

# FLITWAYS TECHNOLOGY INC.

## FORM 10-Q (Quarterly Report)

Filed 08/21/17 for the Period Ending 06/30/17

Address	224 DATURA ST. #1015 WEST PALM BEACH, FL, 33401
Telephone	561-570-4302
CIK	0001582919
Symbol	FTWS
SIC Code	7389 - Services-Business Services, Not Elsewhere Classified
Industry	Software
Sector	Technology
Fiscal Year	12/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2017**

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-55316**

**FLITWAYS TECHNOLOGY INC.**

(Name of Small Business Issuer in its charter)

**Nevada**

(state or other jurisdiction of incorporation or organization)

**N/A**

(I.R.S. Employer I.D. No.)

**400 Corporate Pointe, Suite 300**

**Culver City, California**

(Address of principal executive offices)

**90230**

(Zip Code)

**(855) 710-0915**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  **Smaller reporting company**  Emerging growth Company

If an emerging growth company indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of **August 15, 2017**, the registrant had 58,529,281 shares of common stock outstanding

**FLITWAYS TECHNOLOGY INC.**



**TABLE OF CONTENTS**

**PART I - FINANCIAL INFORMATION**

Item 1.	Condensed Consolidated Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets	F-1
	Condensed Consolidated Statements of Operations	F-2
	Condensed Consolidated Statements of Cash Flows	F-3
	Notes to Condensed Consolidated Financial Statements	F-4
Item 2.	Management Discussion & Analysis of Financial Condition and Results of Operations	3
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	5
Item 4.	Controls and Procedures	5

**PART II - OTHER INFORMATION**

Item 1.	Legal Proceedings	6
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	6
Item 3.	Defaults Upon Senior Securities	6
Item 4.	Mine Safety Disclosures	6
Item 5.	Other information	6
Item 6.	Exhibits	7

**PART I – FINANCIAL INFORMATION**  
**ITEM I – CONDENSED FINANCIAL STATEMENTS**

**FLITWAYS TECHNOLOGY INC**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2017 (Unaudited)	December 31, 2016
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 83,000	\$ 76,000
Accounts receivable, net	<u>17,000</u>	<u>11,000</u>
Total Current Assets	<u>\$ 100,000</u>	<u>\$ 87,000</u>
 <u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 312,000	\$ 495,000
Deferred compensation – officer	186,000	174,000
Line of credit – related party	71,000	86,000
Convertible promissory notes, net of discounts	200,000	-
Derivative liability	<u>67,000</u>	<u>-</u>
Total Current Liabilities	<u>836,000</u>	<u>755,000</u>
Stockholders' Deficit		
Common stock: 75,000,000 shares authorized or \$0.001 par value; 59,829,281 and 52,429,281 shares issued and outstanding	59,000	52,000
Additional paid in capital	3,075,000	2,123,000
Accumulated deficit	<u>(3,870,000)</u>	<u>(2,843,000)</u>
Total Stockholders' Deficit	<u>(736,000)</u>	<u>(688,000)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 100,000</u>	<u>\$ 87,000</u>

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

**FLITWAYS TECHNOLOGY INC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31,**  
**(Unaudited)**

	For the Three Months Ended June 30, 2017		For the Six Months Ended June 30, 2017	
	2017	2016	2017	2016
Revenues, net	\$ 263,000	\$ 88,000	\$ 466,000	\$ 173,000
Cost of revenues	<u>(236,000)</u>	<u>(62,000)</u>	<u>(354,000)</u>	<u>(112,000)</u>
Gross profit	<u>27,000</u>	<u>26,000</u>	<u>112,000</u>	<u>61,000</u>
Operating expenses				
Core technology and development expenses	40,000	-	67,000	15,000
Officer compensation	30,000	16,000	60,000	36,000
General and administrative expenses	<u>336,000</u>	<u>39,000</u>	<u>878,000</u>	<u>63,000</u>
Total operating expenses	<u>406,000</u>	<u>55,000</u>	<u>1,005,000</u>	<u>114,000</u>
Loss from operations	(379,000)	(29,000)	(893,000)	(53,000)
Other income (expense)				
Interest expense	(104,000)	(8,000)	(133,000)	(9,000)
Change in fair value of derivative liability	(20,000)	-	(1,000)	-
Total other income (expense)	<u>(124,000)</u>	<u>(8,000)</u>	<u>(134,000)</u>	<u>(9,000)</u>
Loss before provision for income taxes	(503,000)	(37,000)	(1,027,000)	(62,000)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>(503,000)</u>	<u>(37,000)</u>	<u>(1,027,000)</u>	<u>(62,000)</u>
Loss per common share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
Weighted average number of share Outstanding – basic and diluted	<u>59,163,347</u>	<u>20,000,000</u>	<u>57,805,392</u>	<u>20,000,000</u>

The accompanying notes are an integral part of these condensed financial statements

**FLITWAYS TECHNOLOGY INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30,**  
**(Unaudited)**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (1,027,000)	\$ (62,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discounts	122,000	-
Change in fair value of derivative liability	1,000	-
Shares issued for services	827,000	-
Changes in operating assets and liabilities		
Accounts receivable	(6,000)	6,000
Accounts payable and accrued liabilities	(183,000)	8,000
Deferred compensation - officer	12,000	36,000
Net cash used in operating activities	(254,000)	(10,000)
<b>FINANCING ACTIVITIES</b>		
(Payment) Proceeds - line of credit - related party	(15,000)	8,000
Proceeds from the issuance of convertible promissory notes, net	276,000	-
Net cash provided by financing activities	261,000	8,000
<b>NET INCREASE (DECREASE) IN CASH</b>	7,000	(2,000)
<b>CASH AT BEGINNING OF PERIOD</b>	76,000	7,000
<b>CASH AT END OF PERIOD</b>	\$ 83,000	\$ 5,000

The accompanying notes are an integral part of these condensed financial statements

**FLITWAYS TECHNOLOGY INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**As of June 30, 2017**

**Note 1 - Nature of the business and Summary of Significant Account Policies**

Flitways Technology Inc. (the “Company”), was incorporated in the State of Nevada on December 11, 2012 and established a fiscal year end of December 31. The Company is involved in the “on demand” transportation business providing businesses and private traveler’s access to book and schedule ground transportation online or by mobile device. The Company gives travelers access to customizable travel rides through a network of ground travel providers. It incorporates ride booking into the travel industry by making travel ride booking available at various travel points of sale to allow travelers to book rides that fit their lifestyle online and on its mobile application.

*Financial Statement Presentation:*

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Pursuant to these rules and regulations, certain information and note disclosures, normally included in financial statements prepared in accordance with GAAP, have been condensed or omitted. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. Operating results for the three months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2017. The balance sheet as of December 31, 2016 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto contained in the Annual Report on Form 10-K for the year ended December 31, 2016. The notes to the unaudited condensed consolidated financial statements are presented on a continuing basis unless otherwise noted.

*Basis of Presentation:*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has experienced recurring losses since its inception. The Company incurred a net loss of approximately \$1,027,000 for the six months ended June 30, 2017, and had an accumulated deficit of approximately \$3,870,000 as of June 30, 2017. Since inception, the Company has financed its activities principally through debt financing. Management expects to incur additional losses and cash outflows in the foreseeable future in connection with its operating activities.

The Company’s consolidated financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company is subject to a number of risks similar to those of other similar stage companies, including dependence on key individuals, successful development, marketing and branding of products; uncertainty of product development and generation of revenues; dependence on outside sources of financing; risks associated with research, development; dependence on third-party, suppliers and collaborators; protection of intellectual property; and competition with larger, better-capitalized companies. Ultimately, the attainment of profitable operations is dependent on future events, including obtaining adequate financing to fund its operations and generating a level of revenues adequate to support the Company’s cost structure. During the six months ended June 30, 2017, the Company issued convertible promissory notes in the aggregate principal amount of \$330,000, with net proceeds of \$276,000.

The Company will need to raise debt and equity financing in the future in order to continue its operations; however, there can be no assurance that such financing will be available in sufficient amounts and on acceptable terms, when and if needed, or at all. If results of operations for 2017 do not meet management's expectations, or additional capital is not available, management believes the Company has the ability to reduce certain expenditures. The precise amount and timing of the funding needs cannot be determined accurately at this time, and will depend on a number of factors, including market demand for the Company's products and services, the success of product development efforts, the management of working capital, and the continuation of normal payment terms and conditions for purchase of goods and services. The Company is uncertain whether its cash balances and cash flow from operations will be sufficient to fund its operations for the next twelve months. If the Company is unable to substantially increase revenues, reduce expenditures, or otherwise generate cash flows from operations, then the Company will need to raise additional funding to continue as a going concern from investors or through other avenues.

*Basis of Consolidation and Reclassifications:*

The condensed consolidated financial statements include the accounts of the Company and its controlled and wholly-owned subsidiary. Intercompany transactions, profits, and balances are eliminated in consolidation.

Certain reclassifications have been made to amounts in prior periods to conform to the current period presentation. All reclassifications have been applied consistently to the periods presented. The reclassifications had no impact on net loss or total assets and liabilities.

*Fair Value Measurement:*

The accounting standards regarding fair value of financial instruments and related fair value measurements define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures.

ASC Topic 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 - inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

*On a Recurring Basis:*

A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.



Financial assets and liabilities carried at fair value, measured on a recurring basis as follows:

Description	June 30, 2017			
	Level 1	Level 2	Level 3	Gains (Losses)
Derivative liability on warrants	-	-	67,000	(1,000)
Total	\$ -	\$ -	\$ 67,000	\$ (1,000)

Our Level 3 fair value liabilities represent the fair value of warrants recorded related to the convertible notes issued during the six months ended June 30, 2017. The change in the balance of the warrant liability during the six months ended June 30, 2017 was calculated using the Black-Scholes Model, which is classified as gain on change in derivative liability in the consolidated statement of operations. The Black-Scholes Model does take into consideration the Company's stock price, historical volatility, and risk-free interest rate.

The following table provides a summary of the changes in fair value of the Company's warrants, which are Level 3 liabilities as of June 30, 2017:

Balance at January 1, 2016	\$ -
Fair value of warrants issued	66,000
Change in value of warrants	1,000
Balance at June 30, 2017	67,000

#### Recent Accounting Pronouncements

In May 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-09, "Compensation – Stock Compensation (Topic 718) – Scope of Modification Accounting", to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new standard, modification is required only if the fair value, the vesting conditions, or the classification of an award as equity or liability changes as a result of the change in terms or conditions. The amendments are effective for all entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods, and will be applied prospectively. Early adoption is permitted. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations, cash flows and financial position.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations, cash flows and financial position.

Various other accounting pronouncements have been recently issued, most of which represented technical corrections to the accounting literature or were applicable to specific industries, and are not expected to have a material effect on our financial position, results of operations, or cash flows.

## Note 2 - Convertible Promissory Notes

As of June 30, 2017, convertible promissory notes payable, net consisted of the following:

Principal	\$ 330,000
Debt issuance cost	(54,000)
Discount for warrants issued	(67,000)
Discount for beneficial conversion feature	(132,000)
Amortization	123,000
Notes payable, net	<u>\$ 200,000</u>

In March 2017, the Company issued two convertible promissory notes both in the amount of \$110,000 for an aggregate principal amount of \$220,000 (the "March Notes"). The total proceeds were approximately \$197,000, due to approximately \$23,000 for debt issuance costs. Also, the Company paid a one-time fee of \$10,000 to a consultant related to services provided associated with the March Notes. The March Notes accrue interest at 10% per annum with the principal and accrued interest due and payable in October 2017. The principal amount and all accrued interest are convertible into shares of the Company's common stock at a rate \$0.10 per share, subject to adjustments for events of default. Each holder was issued a warrant to purchase 187,500 shares, for a total of 375,000 shares, of the Company's common stock with an exercise price of \$0.12 per share, subject to adjustments. There is an adjustment to the exercise price if an and when the Company sells or grants an option to purchase any common stock or securities entitling the right to acquire shares of the Company's common stock at an effective price per share less than the exercise price. Events of default include non-compliance with the Exchange Act. Should the Company be found in default, the interest rate would be adjusted to 24%, and the conversion rate would be adjusted to the lower of \$0.10 or 65% of the average of the 2 lowest sale prices and trading prices as defined in the agreements during the 25 consecutive trading days immediately preceding the conversion date or the closing bid price, whichever is lower, or \$0.00001 if the Company loses the bid. There is also an adjustment if the stock becomes chilled or in the case of dilutive issuances.

The Company determined that the adjustments to the exercise price of the warrants caused the warrants to be treated as a derivative in accordance with ASC 818-15 Derivatives and Hedging. Since the warrants are a derivative they are accounted for at fair value on the date of issuance. The fair value of \$52,000, at issuance, was determined using the Black-Scholes Option Pricing Model. At each reporting period, the change in fair value will be recorded in the statement of operations under other income (expense). The assumptions used in the Black-Scholes Pricing Model were term of the warrants 5 years, volatility rate of 429% - 434%, rate of quarterly dividends 0% and a risk free interest rate of 2.02% - 2.03%

The March Notes embedded conversion price of \$0.10 was below market rate on the date of issuance. The discount allocated to the beneficial conversion feature was approximately \$123,000.

In accordance with ASC 470 - Debt, the Company has allocated the cash proceeds amount between the March Notes, debt issuance costs, warrants and beneficial conversion feature. The debt issuance cost of \$33,000, the fair value of the warrants issued of \$52,000 and the embedded beneficial conversion of \$123,000 are being amortized and expensed over the term of the loans. For the six months ended June 30, 2017, the amortization expense was approximately \$115,000.

In May 2017, the Company issued a convertible promissory note in the amount of \$110,000 (the "May Note"). The total proceeds were approximately \$99,000, due to approximately \$11,000 for debt issuance costs. Also, the Company paid a one-time fee of \$10,000 to a consultant related to services provided associated with the May Note. The May Note accrues interest at 10% per annum with the principal and accrued interest due and payable in December 2017. The principal amount and all accrued interest are convertible into shares of the Company's common stock at a rate \$0.10 per share, subject to adjustments for events of default. The holder was issued a warrant to purchase 187,500 shares of the Company's common stock with an exercise price of \$0.12 per share, subject to adjustments. There is an adjustment to the exercise price if and when the Company sells or grants an option to purchase any common stock or securities entitling the right to acquire shares of the Company's common stock at an effective price per share less than the exercise price. Events of default include non-compliance with the Exchange Act. Should the Company be found in default, the interest rate would be adjusted to 24%, and the conversion rate would be adjusted to the lower of \$0.10 or 65% of the average of the 2 lowest sale prices and trading prices as defined in the agreements during the 25 consecutive trading days immediately preceding the conversion date or the closing bid price, whichever is lower, or \$0.00001 if the Company loses the bid. There is also an adjustment if the stock becomes chilled or in the case of dilutive issuances.

The Company determined that the adjustments to the exercise price of the warrants caused the warrants to be treated as a derivative in accordance with ASC 818-15 Derivatives and Hedging. Since the warrants are a derivative they are accounted for at fair value on the date of issuance. The fair value \$14,000, at issuance, was determined using the Black-Scholes Option Pricing Model. At each reporting period, the change in fair value will be recorded in the statement of operations under other income (expense). The assumptions used in the Black-Scholes Pricing Model were term of the warrants 5 years, volatility rate of 332%, rate of quarterly dividends 0% and a risk free interest rate of 1.79%

The Notes embedded conversion price of \$0.10 was below market rate on the date of issuance. The discount allocated to the beneficial conversion feature was approximately \$9,000.

In accordance with ASC 470 - Debt, the Company has allocated the cash proceeds amount between the March Notes, debt issuance costs, warrants and beneficial conversion feature. The debt issuance cost of \$21,000, the fair value of the warrants issued of \$14,000 and the embedded beneficial conversion of \$9,000 are being amortized and expensed over the term of the loans. For the six months ended June 30, 2017, the amortization expense was approximately \$7,000.

### **Note 3 – Stockholder's Deficit**

In 2016, the Company entered into agreements for consulting services from September 2016 through February 2017, under which the Company agreed to issue 6,000,000 shares of common stock. The Company recognized \$360,000 of expense related to these services in 2016. For the six months ended June 30, 2017, the Company recognized an additional expense of \$360,000 related to these services, and issued 6,000,000 shares of common stock.

In May 2017, the Company entered into an agreement for consulting and marketing services. As part of the agreement, the consultant will be compensated with the issuance of 1,750,000 shares of the Company's common stock ("Award Shares"). The Award Shares vest on the following dates: 700,000 on May 22, 2017, 210,000 shares on each of the following dates, July 7, 2017, August 4, 2017, September 1, 2017, September 9, 2017 and October 27, 2017, provided the consultant continues to provide services on such dates. Any of the Award Shares which become vested shall be issued and delivered to the consultant on the dates specified above. The Company will account for the Award Shares using the graded vesting method with the total value of the Award Shares calculated on the date the Award Shares are issued to the consultant. For accounting purposes, the Award Shares will be revalued at each reporting date with the final Award Shares value being the date the Award Shares are delivered to the consultant. The Company recorded an expense of \$49,000 for the issuance of the 700,000 shares. Also, the Company recorded an expense and accrued liability of approximately \$58,000 during the quarter ended June 30, 2017 for the fair value of the unissued shares.

Also in May 2017, the Company entered into an agreement for financing consulting services for a period of six months. As part of the consultant was to receive 1,200,000 shares of the Company's common stock with 600,000 shares issued upon the execution of the agreement and the remaining 600,000 shares issued 90 days from the execution of the agreement. The Company issued the first tranche of shares, but the contract was canceled prior to the issuance of the second tranche. For the six month ended June 30, 2017, the Company recorded an expense of approximately \$48,000 for the fair value of the shares issued. The fair value was determined based on the fair market value of the Company's common stock on the date of issuance.

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Safe Harbor Statement

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable laws, including the securities laws of the United States, we do not intend to update any of the forward-looking statements so as to conform these statements to actual results.

As used in this quarterly report, the terms "we", "us", "our", "the Company", and "FlitWays" mean FlitWays Technology Inc., unless otherwise indicated.

All dollar amounts refer to US dollars unless otherwise indicated.

The following discussion should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this Form 10-Q. The discussions of results, causes and trends should not be construed to imply any conclusion that these results or trends will necessarily continue into the future.

### RESULTS OF OPERATIONS

#### *For the three months ended June 30, 2017*

Revenues, net for the three months ended June 30, 2017 increased by 199% to \$263,000 as compared to \$88,000 for 2016. The increase in revenue, net is contributable to an overall increase in business. The Company continues to expand its business.

Gross profit for the three months ended June 30, 2017 increased by 4% to \$27,000 as compared to \$26,000 for 2016. Our cost of sales is comprised of (i) fees paid to the contract drivers, (ii) fees paid for the credit card processing services and (iii) cost of maintaining our call centers. The increase in gross profit is contributable to our ability to increase price to our customers and negotiate competitive rates with our contract drivers.

Core technology and development expenses for the three months ended June 30, 2017 increased by 100% to \$40,000 as compared to \$0 for 2016. The increase in core technology and development expenses is attributable to our continued expansion of the services we provide to our customer. As we identify new services, we are required to update our core technology to handle the new services.

Officer salary for the three months ended June 30, 2017 increased by 88% to \$30,000 as compared to \$16,000 for 2016. The increase in officer salary is attributable to a contractual annual salary increase for 2017.

General and administrative expenses for the three months ended June 30, 2017 increased by 762% to \$336,000 as compared to \$39,000 for 2016. The increase in our general and administrative expense is attributable to (i) increase in employee related cost of approximately \$28,000, (ii) consulting expenses related to corporate structure of approximately \$167,000, which includes approximately \$153,000 for fair value of shares issued and to be issued to consultants (iii) a general increase of approximately \$12,000, and (iv) the remaining increase of approximately \$90,000 is related to accounting, auditing, consulting and legal services arising from our status of being public company filing with U.S. Securities and Exchange Commission.

***For the six months ended June 30, 2017***

Revenues, net for the six months ended June 30, 2017 increased by 169% to \$466,000 as compared to \$173,000 for 2016. The increase in revenue, net is contributable to an overall increase in business. The Company continues to expand its business.

Gross profit for the six months ended June 30, 2017 increased by 84% to \$112,000 as compared to \$61,000 for 2016. Our cost of sales is comprised of (i) fees paid to the contract drivers, (ii) fees paid for the credit card processing services and (iii) cost of maintaining our call centers. The increase in gross profit is contributable to our ability to increase price to our customers and negotiate competitive rates with our contract drivers.

Core technology and development expenses for the six months ended June 30, 2017 increased by 346% to \$67,000 as compared to \$15,000 for 2016. The increase in core technology and development expenses is attributable to our continued expansion of the services we provide to our customer. As we identify new services, we are required to update our core technology to handle the new services.

Officer salary for the six months ended June 30, 2017 increased by 67% to \$60,000 as compared to \$36,000 for 2016. The increase in officer salary is attributable to a contractual annual salary increase for 2017.

General and administrative expenses for the six months ended June 30, 2017 increased by 1,294% to \$878,000 as compared to \$63,000 for 2016. The increase in our general and administrative expense is attributable to (i) increase in employee related cost of approximately \$63,000, (ii) consulting expenses related to corporate structure of approximately \$607,000, which includes approximately \$525,000 for fair value of shares issued and to be issued to consultants (iii) \$21,000 increase in general expenses, and (iv) the remaining increase of approximately \$124,000 is related to accounting, auditing, consulting and legal services arising from our status of being public company filing with U.S. Securities and Exchange Commission.

**Cash Flows from Operating Activities**

We have not generated positive cash flows from operating activities. For the six months ended June 30, 2017, net cash used in operating activities was \$254,000, compared to \$10,000 for the six months ended June 30, 2016.

**Cash Flows from Financing Activities**

We have financed our operations primarily from related party advancements and issuance of convertible notes payable. For the six months ended June 30, 2017 net cash provided by financing activities was \$261,000 compared to the six months ended June 30, 2016, which was \$8,000. During the six months ended June 30, 2017, we issued convertible promissory notes for net proceeds of \$276,000.

**Liquidity and Capital Resources**

As at June 30, 2017 our current liabilities exceed our current assets by approximately \$736,000, which was comprised of accounts payable and accrued liabilities of approximately \$312,000, deferred compensation of approximately \$186,000, convertible notes payable of approximately \$200,000, line of credit – related party of approximately \$71,000 and derivative liability of approximately \$67,000.

These condensed financial statements have been prepared on the assumption that we have the ability to continue as a going concern. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. Our continuation as a going concern is dependent upon our ability to attain profitable operations and generate funds there from, and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management plans to raise equity financings over the next twelve months to finance operations. There is no guarantee that we will be able to complete any of these objectives. We have incurred losses from operations since inception and at June 30, 2017, and have an accumulated deficit of approximately \$3,870,000 that creates substantial doubt about our ability to continue as a going concern.

## **Plan of Operation**

Our plan of operation for the next twelve months is to grow our business through the expansion of our online booking engine and mobile app.

## **Inflation**

The amounts presented in the condensed financial statements do not provide for the effect of inflation on our operations or financial position. The net operating losses shown would be greater than reported if the effects of inflation were reflected either by charging operations with amounts that represent replacement costs or by using other inflation adjustments.

## **Off-Balance Sheet Arrangements**

As of June 30, 2017, we had no off-balance sheet transactions that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

## **ITEM 4. CONTROLS AND PROCEDURES**

### Evaluation of disclosure controls and procedures.

As of June 30, 2017, the Company's chief executive officer and chief financial officer conducted an evaluation regarding the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act). Based upon the evaluation of these controls and procedures, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective as of the date of filing this quarterly report applicable for the period covered by this report.

### Changes in internal controls.

During the period covered by this report, no changes occurred in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

As of August 21, 2017, there are no material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we or any of our subsidiaries are a party or of which any of our properties is the subject. Also, our management is not aware of any legal proceedings contemplated by any governmental authority against us.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS SECURITIES

During the three months ended June 30, 2017, the Company issued 1,300,000 shares of common stock for consulting services rendered.

We issued the shares of common stock described above in reliance upon the exemptions from registration afforded by Section 4(a)(2) and/or Rule 506 promulgated under the Securities Act of 1933, as amended.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS

<b>Exhibit Number</b>	<b>Exhibit Description</b>
31.1	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14 or 15d-14 of the Exchange Act pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
EX-101.INS	XBRL Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

**FLITWAYS TECHNOLOGY INC.**

(REGISTRANT)

Date: August 21, 2017

*/s/ Tobi Mac Aro*

---

Tobi Mac Aro  
President, Chief Executive Officer, Chief  
Financial Officer and Director  
(Authorized Officer for Registrant)

**CERTIFICATION PURSUANT TO  
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tobi Mac Aro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FlitWays Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 21, 2017

/s/ Tobi Mac Aro

Tobi Mac Aro  
President, Chief Executive Officer,  
Chief Financial Officer,  
Treasurer and Director  
(Principal Executive Officer, Principal  
Financial Officer  
and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tobi Mac Aro, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q of FlitWays Technology Inc. for the three months ended June 30, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Flitways Technology Inc.

Dated: August 21, 2017

/s/ Tobi Mac Aro

---

Tobi Mac Aro  
President, Chief Executive Officer, Chief Financial  
Officer, Treasurer and Director  
(Principal Executive Officer, Principal Financial  
Officer and Principal Accounting Officer)