April 30, 2017, $1,127, the fair value of 1,796 options exercised, were transferred from contributed surplus to share capital and $692, being the fair value of options, were expensed and credited to contributed surplus.

(in thousands, expressed in Canadian dollars)

c) Stock option plan

On January 12, 2007, the company adopted a stock option plan under which the company is authorized to issue up to 10% of issued shares of the company from time to time. The vesting period of the options is at the discretion of the Board of Directors, and the term of the options is generally for 10 years. Options granted typically vest 25% in the first year and then 6.25% quarterly over the next three years. At April 30, 2017, the following stock options were outstanding:

	9 months ended April 30, 2017		12 months ended July 31, 2016	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Balance - Beginning of period	5,490	1.04	4,065	0.64
Options granted	28	2.22	1,754	1.87
Options forfeited	(33)	1.08	(156)	0.62
Options exercised	(1,796)	0.78	(173)	0.60
Balance - End of period	3,689	1.17	5,490	1.04

The weighted average share price at the date of exercise for share options exercised during the nine months ended April 30, 2017 was $3.26 (2016 - $1.51).

28 options were granted during the nine months ended April 30, 2017.

The following weighted average assumptions were used in calculating the fair value of the stock options granted during nine months ended April 30, 2017 and the twelve months ended July 31, 2016 using the Black-Scholes model:

(in thousands, expressed in Canadian dollars)

	9 months ended April 30, 2017	12 months ended July 31, 2016
Risk-free rate	0.81%	1.29%
Dividend yield	-	-
Expected volatility (weighted average)	67.21%	70.58%
Expected life (weighted average years)	6.11	6.06

The volatility measured at the standard deviation of continuously compounded share returns is based on listed share prices over a historical term consistent with the expected life at grant date.

	Options outstanding			Options exercisable
Range of exercise prices $	Number outstanding at April 30, 2017	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable at April 30, 2017
0.55	1,367	6.69	0.55	955
0.83	383	7.28	0.83	183
0.86	131	7.42	0.86	19
0.90	260	8.06	0.90	85
1.87	1,300	8.65	1.87	253
1.88	220	9.10	1.88	-
2.22	28	9.49	2.22	-
0.55 - 2.22	3,689	7.73	1.17	1,495

11 Revenue

	3 Months Ended		9 Months Ended	
	April 30, 2017 $	April 30, 2016 $	April 30, 2017 $	April 30, 2016 $
Transaction Services	22,619	16,948	68,526	46,617
Kiosk and Software	5	107	375	253
Maintenance Services	472	269	1,432	810
Professional Services	667	643	2,185	1,961
	23,763	**17,967**	**72,518**	**49,641**

(in thousands, expressed in Canadian dollars)

12 Related party transactions

a) The company engages a legal services firm that is controlled by a director of the company, and spent $42 and $24 for services pertaining to the three months ended April 30, 2017 and 2016 respectively. The company had spent $75 and $61 for services pertaining to the 9 months ended April 30, 2017 and 2016 respectively. As of April 30, 2017, $9 (2016 - $9) remained payable and is included in accounts payable and accrued liabilities.

The payable and accrued liabilities to related parties are due under normal terms of trade, generally between 30 and 90 days, and bears no interest.

b) Key management includes the company's directors and senior members of the executive team. The remuneration includes stock based compensation of key management of the company for the three months and nine months ended April 30 are as follows:

	3 Months Ended		9 Months Ended	
	April 30, 2017 $	April 30, 2016 $	April 30, 2017 $	April 30, 2016 $
Salaries, benefits and stock based compensation	830	482	1,617	1,163

13 Deferred tax asset and liability

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended July 31, 2016 and the nine months ended April 30, 2017 was 26%.

	April 30, 2017 $	July 31, 2016 $
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	1,270	1,377
Deferred tax liability to be recovered within 12 months	230	220
	1,500	1,597

The gross movement on the deferred income tax account is as follows:

Beginning, deferred tax liability	1,597	1,833
Exchange differences	41	(53)
Tax credited directly to statement of operations	(138)	(183)
Ending, deferred tax liability	1,500	1,597

(in thousands, expressed in Canadian dollars)

Beginning, deferred tax asset	2,828	-
Deferred tax resulting from business acquisition, net of deferred tax liabilities	-	3,051
Exchange differences	184	88
Tax applied directly to statement of operations	622	(311)
Ending, deferred tax asset	3,634	2,828

Deferred income tax liabilities of $13,095 (2016 - $13,302) have not been recognized for the with-holding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

14 Segmented Reporting

In the 4th quarter of 2016, the company reorganized from a geographic-based structure to a business unit structure. Three new reportable operating segments are identified as: Telecom Solutions, Biller and Agent Solutions and Consumer Financial Solutions, where business performance is reviewed based on these business units. The segments presented reflect the management structure of the company and the way in which the company's management reviews business performance. All reportable operating segment information is regularly reviewed by the company's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, to the extent that discrete financial information is available. The company evaluates the performance of its reportable segments primarily based on segment gross profit. Segment gross profit and assets include items directly attributable to a reportable operating segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other corporate expenses and property and equipment.

	For the 3 months ended April 30,							
	Telecom Solutions		**Biller and Agent Solutions**		**Consumer Financial Solutions**		**Total**	
	2017 $	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**
Segment revenue from external customers	3,691	4,954	18,896	9,226	1,176	3,787	23,763	17,967
Segment gross profits	2,933	2,994	7,878	4,359	581	1,566	11,392	8,919
Unallocated expenses							(11,314)	(7,314)
Net income							78	1,605
Property and equipment	12	9	897	949	11	41	920	999
Unallocated property and equipment							725	957
Total property and equipment							1,645	1,956

(in thousands, expressed in Canadian dollars)

	For the 9 months ended April 30,							
	Telecom Solutions		Biller and Agent Solutions		Consumer Financial Solutions		Total	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Segment revenue from external customers	11,402	14,738	57,862	25,950	3,254	8,953	72,518	49,641
Segment gross profits	8,940	7,189	24,760	13,964	1,585	3,618	35,285	24,771
Unallocated expenses							(31,460)	(20,101)
Net income							3,825	4,670
Property and equipment	12	9	897	949	11	41	920	999
Unallocated property and equipment							725	957
Total property and equipment							1,645	1,956

15 Client Concentration

The Company processes a significant amount of transactions and earns a large revenue stream from two bill payment partners.

During the quarter ended April 30, 2017, $4,418 (2016 - $5,415) of the company's revenue was derived from two bill payment partners. These two bill payment partners' revenues constituted 9.9% (2016 – 13.2%) and 8.7% (2016 – 17%) of total revenues respectively. During the nine months ended April 30, 2017, $13,542 (2016 - $16,185) of the company's revenue was derived from two bill payment partners. These two bill payment partners' revenues constituted 9.8% (2016 – 14.3%) and 8.8% (2016 – 18.3%) of total revenues respectively. In March 2014, our largest bill payment partner A was acquired by our second largest bill payment partner B.

	Three months Ended		Nine months Ended	
	April 30, 2017 $	April 30, 2016 $	April 30, 2017 $	April 30, 2016 $
Bill payment partner A				
Transaction services	2,348	2,368	7,126	7,090
Bill payment partner B				
Transaction services	2,070	3,047	6,416	9,095

The loss or curtailment of revenue from these bill payment partners could have a material adverse impact on the company's results of operations and financial condition.

The company is not subject to seasonal or cyclical variations in its financial performance.