

Hybrid Paytech World Inc.

Management Discussion and Analysis (“MD&A”)

For the three and six month periods ended June 30, 2014

Management Discussion and Analysis

Introduction

This Management Discussion and Analysis ("MD&A") for Hybrid Paytech World Inc. (the "Company", "Hybrid" or "we") focuses on the significant activities of the Company which occurred during the three-month and six month periods ended June 30, 2014, as well as the subsequent period up to August 29, 2014.

The unaudited condensed interim consolidated financial statements as at and for the three-month and six month periods ended June 30, 2014, along with the comparative periods presented in them, have been prepared in accordance with IAS 34, Interim Financial Reporting. This MD&A should be read in conjunction with the Company's annual consolidated financial statements as of and for the years ended December 31, 2013 and 2012 and is intended to supplement and complement the unaudited condensed interim consolidated financial statements and notes thereto as of June 30, 2014 and for three-month and six month periods ended June 30, 2014 and 2013 (collectively, the "Financial Statements"). The Company's condensed interim consolidated financial statements as at and for the three-month and six month periods ended June 30, 2013 in this MD&A have been restated.

All amounts in this document are in Canadian dollars, which is the reporting currency of the Company.

The Company's management is responsible for the preparation of the Financial Statements as well as other information contained in this MD&A.

The Board of Directors is required to ensure that management assumes their responsibility with regards to the preparation of the Company's Financial Statements. To assist management, the Board has created an Audit Committee. The Audit Committee meets with members of the management team to discuss the operating results and the financial situation of the Company. It then makes its recommendation and submits the financial statements to the Board of Directors for their examination and approval. Following the recommendation of the Audit Committee, the Board of Directors have approved these unaudited condensed interim consolidated financial statements. The Company's independent auditors have not reviewed the condensed interim consolidated financial statements as at and for the three-month and six month periods ended June 30, 2013 in accordance with standard established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Additional information regarding the Company is available on the SEDAR website at www.sedar.com and includes the Company's other recent financial reports, securities and continuous disclosure documents.

Certain information provided by the Company in this MD&A and in other documents publicly filed throughout the year that are not recitation of historical facts may constitute forward-looking statements. The words "may", "would", "could", "will", "likely", "estimate", "believe", "expect", "forecast" and similar expressions are intended to identify forward-looking statements.

Readers are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Forward Looking Statements

This MD&A contains forward-looking statements and forward looking information within the meaning of applicable Canadian securities legislation ("forward looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact, but are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions or results of operations that are based on assumptions about future conditions, courses of action and consequences. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The Company cautions you not to place undue reliance upon any

such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, the successful commercialization of our technology, comments about potential future revenues, joint development agreements and expectations of signed contracts with customers etc. A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks and uncertainties include the risk of not securing required capital in future, the risks of not successfully concluding agreements with potential partners on a timely basis, the risks associated with commercializing and bringing to market our technology. These risks are affected by numerous factors beyond the Company's control: the existence of present and possible future government regulation, the significant and increasing competition that exists in the Company's business sector, uncertainty of revenues, markets and profitability, as well as those other factors discussed in this MD&A report. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities law

Corporate Overview

The Company was incorporated under the Business Corporations Act (Alberta) on February 8, 2005 and is a publicly traded company listed on the Canadian Securities Exchange (CSE) under the ticker 'HPT'. The Company's registered office and its head office is located at 3-643 Notre Dame Street West, Montreal, Quebec H3C 1H8. For all purposes below, the "Company" refers to Hybrid Paytech World Inc. and its wholly-owned subsidiaries First Equity Strategy LLC ("First Equity"), incorporated in the State of Delaware, Hybrid-PayTech Asia Inc. incorporated in the Philippines, and Hybrid-PayTech Asia Pacific (HK) Limited, incorporated in Hong Kong. The Company's other subsidiaries are a 51% ownership of Vault Acquiring Solutions LLC, incorporated in the state of Delaware, USA and a 51% ownership of Solutions Mobi724 Inc., incorporated under the Corporations Act (Canada).

The Company has developed internet technology that enables point of sale ("POS") payments on-line for credit cards and PIN debit cards. Its applications enable smart phones or tablets that use Windows Mobile, Android, Blackberry or Apple iPhone operating systems (IOS) to securely process credit and debit card payments. With a global footprint, Hybrid is an enabler of easily-deployable payment systems focusing on authentication, approved security and quick merchant adoption in Fleet, Delivery, Logistics and Retail. Also Hybrid is a unique provider of cloud based e-couponing solution for worldwide distribution that enable merchants and consumers to redeem promotions and loyalty based systems with exceptional ease.

Going Concern

The Company's Financial Statements have been prepared on a going concern basis. A going concern basis contemplates the realization of the carrying value of assets and the settlement of liabilities in the normal course of business as they come due, which is dependent on future events including amongst other things, attaining a satisfactory revenue level from its Mobile POS technology system and e-couponing solutions, attainment of profitable operations, the generation of cash from operations and the ability to secure new financing arrangements and new capital to carry out its business plan. These matters are dependent on a number of items outside of the Company's control and there exists material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These Financial Statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company has generated limited revenues since inception and has generated losses from operations totaling \$3,626,911 for the six months ended June 30, 2014, and an accumulated deficit of \$23,920,716 since the Company's inception on February 8, 2005. As at June 30, 2014, the Company's committed cash obligations and expected level of expenses for the next twelve months exceeds its committed sources of funds. The Company can give no assurance that its financing plan will be successful, nor can it give assurance that it will achieve profitability or be capable of sustaining profitable operations.

1-FINANCIAL HIGHLIGHTS

Quarterly Information

(in \$'000)	For the three-month periods ended June 30,		For the six -month periods ended June 30,	
	2014	Restated 2013	2014	Restated 2013
Sales	24	95	37	179
Operating Expenses	2,567	2,152	4,420	3,414
Operating Loss	(2,543)	(2,057)	(4,382)	(3,235)
Net Financial (Expenses) Income	986	(45)	687	(86)
Income Tax recovery	34	-	68	-
Net Loss	(1,523)	(2,102)	(3,627)	(3,321)
Comprehensive Net Loss	(1,516)	(2,104)	(3,625)	(3,328)
Loss per share				
Basic	\$(0.04)	\$(0.08)	\$(0.09)	\$(0.13)
Diluted	\$(0.04)	\$(0.08)	\$(0.09)	\$(0.13)
Cash flow from operating activities before changes working capital items	(1,892)	(1,831)	(3,340)	(2,724)
Cash flow from operating activities	(2,009)	(1,981)	(3,740)	(2,549)
Acquisitions of property and equipment	13	(88)	(67)	(201)
Additions to intangible assets	(146)	(197)	(432)	(399)
Cash flow from financing activities	1,896	1,486	4,284	4,502

(in \$'000)	June 30, 2014	December 31 2013
Cash	140	95
Total assets	7,328	7,082
Long term debt	119	127
Shareholders' equity	(1,914)	(5,533)

Other

Weighted average outstanding shares		
Basic and Diluted	41,661,700	22,378,417

Q2-2014 Highlights

- In Q2-2014, the Company issued unsecured convertible debentures totaling \$1,900,000 through private placements of the total authorized financing of \$4,000,000.
- Mobi724 signs a commercial agreement to provide its Mobile Coupon solution to City of Tucuman's transport system card users
- On May 14, 2014 the Management Cease Trade Order (MCTO) and the Temporary Cease Trade Order (TCTO) were lifted by the AMF.
- In May 2014, the Company granted 200,000 stock options at an exercise price of \$0.50 per stock option with a 3 year maturity date.
- In June 2014, the Company extended 11,601,729 warrants by an additional 12 months.
- In Q2-2014 the Company made \$500,000 in payments to reduce the liability for the third party garnishment issued against the Company pursuant to a judgement issued against the former Directors and Founders. The Company was able to negotiate an extension to pay the balance of \$250,000 no later than October 28, 2014. In consideration for assuming the portion of this liability attributable to the former Directors and Founders, the Company is still in the process of finalizing an agreement with them to relinquish in favour of the Company, 1,100,000 shares of the Company which they currently own as well as other compensation.

2-CONSOLIDATED RESULTS
Net loss

The Company generated a net loss of \$1.6M for the three months ended June 30, 2014 and a net loss of \$2.1M for the same period in 2013 for a total decrease of \$0.5M. The Company generated a loss of \$3.6M for the six month period ended June 30, 2014 and a net loss \$3.3M for the same period in 2013 for a total increase of \$0.3M. The difference is comprised of the following:

	Three-month period In \$M	Six-month period In \$M
Net loss June 30, 2013	2.1M	3.3M
Decrease in Revenues	0.1M	0.1M
Increase in Operating Expenses	0.4M	1.0M
Increase in Financial Expenses	(1.0M)	(0.8M)
Total (Decrease) Increase in Net loss	(0.5M)	0.3M
Net loss June 30, 2014	1.6M	3.6M

Three month period ended

During the three months period ended June 30, 2014, the Company's revenues stayed relatively consistent however operating expenses increased by \$0.4M when compared to the same period in the prior year. There has been a general increase in the operating expenses mainly due for the following reasons;

- The Q2-2014 operating expenses include the Hong Kong subsidiary which commenced operations in late April 2013 as well as Solutions Mobi 724 Inc. which was only acquired in Q3 2014. The Hong Kong subsidiary was established in order to penetrate new international markets and the acquisition of Solutions Mobi 724 Inc. in July 2013 was to increase the product offering through e-couponing. As a result of the increased international presence and increased headcount, salaries and contract labour increased by \$0.4M.
- The expanded operational and regulatory compliance costs increased professional fees by \$0.3M from \$0.1M for the three-month period ended June 30, 2013 to \$0.4M for the current period. The increase in professional fees reflect the increased legal and accounting costs of the Company's litigations and reporting requirements as a public company. The Company is also evaluating certain market opportunities and has

entered into discussions with potential acquirees which can enhance the Company's overall product offering. To date, no binding agreement has materialized from these discussions; as a result this has contributed \$0.2M to the increase of professional fees and overall operating expenses.

Fiscal 2013 was earmarked to commence commercialization of the software solution and therefore the Company began to staff itself accordingly. Though, there were certain delays in the rollout of the different product lines caused by development milestones not being achieved and product rollout schedules being delayed from our customers resulted in a shortfall of revenues. In Q2-2014, the Company completed the work on the EMV switch and is seeking the financing to be able to deploy the solution at large in the market-place.

As a result of the acquisition of Solutions Mobi 724 Inc., the Company increased its acquired software technology and therefore the amortization of intangible assets increased by \$0.1M in Q2-2014.

As at August 29, 2014, the Company paid a total of \$750,000 towards the liability for the third party garnishment which the Company assumed in March 2014. The remaining balance of \$250,000 is due on October 28, 2014. In consideration for assuming the liability attributable to the former Directors and Founders, the Company is in the process of finalizing an agreement with them to relinquish in favour of the Company, 1,100,000 shares of the Company which they currently own as well as other compensation. The total compensation will only be received once payment in full of the liability is made. In addition, the management service contract between the Company and a company owed by the former Directors and Founders was terminated with an effective date of February 9, 2014. As a result, no management fees were paid to the owners during the three-month period ended June 30, 2014.

The net financial expenses decreased by \$1.0M due to a \$1.0M fair value adjustment in the liability for the acquisition of the non-controlling interest of Mobi in Q2-2014.

Six month period ended

During the six month period ended June 30, 2014, the Company's revenues decreased by \$0.1M and the Company's operating expenses increased by \$1.0M. The majority of the increase is accounted for by a \$0.7M increase in salaries and benefits and \$0.2M increase in contract labour when compared to the six month period ended June 30, 2013. During the first six months of fiscal 2014, the Company hired several programmers and filled certain senior management positions in order to deliver the Company solution on a global basis.

There has also been an increase of professional fees in the amount of \$0.5M when compared to the same period in 2013. This increase is a result of increased litigation expense and professional fees incurred in order to obtain financing from institutional investors.

As a result of the acquisition of Solutions Mobi 724 Inc., the Company increased its acquired software technology and therefore the amortization of intangible assets increased by \$0.2M for the six month period ended June 30, 2014.

The Company did not incur management fees during the six month period June 30, 2014 whereas as it incurred management fees of \$0.5M for the same period in 2013, which offsets the increases in the aforementioned expenses.

The net financial expenses decreased by \$0.6M due to a fair value adjustment in the liability for the acquisition of the non-controlling interest of Mobi in Q2-2014.

3-CASH FLOW AND LIQUIDITY

As at June 30, 2014 the Company had a balance of \$0.1M in cash and total assets of \$7.3M with total liabilities of \$9.2M (as at December 31, 2013 \$0.1M in cash and total assets of \$7.1M with total liabilities of \$12.6M). In comparison at June 30, 2013, the Company had a balance of cash of \$2.0M with total assets of \$4.3M and total liabilities of \$2.7M.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on future events including maintaining and raising adequate capital from either shareholders or outside lenders to finance future development activities. Please refer to the section on Financing Activities below for events that pertain to the continued viability of the Company. There is no certainty that these or other strategies will be sufficient to permit the Company to continue beyond the date of this MD&A.

The business plan of the Company is to generate revenue through the license of its software platform to payment processors, banks and wireless telecommunication companies, sales of merchant processing accounts to merchants, transaction fees from every transaction performed by one of its customers as well as, set-up and transaction fees for the e-couponing business. These revenues are dependent on the completion of the software payment platform as well as the e-couponing solution, obtaining security certification for the platform, servers and data communications and the integration of the Company's platform with multiple acquiring financial institutions.

There is a chance that all of the necessary elements will not be completed. Delays in software development, changes in security standards and/or the refusal of a payment acquirer to cooperate with the Company to certify its platform in a timely fashion could delay the sale of the Company's products and forestall revenue generation.

Summary for the cash flow activities are detailed below:

Operating Activities

In the three month period ended June 30, 2014, the cash flows used from operating activities amounted to \$2.0M (\$2.0M for the same period in 2013).

In the six month period ended June 30, 2014, the cash flows used from operating activities amounted \$3.7M (\$2.5M for the same period in 2013) The changes in non-cash working capital items increase by \$0.6M which is caused by the \$0.8M payment for the liability from the third party garnishment in 2014.

Investing Activities

For the three month ended June 30, 2014 cash flows from investing activities amounted to \$0.1M (\$0.3M in 2013). The additions to the intangible assets were relatively stable in Q2-2014 as compared to Q2-2013 and the spending relates primarily to the EMV payment switch which is being developed.

For the six month period ended June 30, 2014 cash flows from investing activities amounted to \$0.5M (\$0.6M in 2013). The acquisition of intangible assets remained relatively consistent for the six month period in 2014 and 2013 and relates primarily to the EMV payment switch which is being developed.

Financing Activities

A summary of the Company's significant share capital transactions and financing activities for the six month period ended June 30, 2014 are as follows:

Convertible Debenture

In Q2-2014, the Company authorized the issuance of convertible debenture up to \$4.0M and the Company has received \$1.9M of proceeds from the convertible debentures.

Exercise of warrants

In February 2014, 7,987,033 warrants were exercised and the Company issued 7,987,033 common shares and received proceeds of \$2,443,437.

Liquidity

The Company's Financial Statements have been prepared on a going concern basis. A going concern basis contemplates the realization of assets and the settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions

that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the following paragraphs, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These Financial Statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company's long term debts are collateralized by equipment and short term investments of the Company. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in the capital disclosures discussion in the notes to the December 31, 2013 Financial Statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. The contractual obligations of the Company as at June 30, 2014, were comprised of accounts payable and accrued liabilities, liability for the acquisition of the non-controlling interest of Mobi, income taxes payable, convertible notes, and long-term debt in the aggregate amount of \$8.7M (\$12.0M as at December 31, 2013). The Company's cash resources were \$0.1M as at June 30, 2014 (\$0.1M as at December 31, 2013).

While management has been successful in the past at securing financing through the issuance of new equity and debt, there can be no assurance it will be able to do so in the future. As such, the Company's continued existence is dependent upon obtaining additional financing to restart its operations, complete projects in progress and continue its development work. Given the uncertainty involved in successfully executing on strategy, the realization of assets and discharge of liabilities are each subject to significant uncertainty.

It is not possible to predict whether the actions taken as a result of the Company's initiatives will result in improvements to its financial condition sufficient to allow the Company to continue as a going concern. If the going concern basis is not appropriate, material adjustments will be necessary to the carrying amounts and/or classification of assets and liabilities.

4-STATEMENTS OF FINANCIAL POSITION

Assets

As at June 30, 2014, total assets amounted to \$7.3M, an increase of \$0.2M when compared to December 31, 2013. The increase is due primarily to an increase in intangible assets of \$0.3M which is related to the development of the EMV payment switch which is in the final stages of development.

	June 30, 2014	December 31, 2013
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	139,938	94,768
Short-term investments	39,425	39,425
Trade and other receivables	212,645	177,808
Inventories	91,636	78,750
Prepaid expenses	2,289	10,510
	<u>485,933</u>	<u>401,261</u>
NON-CURRENT ASSETS		
Deferred costs	274,506	222,368
Property and equipment	148,264	204,850
Intangible assets	3,280,570	3,113,881
Goodwill	3,139,191	3,139,191
	<u>6,842,531</u>	<u>6,680,290</u>
TOTAL ASSETS	<u>7,328,464</u>	<u>7,081,551</u>

Accounts Payable and Accrued Liabilities

	June 30, 2014	December 31, 2013
	\$	\$
Accounts payable and accrued liabilities	2,133,658	1,708,814
Salaries and related benefits	283,219	122,914
Amounts due to related parties	176,283	412,528
Liability for third party garnishment resulting from assumption of judgment against former directors	250,000	1,000,000
	<u>2,843,160</u>	<u>3,244,256</u>

Accounts payable and accrued liabilities decreased between June 30, 2014 and December 31, 2013 by \$0.4M. The decrease is primarily the result of a payment made by the Company for \$750,000 relating to a judgment rendered by the Quebec Superior Court on December 4, 2013 against two former directors and the Company. The management service contract between the Company and a company owned by the former Directors and Founders was terminated with an effective date of February 9, 2014 and as such the amounts due to a company owned by the former Directors and Founders were reclassified out of related party and into accounts payable.

In addition to the accounts payable and accrued liabilities, the Company recorded a liability of \$5.3M (\$6.1M as at December 31, 2013) because at the acquisition date of Solutions Mobi 724 Inc., Hybrid has an obligation to acquire the non-controlling interest. Such liability is recorded at fair value of the redeemable amount and is determined on a multiple of 4.5 times the expected future annual revenues based on signed contracts at the date of the second closing to acquire the remaining 49% Mobi share (at December 31, 2013 the amount was discounted using a rate of 36.9%). The settlement of the obligation will be paid by the Company by the issuance of common shares whereby the price per share will be determined as the greater of the 30-day trading weighted average market price prior to the second closing date or \$1.23. The Company also has the option to settle the liability in cash or a combination of cash and shares.

Long-Term Liabilities and Contractual and Constructive Obligations

	June 30, 2014			
	Carrying amount	Less than one year	2-5 years	Over 5 years
Accounts payable and accrued liabilities	2,843,160	2,843,160	-	-
Liability for the acquisition of the non-controlling interest of Mobi	5,338,200	5,338,200	-	-
Income taxes payable	4,016	4,016	-	-
Convertible notes	388,400	388,400	-	-
Long term debt	119,010	34,428	84,582	-
	<u>8,692,786</u>	<u>8,608,204</u>	<u>84,582</u>	<u>-</u>

Contingencies and Events after the Reporting Period

Through the normal course of operations, the Company may be exposed to a number of lawsuits, claims and contingencies. Provisions are recognized as liabilities in instances when there are present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and where such liabilities can be reliably estimated. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position. To the best knowledge of management, the Company is presently in compliance, in all material respects, with the laws and regulations already in place.

Events after the Reporting Period

There have been no subsequent events after the reporting period.

Off-Balance Sheet Transactions

As at June 30, 2014, the Company had not entered into any significant off-balance sheet transactions.

5-QUARTERLY REVIEW

(Quarters were not audited)

(in \$'000)	2014		2013				2012	
	Q1		Q4	Q3	Q2	Q1	Q4	Q3
Revenues	24	13	(125)	11	95	85	(4)	16
Expenses								
Share-based payments expense	282	229	1,143	147	169	234	876	-
Salaries and benefits	624	493	323	336	250	178	202	144
Contract labor	380	285	445	148	330	181	237	328
Management fees	-	-	11	383	364	124	671	-
Computer software development	177	143	131	236	213	158	259	48
Travel	143	78	275	204	197	57	94	57
Professional fees	403	289	398	117	136	27	164	59
Office expense	120	112	124	98	162	69	53	41
Marketing and promotion	16	8	4	31	191	67	47	20
Filing fees	18	31	35	39	39	36	30	13
Contract Buyout	156	-	-	-	-	-	-	-
Loss on settlement of liabilities	69	-	129	-	-	-	676	-
Purchases	6	7	(79)	69	55	73	6	34
Bad debt	-	3	90	-	-	-	-	-
Taxes and licenses	(3)	5	26	-	-	-	-	1
Foreign Exchange loss	0	-	20	13	(14)	5	-	-
Depreciation of property & equipment	31	28	17	45	30	22	36	8
Amortization of intangible assets	145	141	223	99	31	31	31	31
Impairment of Intangible Assets	-	-	1,054	-	-	-	-	-
Provision for third party garnishment	-	-	1,000	-	-	-	-	-
Gain from disposal of Intangible Asset	-	-	-	-	-	-	(338)	-
Total operating expenses	2,567	1,852	5,369	1,965	2,153	1,262	3,044	784
Operating Loss	(2,543)	(1,839)	(5,494)	(1,954)	(2,058)	(1,177)	(3,048)	(768)
Net Financial expenses	(986)	299	2,382	254	45	41	122	100
Net loss before income taxes	(1,557)	(2,138)	(7,876)	(2,208)	(2,103)	(1,218)	(3,170)	(868)
Net Recovery of tax	(34)	(34)	(128)	-	-	-	(277)	-
Net loss	(1,523)	(2,104)	(7,748)	(2,208)	(2,103)	(1,218)	(2,893)	(868)
Cumulative Translation Adjustment	7	(5)	(23)	(6)	(1)	(6)	14	-
Comprehensive Loss	(1,516)	(2,109)	(7,771)	(2,214)	(2,104)	(1,224)	(2,879)	(868)
Loss Per Share	(0.05)	(0.05)	(0.27)	(0.09)	(0.08)	(0.05)	(0.20)	(0.06)
Cash	140	407	95	539	2,035	2,816	688	97
Working capital	(8,122)	(9,027)	(11,504)	(3,762)	(117)	456	(1,520)	319
Total assets	7,328	7,639	7,082	5,757	4,378	4,735	2,535	1,617
Equity attributable to shareholders of Company	(1,562)	(2,445)	(5,179)	701	1,313	1,587	(713)	(480)
Cash flow from operating activities	(2,009)	(1,730)	(847)	(1,183)	(1,981)	(568)	(36)	(1,467)
Acquisition of intangible	146	287	(97)	263	197	201	-	-

6-RELATED PARTY TRANSACTIONS

The following table summarized the transaction and balances outstanding with related parties of the Company:

	For the three-month periods		For the six-month periods	
	ended June 30,		ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Transactions:				
Management fees to officers and directors ¹	-	22,245	-	63,345
Management fees to persons that are significant shareholders and founders of the Company ²	-	227,100	-	310,200
Commission to persons that are significant shareholders and are founders of the Company ² (included in share issue costs)	-	75,129	-	190,761
	-	324,474	-	564,306

	June 30, 2014	December 31, 2013
Balances outstanding:		
Amounts due to officers and directors	176,283	141,874
Amounts due to persons that are significant shareholders and founders of the Company	-	261,779
Amounts due to an officer of a subsidiary	-	8,875
	176,283	412,528

¹ There are management service contracts between the Company and key management personnel according to which the latter provide advisory and management services to the Corporation in exchange for management fees.

² There was a management service contract between the Company and significant shareholders (own more than 10% of the outstanding common shares) who are also key management personnel of the Company according to which the latter provide advisory and management services to the Company in exchange for management fees. The contracts also provide for the payment a finder's fee of 4% for closing of any financings as well as a 3.5% commission in the event the completion of a merger or an acquisition involving the Company. In consideration for the settlement agreement assumed by the Company, the management service contract was terminated with an effective date of February 9, 2014.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	For the three-month periods		For the six-month periods	
	ended June 30,		ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Salaries and related benefits and contract labor	99,772	-	214,039	-
Management fees, commissions and finder's fees	-	324,474	-	564,306
Share-based payments compensation	100,475	83,572	229,607	199,700
	200,247	408,046	443,646	764,006

Data on Available Outstanding Shares (as at August 29, 2014):

	Number
Common shares	44,147,761
Options	3,559,726
Warrants	13,311,229

7-OUTLOOK FOR 2014

Hybrid took the decision to temporarily shut down its operations during a period of 2 weeks in July to reduce the corporate burn-rate. Subsequently the Company resumed its operations though at a reduced rate and was unfortunately required to temporarily lay-off some employees. This is a management strategy to control costs and reduce the corporate burn rate while working on the funding requirements of the Company.

The Company started discussions with a potential partner to form a joint venture to launch the solution in a new emerging market with the intent to finalize a definitive agreement by Q4-2014. This new model will be the growth strategy for Hybrid moving forward which will be less capital intensive and better time to market as the operator will be responsible for the deployment strategy and Hybrid will earn a percentage of the net revenues earned from the sale of licences and transaction fees based on the usage of the terminals. This type of structure will be examined for the other markets the company is currently operating in.

The Company is currently completing the final stages of all the internal development work to becoming EMV (Europay Mastercard Visa) ready. The Company is also working with MasterCard to obtain the third party EMV certification required to accept EMV payment transactions for their next generation payment services with the MIGS (MasterCard Internet Gateway Services).

The Company is also completing its User Acceptance Testing in the Philippines which is the final requirement in order to deploy the solution at large.

The MPOS deployments across the Philippines have been delayed into Q4-2014 with the 4 banks (who represent 68% of all transactions in country) and the largest telecommunication company. Hybrid will need to secure its financing requirements and complete the user acceptance test in order to launch the deployment. Hybrid has the visibility to thousands of terminals deployment taking advantage of our switch technology and back end system environment.

Mobi724 will greatly participate in the revenue curve in Q3-2013 as it has signed a commercial agreement to provide its Mobile Coupon solution to City of Tucuman's transport system card users. The delays in the funding cycle has caused a slow-down in our deliveries and therefore the revenue profile.

The Mobi OneSwipe technology strategy is being targeted to the major bank and telecommunication companies across South America to provide a rule based engine that will allow a merchant to run promotional campaigns and measure their performance. The revenue stream that will be earned by Mobi is a pay for performance model whereby Mobi will earn a transaction fee upon redemption of the coupon.

Mobi724 is starting to gain in-roads in the Canadian as well as in South East Asia markets.

8-RISKS AND UNCERTAINTIES

The Company operates in the technology industry which is subject to numerous significant risks that can influence the profitability of a company. The Company has disclosed several of these risks in the December 31, 2013 MD&A which it believes to be the most significant and that could have a material impact on its current operations. An investment in the Company should be considered highly speculative due to the nature of the Company's activities and its current stage of development.

9-RESTATEMENT

On April 19, 2014 the Company restated its audited consolidated financial statements as at and for the year ended December 31, 2012. The nature and impact of each error were explained in Note 24 to the aforementioned audited consolidated statements. As such, the errors also had an impact on the condensed interim consolidated financial statements of the Company as at and for the three and six month periods ended June 30, 2013. The impact of such errors on the interim consolidated statements of financial position, net loss, comprehensive loss and cash flows as at and for the three and six months ended June 30, 2013 are as follows:

The June 30, 2013 Interim Consolidated Statement of Financial Position was adjusted as follows

	Reference	Previously Reported	Adjustments	As Restated
Assets				
Current assets				
Cash		2,035,004	-	2,035,004
Accounts receivable		146,500	-	146,500
Inventory		89,490	-	89,490
Loans receivable		124,922	-	124,922
Deposits and sales tax receivable		146,303	-	146,303
		<u>2,542,219</u>	-	<u>2,542,219</u>
Non-current assets				
Intangible assets		1	-	1
EMV payment switch		398,787	-	398,787
Software technology	(a,g)	972,000	(36,000)	936,000
Processor connections	(g)	200,000	(20,000)	180,000
Property and equipments	(f)	265,378	1,071	266,449
		<u>1,836,166</u>	<u>(54,929)</u>	<u>1,781,237</u>
Total assets		<u>4,378,385</u>	<u>(54,929)</u>	<u>4,323,456</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		547,151	-	547,151
Due to related parties		184,431	-	184,431
Convertible notes		1,927,441	-	1,927,441
		<u>2,659,023</u>	-	<u>2,733,249</u>
Deferred Taxes	(a,d)	-	74,226	74,226
Shareholders' Equity				
Capital stock	(c)	9,811,853	(24,827)	9,787,026
Options Reserve	(b,h)	605,184	682,131	1,287,315
Equity component of Convertible notes		351,507	-	351,507
Warrants Reserve	(c)	729,392	24,827	754,219
Cumulative translation adjustment	(f)	-	4,331	4,331
Deficit attributable to Shareholders of the Company	(b,d,e,f,g,h,i)	(10,117,150)	(754,458)	(10,871,608)
		<u>1,380,786</u>	<u>(67,996)</u>	<u>1,312,790</u>
Equity attributable to non-controlling interest	(a,e,f,h,i)	(338,576)	(61,159)	277,417
Total Shareholders' Equity (Deficiency)		<u>1,719,362</u>	<u>(129,155)</u>	<u>1,590,207</u>
Total liabilities and Shareholders' Equity		<u>4,378,385</u>	<u>(54,929)</u>	<u>4,323,456</u>

The June 30, 2013 interim Consolidated Statement of Net Loss and Comprehensive Loss was adjusted as follows;

Three months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Revenues				
Revenues		94,499	-	94,499
Expenses				
Contract labor	(j)	310,906	18,950	329,856
Salaries and related expenses		249,727	-	249,727
Stock-based payment expenses	(h)	-	168,637	168,637
Computer software development	(j)	231,457	(18,950)	212,507
Purchases		54,601	-	54,601
Management fees	(j)	203,202	160,799	364,001
Professional fees		135,763	-	135,763
Rent and utilities		30,868	-	30,868
Office expense		81,614	-	81,614
Travel & entertainment	(j)	358,223	(160,799)	197,424
Filing fees		39,466	-	39,466
Marketing and promotion		190,726	-	190,726
Telephone and internet		49,276	-	49,276
Foreign exchange loss (gain)	(f)	(12,736)	(1,250)	(13,986)
Amortization of Intangible asset	(g)	-	31,000	31,000
Depreciation of Property and equipment		30,125	-	30,125
Total Operating Expenses		1,953,218	198,387	2,151,605
Operating loss		(1,858,719)	(198,387)	(2,057,106)
Interest and bank charges, net		3,842	-	3,842
Accretion expense on convertible notes		41,388	-	41,388
		45,230	-	45,230
Net loss		(1,903,949)	(198,387)	(2,102,336)
Cumulative translation adjustment	(f)	-	(1,250)	(1,250)
Comprehensive loss		(1,903,949)	(199,637)	(2,103,586)
Net loss attributable to				
Owners		(1,839,629)	(183,197)	(2,022,826)
Non-controlling interest	(i)	(64,320)	(15,190)	(79,510)
		(1,903,949)	(198,387)	(2,102,336)
Net loss and Comprehensive loss attributable to				
Owners		(1,839,629)	(189,661)	(2,029,290)
Non-controlling interest		(64,320)	(9,976)	(74,296)
		(1,903,949)	(199,637)	(2,103,586)

The effect of the restatements had no impact on the net loss per share (basic and diluted).

The June 30, 2013 interim Consolidated Statement of Net Loss and Comprehensive Loss was adjusted as follows;

Six months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Revenues				
Revenues		179,201	-	179,201
Expenses				
Contract labor	(j)	467,892	43,081	510,973
Salaries and related expenses		427,649	-	427,649
Stock-based payment expenses	(h)	-	402,771	402,771
Computer software development	(j)	413,755	(43,081)	370,674
Purchases		127,135	-	127,135
Management fees	(j)	290,202	197,999	488,201
Professional fees		163,227	-	163,227
Rent and utilities		51,936	-	51,936
Office expense		115,026	-	115,026
Travel & entertainment	(j)	452,037	(197,999)	254,038
Filing fees		75,733	-	75,733
Marketing and promotion		257,386	-	257,386
Telephone and internet		63,699	-	63,699
Foreign exchange loss (gain)	(f)	(1,488)	(7,206)	(8,694)
Amortization of Intangible asset	(g)	-	62,000	62,000
Depreciation of Property and equipment		52,131	-	52,131
Total Operating Expenses		2,956,320	457,565	3,413,885
Operating loss		(2,777,119)	(457,565)	(3,234,684)
Interest and bank charges, net		6,261	-	6,261
Accretion expense on convertible notes		80,059	-	80,059
		86,320	-	86,320
Net loss		(2,863,439)	(457,565)	(3,321,004)
Cumulative translation adjustment	(f)	-	(7,206)	(7,206)
Comprehensive loss		(2,863,439)	(464,771)	(3,328,210)
Net loss attributable to				
Owners		(2,754,070)	(427,185)	(3,181,255)
Non-controlling interest	(i)	(109,369)	(30,380)	(139,749)
		(2,863,439)	(457,565)	(3,321,004)
Net loss and Comprehensive loss attributable to				
Owners		(2,754,070)	(437,043)	(3,191,113)
Non-controlling interest		(109,369)	(27,728)	(137,097)
		(2,863,439)	(464,771)	(3,328,210)

The effect of the restatements on net loss per share (basic and diluted) is an increase of \$0.02 to \$0.13.

The June 30, 2014 Interim Consolidated Statement of Cash Flows has been adjusted as follows;

Three months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Operating activities				
Net Loss for the period		(1,903,949)	(198,387)	(2,102,336)
Adjustment for items not involving cash:				
Depreciation of property and equipment		30,125	-	30,125
Amortization of intangible assets	(g)	-	31,000	31,000
Stock-based payment expenses	(h)	-	168,637	168,637
Accretion expense		41,388	-	41,388
Issue of common shares to settle accounts payable	(*1)	312,000	(312,000)	-
Changes in non-cash working capital items				
Increase in deposits and sales taxes receivable		35,820	-	35,820
Increase in inventory		(59,176)	-	(59,176)
Decrease in accounts receivable		(67,767)	-	(67,767)
Increase in prepaids and deposits	(*1)	-	(54,890)	(54,890)
Decrease in accounts payable and accrued liabilities	(*1)	(301,352)	312,000	10,648
Increase in due to related parties	(*1)	-	(14,446)	(14,446)
Cash flow used in operating activities		(1,912,911)	(68,086)	(1,980,997)
Investing activities				
Purchase of plant and equipment		(87,984)	-	(87,984)
Investment in EMV payment switch technology		(197,438)	-	(197,438)
Increase in loan receivable	(*1)	(79,780)	79,780	-
Cash flows used in investing activities		(365,202)	79,780	(285,422)
Financing Activities				
Proceeds from issue of common shares		1,625,472	-	1,625,472
Proceeds from issue of warrants		880	-	880
Share issue costs		(140,059)	-	(140,059)
Increase in loans receivable	(*1)	24,890	(24,890)	-
Increase in loans payable	(*1)	(14,446)	14,446	-
Cash flow provided by financing activities		1,496,737	(10,444)	1,486,293
Effect of exchange rate changes on cash	(f)	-	(1,250)	(1,250)
Net increase in cash		(781,376)	-	(781,376)
Cash – beginning of period		2,816,380	-	2,816,380
Cash – end of period		2,035,004	-	2,035,004

(*1) Reclassification of amount to changes in non-cash working capital items to better reflect the nature of the transactions and to be consistent to the presentation for the three months ended June 30, 2014.

The June 30, 2014 Interim Consolidated Statement of Cash Flows has been adjusted as follows;

Six months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Operating activities				
Net Loss for the period		(2,863,439)	(457,565)	(3,321,004)
Adjustment for items not involving cash:				
Depreciation of property and equipment		52,131	-	52,131
Amortization of intangible assets	(g)	-	62,000	62,000
Stock-based payment expenses	(h)	-	402,771	402,771
Accretion expense		80,059	-	80,059
Issue of common shares to settle accounts payable	(*1)	312,000	(312,000)	-
Changes in non-cash working capital items				
Increase in deposits and sales taxes receivable		(20,939)	-	(20,939)
Increase in inventory		(65,475)	-	(65,475)
Decrease in accounts receivable		210,193	-	210,193
Increase in prepaids and deposits	(*1)	-	79,780	(79,780)
Decrease in accounts payable and accrued liabilities	(*1)	(223,843)	312,000	88,157
Increase in due to related parties	(*1)	-	43,230	43,230
Cash flow used in operating activities		(2,519,313)	(29,344)	(2,548,657)
Investing activities				
Purchase of plant and equipment		(200,842)	-	(200,842)
Investment in EMV payment switch technology		(398,787)	-	(398,787)
Increase in loan receivable	(*1)	(79,780)	79,780	-
Cash flows used in investing activities		(679,409)	79,780	(599,629)
Financing Activities				
Proceeds from issue of common shares		4,873,208	-	4,873,208
Proceeds from issue of warrants		2,184	-	2,184
Share issue costs		(372,081)	-	(372,081)
Increase in loans payable	(*1)	43,230	(43,230)	-
Cash flow provided by financing activities		4,545,541	(43,230)	4,502,311
Effect of exchange rate changes on cash	(f)	-	(7,206)	(7,206)
Net increase in cash		1,346,819	-	1,346,819
Cash – beginning of period		688,185	-	688,185
Cash – end of period		2,035,004	-	2,035,004

(*1) Reclassification of amount to changes in non-cash working capital items to better reflect the nature of the transactions and to be consistent to the presentation for the six months ended June 30, 2014.

- a) In the purchase price allocation for the acquisition of Vault Acquiring Solutions LLC (Vault), the fair value of the net assets acquired and the non controlling interest were incorrectly calculated in the December 31, 2012 consolidated financial statements. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Increase in Software Technology	68,000
Increase in Deferred Tax Liability	206,846
Decrease in Non Controlling Interest	138,846

- b) The Company recalculated the estimate of the stock based compensation expense for the year ended December 31, 2012. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Increase in options reserve	279,360
Increase in Deficit	279,360

- c) The Company reclassified the expired warrants out of capital stock into warrant reserve for the year ended December 31, 2012. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Decrease in capital stock	24,827
Increase in warrants reserve	24,827

- d) In the December 31, 2012 consolidated financial statements, The Company adjusted the deferred tax recovery based on the adjusted purchase price allocation for the acquisition of Vault. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Decrease in Deferred Tax Liability	132,620
Decrease in Deficit	132,620

- e) In the December 31, 2012 consolidated financial statements, the net loss attributable to the non controlling interest did not take into account the amortization of the software technology nor the processor connectors as well as the increase in the recovery of the deferred taxes. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Increase in Deficit	105,415
Increase in non-controlling interest	105,415

- f) At December 31, 2012, the Company changed the functional currency of the Company's subsidiary Vault Acquiring Solutions LLC to the United States dollar and Hybrid-PayTech Asia Inc. to the Philippine Peso from the Canadian dollar. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Increase in Deficit	5,912
Increase in non-controlling interest	2,652
Increase in Cumulative Translation Adjustment	4,331
Increase in Property and Equipment	1,071

Consolidated Statement of Statement of Net Loss

	Three month period \$	Six month period \$
Decrease in Foreign Exchange Loss	1,250	7,206

Consolidated Statement of Comprehensive Loss

	Three month period \$	Six month period \$
Increase in comprehensive loss attributable to shareholders of Hybrid	6,464	9,858
Decrease in comprehensive loss attributable to non-controlling interest	5,214	2,652

- g) The Software technology and the Processor connections' estimated life was estimated at 10 years instead of being assets with an indefinite life. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Increase in Accumulated Amortization - Software Technology	104,000
Increase in Accumulated Amortization - Processor Connections	20,000
Increase in Deficit	124,000

Consolidated Statement of Net Loss

	Three month period \$	Six month period \$
Increase in Amortization Expense	31,000	62,000

- h) The company recalculated the estimate of the stock based compensation expense for the stock option granted during fiscal year 2012. As a result, the following adjustments were made to the June 30, 2013 condensed interim consolidated financial statement;

Consolidated Statement of Financial Position			\$
Increase in Option Reserve			402,771
Increase in Deficit			402,771
Consolidated Statement of Net Loss			
	Three month period	Six month period	
	\$	\$	
Increase in share-based payment expense	168,637	402,771	

- i) The net loss attributable to the non controlling interest did not take into account the adjustment relating to the amortization of the software technology and the processor connectors. As a result, the following adjustments were made to the June 30, 2013 condensed interim consolidated financial statements;

Consolidated Statement of Financial Position			\$
Decrease in Deficit			31,620
Decrease in non-controlling interest			30,380
Consolidated Statement of Net Loss			
	Three month period	Six month period	
	\$	\$	
Increase in net loss attributable to shareholders of Hybrid	15,810	31,620	
Increase in net loss attributable to non-controlling interest	15,190	30,380	

- j) The Company performed certain reclassification on the Consolidated Statement of Net Loss to better reflect the nature of the account. As a result, the following adjustment were made to the June 30, 2013 condensed interim consolidated financial statements;

Consolidated Statement of Net Loss			
	Three month period	Six month period	
	\$	\$	
Increase in management fees	160,799	197,999	
Decrease in travel expenses	160,799	197,999	
Increase in contract labor	18,950	43,081	
Decrease in computer software development	18,950	43,081	

(s) Stephane Boisvert

Stephane Boisvert
President Chief Executive Officer

(s) Joey Trombino

Joey Trombino
Chief Financial Officer