

Mobi724 Global Solutions Inc.

(Formerly Hybrid Paytech World Inc.)

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended
June 30, 2015 and 2014

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

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Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

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Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at June 30, 2015 and December 31, 2014

(in Canadian dollars)

	June 30, 2015	December 31, 2014
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	71,057	289,182
Short-term investments	39,425	39,425
Trade and other receivables (Note 4)	122,902	102,144
Prepaid expenses	8,977	23,641
	<u>242,361</u>	<u>454,392</u>
NON-CURRENT ASSETS		
Financial derivative asset (Note 10)	1,540,000	1,320,000
Property and equipment	47,407	86,974
Intangible assets (Note 5)	2,877,009	3,161,231
Goodwill (Note 5)	<u>3,139,191</u>	<u>3,139,191</u>
	<u>7,603,607</u>	<u>7,707,396</u>
	<u>7,845,968</u>	<u>8,161,788</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	3,472,671	3,021,412
Liability for acquisition of non-controlling interest of Solutions Mobi724 Inc. (Note 10)	2,880,988	2,095,264
Convertible debt (Note 7)	3,332,395	2,724,762
Demand debt, 0% to 15%	440,523	604,142
Current portion of long-term debt	<u>34,428</u>	<u>34,428</u>
	<u>10,161,005</u>	<u>8,480,008</u>
NON-CURRENT LIABILITIES		
Long-term debt	118,281	135,495
Deferred income taxes	<u>113,421</u>	<u>181,380</u>
	<u>10,392,707</u>	<u>8,796,883</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	14,929,480	14,288,362
Other equity accounts (Note 8)	7,007,949	6,807,656
Equity component of convertible debt (Note 8)	2,155,379	2,086,292
Deficit	(26,585,397)	(23,773,937)
Cumulative translation account	<u>(54,150)</u>	<u>(43,468)</u>
Total equity attributable to shareholders of the Company	<u>(2,546,739)</u>	<u>(635,095)</u>
Total equity	<u>(2,546,739)</u>	<u>(635,095)</u>
Total liabilities and shareholder equity	<u>7,845,968</u>	<u>8,161,788</u>

Going Concern (Note 2)

Events after the reporting period (Note 14)

On behalf of the Board of Directors

(s) Marcel Vienneau

Marcel Vienneau, CEO

(s) Luc Charbonneau

Luc Charbonneau, CFO

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

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Interim Consolidated Statements of Net Income (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

	Three-month period		Six-month period	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenues	72,498	24,145	160,606	37,342
Expenses				
Share-based payments expense (Note 8)	73,048	282,115	145,293	510,915
Salaries and benefits	277,844	623,773	623,542	1,116,672
Contract labor	101,041	380,469	181,538	665,356
Computer software development	34,629	176,804	148,550	320,295
Travel	61,223	143,325	112,285	220,851
Professional fees	102,726	403,375	216,515	692,337
Office expense	121,073	119,702	237,823	231,647
Marketing and promotion	2,408	16,024	8,431	24,238
Filing fees	3,938	18,004	8,693	48,962
Contract buyout expense (Note 8)	-	155,625	-	155,625
Loss (gain) on settlement of liabilities (Note 8)	(166,339)	69,375	(166,875)	69,375
Purchases	15,798	5,729	24,798	12,936
Taxes and licenses	-	(3,310)	-	1,666
Foreign exchange loss	335	(340)	5,638	(125)
Depreciation of property and equipment	19,450	31,352	38,647	59,113
Amortization of intangible assets (Note 5)	145,752	145,123	291,503	286,605
Bad debt expense	-	-	-	3,097
Total operating expenses	792,926	2,567,145	1,876,381	4,419,565
Operating loss	(720,428)	(2,543,000)	(1,715,775)	(4,382,223)
Net financial expenses (income) (Note 9)	(2,343,191)	(986,038)	1,160,788	(687,431)
Net income (loss) before income taxes	1,622,763	(1,556,962)	(2,876,563)	(3,694,792)
Income tax expense	2,857	79	2,857	79
Recovery of deferred tax	(33,980)	(33,980)	(67,960)	(67,960)
Net income (loss)	1,653,886	(1,523,061)	(2,811,460)	(3,626,911)
Net income (loss) attributable to:				
Shareholders of the Company	1,653,886	(1,523,521)	(2,811,460)	(3,617,665)
Non-controlling interest		460	-	(9,246)
Net income (loss)	1,653,886	(1,523,061)	(2,811,460)	(3,626,911)
Earnings (loss) per share (Note 12)				
Basic and diluted	\$0.04	\$(0.04)	\$(0.06)	\$(0.09)
Weighted average number of outstanding common shares (Note 12)				
Basic and diluted	45,761,297	43,937,596	45,418,190	41,661,700

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

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Interim Consolidated Statements of Comprehensive Loss (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

	Three-month periods		Six-month periods	
	2015	2014	2015	2014
	\$	\$	\$	\$
Net income (loss)	1,653,886	(1,523,061)	(2,811,460)	(3,626,911)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	(12,448)	6,860	(10,682)	1,471
Comprehensive income (loss)	1,641,438	(1,516,201)	(2,822,142)	(3,625,440)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	1,641,438	(1,523,695)	(2,822,142)	(3,627,115)
Non-controlling interest	-	7,494	-	1,675
Comprehensive income (loss)	1,641,438	(1,516,201)	(2,822,142)	(3,625,440)

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

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Interim Consolidated Statements of Changes in Equity (Unaudited)

For the six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

	Share Capital	Share Capital	Other equity accounts	Equity component of convertible debt	Deficit	Cumulative translation adjustment	Total equity
	Number	\$	\$	\$	\$	\$	\$
Balance December 31, 2014	44,514,438	14,288,362	6,807,656	2,086,292	(23,773,937)	(43,468)	(635,095)
Net income (loss) for the period					(2,811,460)		(2,811,460)
Other comprehensive (loss) income						(10,682)	(10,682)
Comprehensive loss for the period					(2,811,460)	(10,682)	(2,822,142)
Loss on modification of convertible debt (Note 7)				133,000			133,000
Issuance of shares from the conversion of convertible debt (Notes 7 and 8)	996,859	613,618		(204,400)			409,218
Share-based payments (Note 8)			145,293				145,293
Settlement of liabilities (Note 8)	250,000	27,500					27,500
Conversion of convertible debt (Note 7)			55,000				55,000
Issuance of convertible debt (Note 7)				140,487			140,487
Balance June 30, 2015	45,761,297	14,929,480	7,007,949	2,155,379	(26,585,397)	(54,150)	(2,546,739)

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

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

For the six-month periods ended June 30, 2015 and 2014 (continued)

(in Canadian dollars)

	Share Capital	Share Capital	Other equity accounts	Equity component of convertible debt	Deficit	Cumulative translation adjustment	Total	Equity of non- controlling interest	Total equity
	Number	\$	\$	\$	\$	\$	\$	\$	\$
Balance December 31, 2013	27,798,695	9,090,426	5,576,714	422,907	(20,252,726)	(16,520)	(5,179,199)	(353,552)	(5,532,751)
Net loss for the period					(3,617,665)		(3,617,665)	(9,246)	(3,626,911)
Other comprehensive loss						(9,450)	(9,450)	10,921	1,471
Comprehensive loss for the period					(3,617,665)	(9,450)	(3,627,115)	1,675	(3,625,440)
Issuance of shares from the conversion of convertible debt (Note 8)	7,987,033	2,317,841	198,843	(351,507)			2,165,177		2,165,177
Share-based payments (Note 8)			510,915				510,915		510,915
Warrants exercised (Note 8)	7,987,033	2,642,280	(198,843)				2,443,437		2,443,437
Settlement of contract buyout (Note 8)	375,000	225,000					225,000		225,000
Issuance of convertible debentures (Note 7)				372,000			372,000		372,000
Issuance of warrants (Note 8)			2,184				2,184		2,184
Balance June 30, 2014	44,147,761	14,275,547	1,578,325	443,400	(23,920,716)	(25,970)	(1,561,785)	(351,877)	(1,913,662)

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

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Interim Consolidated Statements of Cash Flows (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

	Three-month periods		Six-month periods	
	2015	2014	2015	2014
	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	1,653,886	(1,523,061)	(2,811,460)	(3,626,911)
Adjustments for items not involving cash				
Depreciation of property and equipment	19,450	31,352	38,647	59,113
Amortization of intangible assets	145,752	145,123	291,503	286,605
Share-based payments compensation	73,048	282,115	145,293	510,915
Loss on settlement of liabilities	-	69,375	-	69,375
Contract buyout expense (Note 8)	-	155,625	-	155,625
Fair value adjustment on liability for acquisition of Mobi (Note 10)	(2,357,172)	(1,030,362)	785,724	(772,188)
Loss on modification of convertible debt			133,000	
Fair value adjustment on financial derivative asset	(220,000)		(220,000)	
Accretion expense on convertible notes (Note 8)	87,534	1,105	202,667	25,067
Interest on convertible notes	125,295	10,460	212,171	20,551
Recovery of deferred taxes	(33,980)	(33,980)	(67,960)	(67,960)
	<u>(506,187)</u>	<u>(1,892,248)</u>	<u>(1,290,415)</u>	<u>(3,339,808)</u>
Change in non-cash working capital items	<u>192,491</u>	<u>(117,143)</u>	<u>462,931</u>	<u>(400,446)</u>
	<u>(313,696)</u>	<u>(2,009,391)</u>	<u>(827,484)</u>	<u>(3,740,254)</u>
Investing activities				
Acquisition of property and equipment	-	13,347	-	(67,426)
Acquisition of intangible assets	-	(145,512)	(7,281)	(432,069)
	<u>-</u>	<u>(132,165)</u>	<u>(7,281)</u>	<u>(499,495)</u>
Financing activities				
Proceeds from long term debt	-	10,000		10,000
Repayment of long-term debt	(8,607)	(8,607)	(17,214)	(17,214)
Proceeds from demand loans	350,000		400,000	
Repayment of demand debt	(134)		(138,619)	
Proceeds from convertible debentures	-	1,900,000	372,500	1,900,000
Deferred financing fees	-	(5,495)		(52,138)
Proceeds from exercise of warrants	-	-		2,443,437
	<u>341,259</u>	<u>1,895,898</u>	<u>616,667</u>	<u>4,284,085</u>
Effect of the exchange rate changes on cash	<u>(4,209)</u>	<u>(21,462)</u>	<u>(27)</u>	<u>834</u>
Variation in cash during the period	23,354	(267,120)	(218,125)	45,170
Cash, beginning of the period	47,703	407,058	289,182	94,768
Cash, end of the period	<u>71,057</u>	<u>139,938</u>	<u>71,057</u>	<u>139,938</u>

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

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

1. Statute of incorporation and nature of activities

Mobi724 Global Solutions Inc. (the “Company” or “Mobi724”) was incorporated under the Business Corporations Act (Alberta) on February 8, 2005. On February 13, 2015, the Company changed its corporate name from Hybrid Paytech World Inc. to Mobi724 Global Solutions Inc. The Company’s registered office and its head office is located at 257 Sherbrooke Street East, Suite 400, Montreal, Quebec H2X 1E3. The consolidated financial statements comprise the Company 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 (until the loss of control in 2014, see Note 2 e) iii)), Hybrid-PayTech Asia Pacific (HK) Limited, incorporated in Hong Kong, Vault Acquiring Solutions LLC (51% in 2013), incorporated in the state of Delaware, USA, and Mobi724 Asia Inc., incorporated in the Philippines. The Company’s other subsidiaries are a 51% ownership of Solutions Mobi724 Inc., incorporated under the Corporations Act (Canada) including Solutions Mobi724 Inc.’s fully owned subsidiary, Mobi724 Solutions S.R.L., incorporated in Argentina. The Company is a technology leader in digital incentives (such as mobile couponing and loyalty rewards) and payment solutions (including mobile payments). Mobi724 is a provider of both payment and couponing / rewards transactions for both online and offline points of sale.

The common shares of Mobi724 are traded under the symbol “MOS” on the Canadian Securities Exchange (“CSE”).

2. Basis of preparation and Going concern

a) Statement of compliance

These condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company’s interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2014.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 31, 2015.

The preparation of financial data is based on accounting principles and methods of computation consistent with those used in the preparation of the audited annual financial statements as at December 31, 2014.

Other new or amended accounting standards had no significant impact on the Company’s accounting methods.

b) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis in compliance with IFRS. 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 paragraphs, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed interim consolidated 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 continuing operations totaling \$2,811,463 for the six months ended June 30, 2015, and an accumulated deficit of \$26,585,397 since the Company’s inception on February 8, 2005. As at June 30, 2015, the Company’s committed cash obligations and expected level of expenses for the next twelve months exceeds its committed sources of funds, even after taking into consideration the conversion of the convertible debt into capital and the financing received subsequent to June 30, 2015.

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

2. Basis of preparation and Going Concern (cont'd)

The Company can give no assurance that it will achieve profitability or be capable of sustaining profitable operations. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of the carrying amounts of assets or the amount and classification of liabilities that might result if the Company is unable to continue as a going concern. These factors raise substantial doubt regarding the ability of the Company to continue as a going concern.

c) Restatement

The unaudited condensed interim consolidated financial statements for the six months ended June 30, 2015 have been restated to reflect the accounting for a loss on the modification of the conversion terms of the 2013 convertible debentures (See Note 7). This correction resulted in the recording of a loss of \$133,000 in the three-months ended March 31, 2015. As a result of this correction, the net loss for the three-month period ended March 31, 2015 increased by \$133,000 and the deficit as at March 31, 2015 increased by \$133,000.

3. Accounting standards issued but not yet effective

At the date of authorisation of these condensed interim consolidated financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company's condensed interim consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Company's management have yet to assess the impact of IFRS 9 on these condensed interim consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Company's management have not yet assessed the impact of IFRS 15 on these condensed interim consolidated financial statements.

4. Trade and other receivables

	June 30, 2015	December 31, 2014
	\$	\$
Trade receivables	50,748	33,665
Sales tax receivable	19,366	61,655
Other receivables	44,639	6,824
Advances to shareholders	8,149	-
	<u>122,902</u>	<u>102,144</u>

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

5. Intangible assets

	Licensed Software \$	Software technology \$	EMV Payment Switch \$	Patents \$	Total Intangibles \$	Goodwill \$
Cost						
Balance December 31, 2014	1	2,889,675	1,028,441	80,378	3,998,495	3,139,191
Additions	-	-	7,281	-	-	-
Balance, June 30, 2015	1	2,889,675	1,035,722	80,378	4,005,776	3,139,191
Accumulated amortization						
Balance, December 31, 2014	-	829,979	-	7,285	837,264	-
Amortization	-	287,975	-	3,528	291,503	-
Balance, June 30, 2015	-	1,117,954	-	10,813	1,128,767	-
Net Book Value June 30, 2015	1	1,771,721	1,035,722	69,565	2,877,009	3,139,191
Cost						
Balance, December 31, 2013	1	2,813,324	543,037	17,302	3,373,664	3,139,191
Additions, internally produced	-	-	485,404	-	485,404	-
Additions, separately acquired	-	85,351	-	81,076	166,427	-
Disposal	-	(9,000)	-	(18,000)	(27,000)	-
Balance, December 31, 2014	1	2,889,675	1,028,441	80,378	3,998,495	3,139,191
Accumulated amortization						
Balance, December 31, 2013	-	259,783	-	-	259,783	-
Amortization	-	570,196	-	7,285	577,481	-
Impairment	-	-	-	-	-	-
Balance, December 31, 2014	-	829,979	-	7,285	837,264	-
Net Book Value December 31, 2014	1	2,059,696	1,028,441	73,093	3,161,231	3,139,191

As at June 30, 2015, the EMV payment switch is not yet available for use as the asset is not yet complete and put into use. The switch is expected to be complete and in use during the last quarter of 2015.

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

6. Accounts payable and accrued liabilities

	June 30, 2015	December 31, 2014
	\$	\$
Accounts payable and accrued liabilities	3,171,038	2,687,189
Salaries and related benefits	24,448	78,575
Amounts due to related parties (Note 11)	27,185	5,648
Liability for third party garnishment resulting from assumption of judgment against former directors	250,000	250,000
	<u>3,472,671</u>	<u>3,021,412</u>

- (a) In February 2014, the Company assumed a liability in the amount of \$1,000,000 for the settlement of a judgement rendered by the Quebec Superior Court issued on December 4, 2013 against two former directors and founders of the Company and the Company with respect to a garnishment issued against the Company pursuant to a judgement issued against the former directors and founders. A payable of \$1,000,000 was recorded as at December 31, 2013.

An amount of \$250,000 was paid at signing in February 2014, and the balance including interest to be paid no later than June 27, 2014. As at June 30, 2015 and December 31, 2014, an amount of \$250,000 remains payable.

7. Convertible debt*2013 convertible notes*

During the six-month period ended June 30, 2015 the Company offered the debenture holders of the 2013 Convertible Notes the opportunity to reduce the conversion price of the notes from \$1.25 to \$0.35 and to reduce the strike price of the related warrants from \$1.60 to \$0.50 provided they invest in the 2014 Convertible debenture financing. This modification to the conversion terms of the convertible notes resulted in a \$133,000 loss being recorded in net financial expenses.

During the six-month period ended June 30, 2015, convertible notes issued in 2013, in the aggregate amount of \$668,618 (capital and accrued interest), were fully converted into 996,859 common shares and 747,645 warrants exercisable at \$0.50 and \$1.60.

During the six-month period ended June 30, 2015, \$425,000 of demand debt was converted into convertible debt. The Company also issued \$372,500 convertible debt for cash proceeds.

2010 – 2012 convertible notes

During the six-month period ended June 30, 2014, pursuant to the approval of the Autorité des Marchés Financiers, the convertible notes issued between 2010 and 2012 in the aggregate amount of \$2,516,684 (capital and accrued interest) were fully converted into 7,987,033 common shares and 7,987,033 warrants exercisable at \$0.30 and \$0.40.

Mobi724 Global Solutions Inc. (Formerly Hybrid Paytech World Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2015 and 2014

(in Canadian dollars)

7. Convertible debt (cont'd)

The following tables summarize the components of the convertible notes:

	Liability component	Embedded conversion option reserve	Embedded warrant reserve	Total equity component	Total convertible notes
	\$	\$	\$	\$	\$
Balance December 31, 2014	2,724,762	1,871,789	214,503	2,086,292	4,811,054
Convertible debt issued during the period	657,013	140,487	-	140,487	797,500
Modification to the conversion terms of the 2013 convertible notes		133,000		133,000	133,000
Interest and accretion interest expense	414,838	-	-	-	414,838
Convertible notes converted during period	(464,218)	(149,400)	(55,000)	(204,400)	(668,618)
Balance June 30, 2015	3,332,395	1,995,876	159,503	2,155,379	5,487,774
Balance, December 31, 2013	2,507,959	169,064	253,843	422,907	2,930,866
Accretion interest expense	45,618	-	-	-	45,618
Convertible debt converted during period	(2,165,177)	(152,664)	(198,843)	(351,507)	(2,516,684)
Balance June 30, 2014	388,400	16,400	55,000	71,400	459,800

8. Shareholders' Equity

a) Movements in the Company's share capital are as follows:

	Number of common shares	Amount \$
Balance, December 31, 2014	44,514,438	14,288,362
Share issued for conversion of convertible notes (Note 7)	996,859	613,618
Shares issued for settlement of liabilities ¹	250,000	27,500
Balance, June 30, 2015	45,761,297	14,929,480
Balance, December 31, 2013	27,798,695	9,090,426
Share issued for conversion of convertible notes	7,987,033	2,317,841
Exercise of warrants ²	7,987,033	2,642,280
Settlement of contract buyout ³	375,000	225,000
Balance, June 30, 2014	44,147,761	14,275,547

Shares issued for settlement of liabilities

¹During the six-month period ended June 30, 2015, due to the Company's cash position, an agreement was reached to settle outstanding trade payable balances in the amount of \$28,036 to arm's length parties by issuing 250,000 common shares having a value of \$27,500.

Exercise of warrants

² During the six months period ended, June 30, 2014 a total of 7,987,033 warrants were exercised for a cash consideration of \$2,443,437 (exercise price between \$0.30 and \$0.40). An amount of \$198,843 from the exercise of the warrants was reclassified from warrant reserve to share capital.

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8. Shareholders' Equity (cont'd)*Settlement of contract buyout*

³ During the six months period ended June 30, 2014 a total of 375,000 shares, at a price of \$0.415 per share, were issued to an arm's length party to settle a contract buyout with a former employee in the amount of \$155,625. The total fair value of the common shares issued was calculated to be \$225,000 resulting in a loss on settlement of liability of \$69,375.

b) Share Purchase Options

The Company has adopted an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and other key personnel of the Company, options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five (5) years. The stock options vest over a period of time approved by the Board of Directors. The price per common share, which is defined by the CSE at the date of grant, and the number of common shares, which is determined by the members of the board, may be allotted to each director, officer, employee or other key personnel of the Company and all other terms and conditions of the options granted under the Stock Option Plan.

The following table summarizes the share option activities under this plan:

	For the six months period ended June 30, 2015		For the six months period ended June 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	3,273,393	0.82	5,463,624	0.88
Granted	-	-	380,000	0.50
Forfeited	(343,081)	0.89	(735,656)	0.97
Expired	(1,155,161)	0.90	(58,334)	1.05
Balance, end of period	1,775,151	0.75	5,049,634	0.84
Exercisable options	1,670,151	0.74	3,831,836	0.79

Outstanding options as at June 30, 2015 are as follows:

Range of exercise prices	Weighted average residual life span (in years)	Outstanding options	Weighted average exercise price	Exercisable options	Weighted average exercise price
0.50	1.95	830,000	0.50	830,000	0.50
0.96	1.27	845,000	0.96	740,000	0.96
1.00	0.43	158,484	1.00	158,484	1.00
1.10	0.30	35,000	1.10	35,000	1.10
0.50 to 1.10	0.81	1,775,151	0.75	1,670,151	0.74

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8. Shareholders' Equity (cont'd)

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Expiry date	Exercise price	Share options	
		June, 30, 2015	December 31, 2014
October 17, 2015	1.10	35,000	266,667
December 4, 2015	1.00	158,484	287,726
October 30, 2016	0.96	751,667	1,589,000
February 28, 2017	0.50	180,000	180,000
May 14, 2017	0.50	-	200,000
July 10, 2017	0.50	650,000	750,000
		<u>2,450,151</u>	<u>4,722,968</u>

There were no options exercised during the six month periods ended June 30, 2015 and 2014.

An amount of \$145,293 has been expensed as share-based payment awards for the six-month period ended June 30, 2015 (\$510,915 for June 30, 2014), and for the three month period ended June 30, 2015, the Company recorded a share based payment expenses of \$73,048 (\$282,115 for June 30, 2014). The offsetting credit has been recorded as option reserve. The stock based compensation expense was calculated according to the weighted average fair value of options granted based on the Black-Scholes valuation model using the following weighted average assumptions shown below based on the expected number of options expected to vest:

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Share price	-	0.50
Exercise price	-	0.50
Risk-free interest rate	-	1.03%
Expected life	-	3 years
Expected estimated volatility	-	141.8%
Dividend yield	-	nil
Fair value of options granted	-	0.39

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8. Shareholders' Equity (Cont'd)

c) Other equity accounts are as follows:

	June 30, 2015	December 31, 2014
	\$	\$
Contributed Surplus	3,463,619	2,339,107
Option reserve	905,652	1,759,010
Warrant reserve	2,638,679	2,709,539
	<u>7,007,949</u>	<u>6,807,656</u>
<i>Contributed Surplus</i>		<u>\$</u>
Balance, December 31, 2014		2,339,107
Warrant expired/cancelled during the period		125,860
Stock options expired		998,651
Balance, June 30, 2015		<u>3,463,619</u>
Balance December 31, 2013		48,534
Warrant expired/cancelled during the period		63,915
Options expired		50,984
Balance as at June 30, 2014		<u>163,433</u>
<i>Option Reserve</i>		<u>\$</u>
Balance, December 31, 2014		1,759,010
Stock based payments expense		145,293
Stock options expired		(998,651)
Balance, June 30, 2015		<u>905,652</u>
Balance, December 31, 2013		2,561,274
Stock based payments expense		510,915
Stock options expired		(50,984)
Balance, June 30, 2014		<u>3,021,205</u>

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8. Shareholders' Equity (Cont'd)

Warrants Reserve

Warrants issued and outstanding

	Number of warrants	Amount	Weighted Average Exercise Price
Balance, December 31, 2014	10,793,145	2,709,539	1.17
Expired/cancelled during the period	(2,490,251)	(125,860)	1.17
Issued during the period	747,645	55,000	0.62
Balance, June 30, 2015	9,050,539	2,638,679	1.13
Balance, December 31, 2013	13,919,950	2,966,906	1.13
Expired/cancelled during the period	(608,719)	(63,915)	(1.24)
Issued during the period	7,987,033	198,843	0.31
Exercised during the period	(7,987,033)	(198,843)	(0.31)
Balance, June 30, 2014	13,311,231	2,902,991	1.13

In the six-month period ended June 30, 2015, 747,645 warrants were issued in connection with the conversion of the convertible debt and were recorded in warrant reserve at the value attributed to them at the time of the issue of the convertible debt.

These warrants were still outstanding as at June 30, 2015.

In the six-month period ended June 30, 2014, 7,987,033 warrants were issued in connection with the conversion of the convertible debt and were recorded in warrant reserve at the value attributed to them at the time of the issue of the convertible debt.

These warrants were all exercised during the period ended June 30, 2014. An amount of \$198,843 was transferred from warrant reserve to common stock.

During the six month period ended June 30, 2014, the Company extended 11,601,729 warrants by an additional 12 months

9. Net financial expenses (income)

Net financial expenses (income) comprises of the following:

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	\$	\$	\$	\$
Interest and banking fees	1,913	4,349	4,070	8,902
Interest expense on long term debt	19,239	28,410	43,156	30,237
Interest expense on convertible notes	125,295	10,460	212,171	20,551
Accretion expense on convertible notes	87,534	1,105	202,667	25,067
Fair value adjustment on liability for acquisition of Mobi (Note 10)	(2,357,172)	(1,030,362)	785,724	(772,188)
Fair value adjustment on financial derivative asset	(220,000)	-	(220,000)	-
Loss on modification of convertible notes (Note 7)	-	-	133,000	-
Total finance expense (income)	(2,343,191)	(986,038)	1,160,788	(687,431)

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10. Financial instruments**a. Measurement categories**

The following table shows the carrying values of assets and liabilities for each of these categories as at June 30, 2015 and December 31, 2014.

	June 30, 2015	December 31, 2014
	\$	\$
Assets		
<i>Loans and receivables</i>		
Cash	71,057	289,182
Short-term investments	39,425	39,425
Trade and other receivables (excluding sales taxes receivable)	103,536	40,489
Total loans and receivables	214,018	369,096
<i>Fair value</i>		
Financial derivative asset	1,540,000	1,320,000
Liabilities		
<i>Amortized cost</i>		
Accounts payable and accrued liabilities (excluding salaries and related benefits)	3,448,223	2,942,837
Convertible debt	3,332,395	2,724,762
Demand debt	440,523	604,142
Long term debt	152,709	169,923
Total amortized cost	7,373,850	6,441,664
<i>Fair Value</i>		
Liability for the acquisition of non-controlling interest of Mobi	2,880,988	2,095,264

b. Fair Value

The net carrying amount of the cash, short-term investments, trade and other receivables (excluding non-financial assets) and accounts payable and accrued liabilities (excluding non-financial liabilities) is considered a reasonable approximation of fair value since all amounts are short-term in nature.

The fair values of the convertible debt and demand debt are approximately equal to their carrying value due to their short-term maturity dates. The fair value of the long-term debt is not significantly different than its carrying amount.

The reconciliation of the liability for the acquisition of non-controlling interest of Mobi is as follows:

	June 30, 2015	June 30, 2014
	\$	\$
Opening balance, January 1	2,095,264	6,110,388
Fair value adjustment on liability	785,724	(772,188)
Ending balance, June 30	2,880,988	5,338,200

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

	June 30, 2015	December 31, 2014
Balances outstanding:		
Amounts due to officers and directors	-	1,577
Amounts due from officers and directors	8,149	
Amounts due to persons that are significant shareholders and founders of the Company	277,185	266,786
Convertible debentures due to directors	400,000	400,000
Demand debt due to directors	60,000	30,000

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Salaries and related benefits and contract labor	29,167	99,772	29,167	214,039
Share-based payments compensation	-	100,475	-	229,607
	29,167	200,247	29,167	443,646

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12. Earnings (loss) per share

a. Basic

Basic earnings (loss) per common share are calculated by dividing the net loss attributable to the owners of the Company by the weighted average number of outstanding common shares during the period.

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	\$	\$	\$	\$
Net income (loss) for the period	1,653,886	(1,523,521)	(2,811,463)	(3,617,665)
Weighted average number of common shares outstanding	45,761,297	43,937,596	45,418,190	41,661,700

Diluted

For the six month periods ended June 30, 2015 and 2014, and the three month period ended June 30 2014, the diluted net loss per share was calculated based on the net loss attributable to owners of the parent using the basic weighted average number of shares outstanding, since the convertible notes and debentures, all the outstanding warrants and stock options and the potential share issuance for the business acquisition have been excluded from the calculation of diluted net loss per share because they were anti-dilutive. Accordingly, diluted net loss per share for each period was the same as the basic net loss per share.

For the three month period ended June 30, 2015, the diluted net earnings per share was calculated based on the net earnings attributable to owners of the parent using the basic weighted average number of shares outstanding, since the convertible debt, all the outstanding warrants and stock options and the potential share issuance for the business acquisition have been excluded from the calculation of diluted net earnings per share because they were anti-dilutive. Accordingly, diluted net earnings per share was the same as the basic net loss per share

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13. Segmented reporting

The Company operates and reports its results as two operating segments, which are the development of new Internet technologies to facilitate point of sale payments and e-couponing, as these are monitored by the Company's chief decision maker and strategic decisions are made on the basis of segment operating results. Each of the operating segments is a reportable segment for financial reporting purposes. The segments do not earn any inter-segment revenues. The Company's financial information by reportable segment is as follows:

	June 30, 2015			
	Payment solution	E-couponing	Unallocated	Consolidated
Revenues from external customers	58,183	102,423		160,606
Total operating expenses	1,025,245	579,803	271,333	1,876,381
Operating loss	967,062	477,380	271,333	1,715,775
Net financial expenses	39,769	7,457	1,113,562	1,160,788
Net loss before income taxes	1,006,831	484,837	1,384,895	2,876,563
Income tax expense (recovery)		(65,103)		(65,103)
Net loss	1,006,831	419,734	1,384,895	2,811,460

	June 30, 2014			
	Payment solution	E-couponing	Unallocated	Consolidated
Revenues from external customers	19,530	17,812		37,342
Total operating expenses	2,618,898	434,960	1,365,707	4,419,565
Operating loss	2,599,368	417,148	1,365,707	4,382,223
Net financial expenses (income)	32,230	6,909	(726,570)	(687,431)
Net loss before income taxes	2,631,598	424,057	639,137	3,694,792
Income tax expense (recovery)		(67,881)		(67,881)
Net loss	2,631,598	356,176	639,137	3,626,911

12. Events after the Reporting Period

In July 2015, the Company issued 9,696,968 common shares for cash consideration of \$800,000. The Company also issued 9,696,968 common share purchase warrants exercisable at a \$0.0825 between November 15, 2015 and March 31, 2016.