

Mobi724 Global Solutions Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

Mobi724 Global Solutions Inc.**Condensed Interim Consolidated Financial Statements (Unaudited)****For the three-month and six-month periods ended June 30, 2016 and 2015**

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.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

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Mobi724 Global Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at June 30, 2016 and December 31, 2015

(in Canadian dollars)

	June 30, 2016	December 31, 2015
	\$	\$
ASSETS		
Current assets		
Cash		430 979
Short-term investments	39 425	39 425
Trade and other receivables (Note 5)	971 612	215 783
Prepaid expenses	224 481	21 498
Inventory	10 230	
	1 245 748	707 685
Non-Current assets		
Investment accounted for using the equity method		993 095
Property and equipment	7 130	10 469
Intangible assets (Note 6)	2 382 046	2 540 486
Goodwill (Note 6)	4 478 160	3 139 191
	6 867 336	6 683 241
	8 113 084	7 390 926
LIABILITIES		
Current liabilities		
Bank overdraft	169 622	
Accounts payable and accrued liabilities (Note 7)	3 130 472	2 081 212
Liability for the acquisition of non-controlling interest of Solutions Mobi724 Inc. (Notes 10)	318 400	438 000
Convertible debt (Note 8)	1 596 054	2 036 386
Demand debt, 6% to 18% interest	924 820	100 000
Current portion of long-term debt	34 428	34 428
	6 173 796	4 690 026
Non-Current liabilities		
Long-term debt	116 601	117 779
Contingent consideration payable (Note 4)	750 000	750 000
Deferred income taxes	277 500	345 460
	7 317 897	5 903 265
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	20 317 544	19 038 170
Other equity accounts (Note 9)	7 897 769	8 186 308
Equity component of convertible debt (Note 8)	124 929	230 184
Deficit	(27 533 613)	(25 907 905)
Cumulative translation account	(11 442)	(59 096)
Total equity attributable to shareholders of the Company	795 187	1 487 661
Total liabilities and shareholder equity	8 113 084	7 390 926

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 consolidated financial statements.

Mobi724 Global Solutions Inc.
Condensed Interim Consolidated Statements of Net Income (Unaudited)
For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars)

	Three-month period		Six-month period	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenues	725 427	72 498	1 282 812	160 606
Operating expenses				
Share-based payments expense (Note 9)	3 306	73 048	6 612	145 293
Salaries and benefits	553 424	277 844	1 124 378	623 542
Contract labor	147 290	101 041	281 245	181 538
Computer software development	58 922	34 629	131 245	148 550
Travel	70 207	61 223	133 699	112 285
Professional fees	190 142	102 726	259 397	216 515
Office expense	155 118	121 073	282 140	237 823
Marketing and promotion	13 698	2 408	43 561	8 431
Filing fees	4 187	3 938	16 022	8 693
Purchases	32 636	15 798	61 178	24 798
Gain on settlement of liabilities		(166 339)	(75 600)	(166 875)
Foreign exchange loss	9 065	335	8 084	5 638
Depreciation of property and equipment	6 538	19 450	10 370	38 647
Amortization of intangible assets (Note 6)	215 104	145 752	433 781	291 503
Total operating expenses	1 459 637	792 926	2 716 112	1 876 381
Operating loss	(734 210)	(720 428)	(1 433 300)	(1 715 775)
Net financial expenses (income)	(38 111)	(2 343 191)	260 368	1 160 788
Net loss before income taxes	(696 099)	1 622 763	(1 693 668)	(2 876 563)
Income tax expense (recovery)		2 857		2 857
Recovery of deferred tax	(33 980)	(33 980)	(67 960)	(67 960)
	(33 980)	(31 123)	(67 960)	(65 103)
Net income (loss)	(662 119)	1 653 886	(1 625 708)	(2 811 460)
Earnings (loss) per share (Note 12)				
Basic and diluted	(0,01)	0,04	(0,02)	(0,06)
Weighted average number of outstanding common shares (Note 12)				
Basic and Diluted	99 196 720	45 761 297	99 196 720	45 418 190

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

Mobi724 Global Solutions Inc.**Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)****For the three-month and six-month periods ended June 30, 2016 and 2015**

(in Canadian dollars)

	Three-month period		Six-month period	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss)	(662 119)	1 653 886	(1 625 708)	(2 811 460)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	(68 478)	(12 448)	47 654	(10 682)
Comprehensive income (loss)	(730 597)	1 641 438	(1 578 054)	(2 822 142)

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

Mobi724 Global Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

For the six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

	Share capital Number	Share capital \$	Other equity accounts \$	Equity component of convertible debt \$	Deficit \$	Cumulative translation adjustment \$	Total equity \$
Balance December 31, 2015	94 152 482	19 038 170	8 186 308	230 184	(25 907 905)	(59 096)	1 487 661
Net loss for the period							
Other comprehensive income							
Comprehensive income (loss) for the period							
					(1 625 708)	47 654	(1 625 708)
							47 654
					(1 625 708)	47 654	(1 578 054)
Conversion of convertible debt	2 854 996	734 223		(105 255)			628 968
Exercise of warrants	3 030 303	545 151					545 151
Warrants issued during the period			(295 151)				(295 151)
Share-based payments			6 612				6 612
	5 885 299	1 279 374	(288 539)	(105 255)			885 580
Balance June 30, 2016	100 037 781	20 317 544	7 897 769	124 929	(27 533 613)	(11 442)	795 187

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

Mobi724 Global Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

For the six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

	Share capital Number	Share capital \$	Other equity accounts \$	Equity component of convertible debt \$	Deficit \$	Cumulative translation adjustment \$	Total \$
Balance December 31, 2014	44 514 438	14 288 362	6 807 656	2 086 292	(23 773 937)	(43 468)	(635 095)
Net loss for the period							
Other comprehensive loss							
Comprehensive income (loss) for the period	-	-	-	-	(2 811 460)	(10 682)	(2 811 460)
Loss on modification of convertible debt				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	250 000	27 500					27 500
Conversion of convertible debt (Note 7)			55 000				55 000
Issuance of convertible debt				140 487			140 487
	1 246 859	641 118	200 293	69 087			910 498
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 consolidated financial statements.

Mobi724 Global Solutions Inc.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars)

	Three-month period		Six-month period	
	2016	2015	2016	2015
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss)	(662 119)	1 653 886	(1 625 708)	(2 811 460)
Adjustments for items not involving cash				
Depreciation of property and equipment	6 538	19 450	10 370	38 647
Amortization of intangible assets	215 104	145 752	433 781	291 503
Share-based payments expense	3 306	73 048	6 612	145 293
Gain on settlement of liabilities			(75 600)	
Fair value adjustment on liability for the acquisition of the non- controlling interest of Mobi	(238 495)	(2 357 172)	(119 600)	785 724
Loss on modification of convertible debt				133 000
Fair value adjustment on financial derivative asset		(220 000)		(220 000)
Accretion expense on convertible debt	89 277	87 534	188 636	202 667
Interest on convertible debt		125 295		212 171
Recovery of deferred taxes	(33 980)	(33 980)	(67 960)	(67 960)
	(620 369)	(506 187)	(1 249 469)	(1 290 415)
Change in non-cash working capital items	204 568	192 491	(163 424)	462 931
	(415 801)	(313 696)	(1 412 893)	(827 484)
INVESTING ACTIVITIES				
Acquisition of property and equipment	(6 140)		(7 031)	
Acquisition of intangibles assets				(7 281)
	(6 140)		(7 031)	(7 281)
FINANCING ACTIVITIES				
Proceeds from long-term debt			1 692	
Repayment of long-term debt	(2 870)	(8 607)	(2 870)	(17 214)
Proceeds from demand debt	298 501	350 000	570 501	400 000
Repayment of demand debt		(134)		(138 619)
Proceeds from issue of convertible debt				372 500
Proceeds from exercise of warrants			250 000	
	295 631	341 259	819 323	616 667
Effect of the exchange rate changes on cash		(4 209)		(27)
Variation in cash during the period	(126 310)	23 354	(600 601)	(218 125)
Cash, beginning of the period	(43 312)	47 703	430 979	289 182
Cash, end of the period	(169 622)	71 057	(169 622)	71 057

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

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

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 Pacific (HK) Limited, incorporated in Hong Kong, Vault Acquiring Solutions LLC, incorporated in the state of Delaware, USA, Mobi724 Asia Inc., incorporated in the Philippines and 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, I.Q. 7/24 Inc., incorporated under the Corporations Act (Canada). The Company is a technology leader in digital incentives (such as mobile couponing and loyalty rewards), payment solutions (including mobile payments) and digital marketing, loyalty and data analytics. Mobi724 is a provider of payment, couponing / rewards and loyalty 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, 2015.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 4, 2016.

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, 2015.

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.

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

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 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 operations totaling \$1,625,708 for the six months ended June 30, 2016, and an accumulated deficit of \$27,533,613 since the Company's inception on February 8, 2005. As at June 30, 2016, 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 on the conversion of debt into capital and the financing received subsequent to June 30, 2016.

During the six-month period ended June 30, 2016, the Company received \$250,000 in additional funds from warrants exercised and \$570,000 from the issue of demant debt. The Company is currently attempting to raise additional financing.

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.

3 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 January 1, 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 January 1, 2017. The Company's management have not yet assessed the impact of IFRS 15 on these condensed interim consolidated financial statements.

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

4 - BUSINESS COMBINATIONS

Acquisition of IQ 7/24 Inc.

On January 1, 2016, in an effort to further its business objectives, the Company amended its acquisition agreement whereby the Company acquired 100% of the common shares of IQ 7/24 Inc. ("IQ"), a company operating in Montreal, Canada. As part of the original agreement signed on December 22, 2015, the previous shareholders maintained control of the Company until the occurrence of certain future events. The agreement was subsequently modified, giving the Company control over IQ effective January 1, 2016.

The Company invested \$250,000 as at December 31, 2015 for the acquisition of 16.67 shares of IQ and has acquired 100 additional shares of IQ for contingent consideration to be determined based on a formula using the results of IQ and the Company for the years ended December 31, 2017 or December 31, 2017 and December 31, 2018. The previous shareholders of IQ can elect to have their balance of purchase price paid either by shares of the Company or a combination of shares and cash. In the case of nonpayment by the Company, the previous shareholders of IQ have maintained certain rights.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the acquisition:

	\$
Assets acquired	
Current assets	260 327
Intangible assets	275 341
Goodwill	1 338 969
	<u>1 874 637</u>
Liabilities assumed	
Current liabilities	874 637
Fair value of net assets acquired	1 000 000
Consideration :	
Acquisition of 16.67 shares of IQ	250 000
Estimate of contingent consideration payable	750 000
	<u>1 000 000</u>

As at June 30, 2016, the Company has not finalized the purchase price allocation.

The consolidated financial statements include the results of IQ for the period from January 1, 2016, the acquisition date. From the date of acquisition, IQ contributed approximately \$923,091 to total revenue and generated a profit of \$4,472.

Acquisition of Mobi

On July 12, 2013, in an effort to further its business objectives, the Company acquired 51% of the common shares of Solutions Mobi724 Inc. ("Mobi"), a Canadian company, for a purchase consideration of \$1,396,500 payable through the issuance of 1,078,455 common shares. The acquisition was accounted for by the Company using the acquisition method set out in IFRS 3, Business Combinations. The balance sheet and the results of operations of Mobi have been consolidated with the Company as of July 12, 2013.

On July 12, 2014, one year after the closing date, the Company was to purchase the remaining Mobi shares from the remaining Mobi shareholders at an evaluation price determined, at that time, as per the contractual agreement, and mostly based on expected future revenues of Mobi. The purchase date of the remaining Mobi shares was extended to 2015. At acquisition date, because the Company has an obligation to acquire the non-controlling interest of Mobi, the Company recorded a liability, at fair value, for the future acquisition of the remaining Mobi share.

Mobi724 Global Solutions Inc.**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)****For the three-month and six-month periods ended June 30, 2016 and 2015****(in Canadian dollars except share and per share amounts)**

During the year ended December 31, 2014, the purchase price allocation was completed. The completion did not result in any modifications to the preliminary purchase price allocation. The Company also entered into an amendment to the acquisition agreement that modified the terms of the obligation to acquire the non-controlling interest of Mobi. The liability is to be settled by issuing the remaining Mobi shareholders a certain number of shares of the Company that will ensure the remaining Mobi shareholders a fixed percentage ownership of the Company. During the year ended December 31, 2015, 14,493,174 shares were issued having a value of \$869,584. Approximately 7,960,000 shares will be issued in 2016 to settle the remaining liability.

5 - TRADE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2015
	\$	\$
Trade receivables	783 691	84 384
Sales tax receivable	39 669	57 618
Amount receivable from an officer	28 367	73 781
Tax credits receivable	119 885	
	<u>971 612</u>	<u>215 783</u>

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

6 - INTANGIBLE ASSETS

	Licensed software	Software technology	EMV payment switch	Patents	Total intangibles	Goodwill
	\$	\$	\$	\$	\$	\$
Cost						
Balance January 1, 2016	1	2 894 541	1 028 441	80 378	4 003 360	3 139 191
Acquisition, through business combination		275 341			275 341	1 338 969
Balance June 30, 2016	1	3 169 882	1 028 441	80 378	4 278 701	4 478 160
Accumulated amortization and impairment						
Balance January 1, 2016		1 412 121	36 730	14 023	1 462 874	
Amortization		352 059	78 354	3 368	433 781	
Balance June 30, 2016		1 764 180	115 084	17 391	1 896 655	—
Net Book Value June 30, 2016	1	1 405 702	913 357	62 987	2 382 046	4 478 160
	Licensed software	Software technology	EMV payment switch	Patents	Total intangibles	Goodwill
	\$	\$	\$	\$	\$	\$
Cost						
Balance January 1, 2015	1	2 889 675	1 028 441	80 378	3 998 495	3 139 191
Additions, internally produced			7 281		7 281	
Balance June 30, 2015	1	2 889 675	1 035 722	80 378	4 005 776	3 139 191
Accumulated amortization and impairment						
Balance January 1, 2015		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

Amortization of the EMV payment switch started on October 1, 2015.

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2016	December 31, 2015
	\$	\$
Accounts payable and accrued liabilities	2 700 900	1 570 498
Salaries and related benefits	179 572	260 714
Liability for third party garnishment resulting from assumption of judgment against former directors (a)	250 000	250 000
	<u>3 130 472</u>	<u>2 081 212</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. An amount of \$750,000 was paid at signing in February 2014, and the balance including interest to be paid no later than June 27, 2014. As at December 31, 2015 and June 30, 2016 an amount of \$250,000 remains payable.

8 - CONVERTIBLE DEBT

2015 Unsecured Convertible Debentures

During the six month period ended June 30, 2016, debentures, for an aggregate amount of \$650,778 (capital and accrued interest), have been converted into 2,854,996 common share.

The following tables summarize the components of the convertible debt:

	Liability component \$	Embedded conversion option reserve \$	Embedded warrant reserve \$	Total equity component \$	Total \$
Balance, January 1, 2016	2 036 386	214 487	15 697	230 184	2 266 570
Interest and accretion interest expense	188 636				188 636
Convertible debt converted during the period	(628 968)	(105 255)		(105 255)	(734 223)
Balance, June 30, 2016	<u>1 596 054</u>	<u>109 232</u>	<u>15 697</u>	<u>124 929</u>	<u>1 720 983</u>

9 - SHAREHOLDERS' EQUITY

a) Share Capital Authorized

Unlimited number of common voting shares.

Unlimited number of preferred shares without nominal value or par value, which may be issued in one or more series, the directors having been authorized to determine the designation rights, privileges, restrictions and conditions attached to the shares

All shares issued are fully paid.

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

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

	Number of common shares	Amount \$
Balance, December 31, 2015	94 152 482	19 038 170
Shares issued for conversion of convertible debt ¹	2 854 996	734 223
Exercise of warrants ²	3 030 303	545 151
Balance, June 30, 2016	<u>100 037 781</u>	<u>20 317 544</u>
Balance, December 31, 2014	44 514 438	14 288 362
Shares issued for conversion of convertible debt	996 859	613 618
Shares issued for settlement of liabilities	250 000	27 500
Balance, June 30, 2015	<u>45 761 297</u>	<u>14 929 480</u>

¹ Share issued for conversion of convertible debt

During the six month period ended June 30, 2016, Unsecured Convertible Debenture, for an aggregate amount of \$734,223 (capital and interest), have been converted into 2,854,006 common shares.

² Shares issued on warrants exercised

During the six month period ended June 30, 2016, a total of 3,030,303 warrants were exercised for a cash consideration of \$250,000 (exercise price at \$0.0825). An amount of \$295,151 from the exercise of the warrants was reclassified from warrant reserve to share capital.

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.

	For the six-month period ended June 30, 2016		For the six-month period ended June 30, 2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of year	7 086 000	0,82	3 273 393	0,82
Forfeited			(343 081)	0,89
Expired			(1 155 161)	1,02
Balance, end of year	<u>7 086 000</u>	<u>0,82</u>	<u>1 775 151</u>	<u>0,77</u>
Exercisable options	<u>6 437 667</u>	<u>0,26</u>	<u>1 670 151</u>	<u>0,74</u>

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

Outstanding options as at June 30, 2016 are as follows:

Range of exercise prices	Weighted average residual life span (in years)	Outstanding options	Weighted average exercise price	Exercisable options	Weighted average price
0,15	2,91	4 355 000	0,15	4 355 000	0,15
0,25	1,68	420 000	0,25	420 000	0,25
0,35	1,68	916 000	0,35	916 000	0,35
0,50	0,99	830 000	0,50	276 667	0,50
0,96	0,58	565 000	0,96	470 000	0,96
0.15 to 0.96	2,84	7 086 000	0,82	6 437 667	0,26

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, 2016	Share options June 30, 2015
October 17, 2015			35 000
December 4, 2015			158 484
September 8, 2016	0,15	300 000	
October 30, 2016	0,96	565 000	751 667
February 28, 2017	0,50	180 000	180 000
July 10, 2017	0,50	650 000	650 000
December 4, 2017	0,35	916 000	
December 4, 2017	0,25	420 000	
December 4, 2017	0,15	300 000	
September 8, 2018	0,15	550 000	
December 9, 2018	0,15	1 005 000	
December 9, 2020	0,15	2 200 000	
		7 086 000	1 775 151

For the period ended June 30, 2016, none of the share options were exercised (none in 2015).

An amount of \$6,612 has been expensed as share-based payment awards for the period ended June 30, 2016 (\$145,293 for 2015). 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.

c) Other equity accounts

	June 30, 2016	December 31, 2015
	\$	\$
Contributed Surplus	7 056 264	6 378 488
Option reserve	796 250	789 638
Warrant reserve	45 255	1 018 182
	7 897 769	8 186 308
	June 30, 2016	December 31, 2015
	\$	\$
Balance, beginning of year	6 378 488	2 339 107
Warrant expired/cancelled during the year	677 776	2 609 185
Stock options expired or forfeited		1 251 965
Extinguished conversion option		178 231
Balance, end of period	7 056 264	6 378 488

Mobi724 Global Solutions Inc.**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)****For the three-month and six-month periods ended June 30, 2016 and 2015****(in Canadian dollars except share and per share amounts)**

	June 30, 2016	December 31, 2015
<i>Option reserve</i>	\$	\$
Balance, beginning of year	789 638	1 759 010
Stock based payments	6 612	282 593
Stock options expired or forfeited		(1 251 965)
Balance, end of period	796 250	789 638

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
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Warrants reserve

	June 30, 2016			December 31, 2015		
	Number of warrants	Amount	Weighted average exercise price	Number of warrants	Amount	Weighted average exercise price
	\$	\$	\$		\$	\$
Warrants issued and outstanding						
Balance, beginning of the period	15 367 845	1 018 182	0,28	10 793 145	2 709 539	1,17
Expired/cancelled during the period	(10 229 951)	(677 776)	0,14	(10 393 397)	(2 609 185)	1,17
Issued during the period	(3 030 303)	(295 151)	0,08	14 968 097	917 828	0,26
Exercised during the period						
Balance, end of the period	2 107 591	45 255	1,26	15 367 845	1 018 182	0,28

During the six-month period ended June 30, 2016, no warrants were issued.

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

Mobi724 Global Solutions Inc.**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**

For the three-month and six-month periods ended June 30, 2016 and 2015

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10 - FINANCIAL INSTRUMENTS

The Company is exposed to a certain number of risks at different levels.

a) Measurement categories

The following table shows the carrying values of assets and liabilities for each of these categories as at June 30, 2016 and 2015.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	\$	\$
Assets		
Loans and receivables		
Cash		71 057
Short-term investments	39 425	39 425
Trade and other receivables (excluding sales taxes receivable)	812 058	103 536
Total loans and receivables	851 483	214 018
Liabilities		
Amortized cost		
Accounts payable and accrued liabilities (excluding salaries and related benefits)	2 950 900	3 448 223
Convertible debt	1 596 054	3 332 395
Demand debt	924 820	440 523
Long term debt	151 029	152 709
Contingent consideration payable	750 000	
Total amortized cost	2 671 903	7 373 850
Fair Value		
Liability for the acquisition of non-controlling interest of Mobi	318 400	2 880 988

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 estimated fair value of the liability for the acquisition of non-controlling interest of Mobi is categorized within Level 1 of the fair value hierarchy. The fair value was determined based on an estimated number of common shares to be issued to the remaining shareholders of Mobi times the share price of the Company as at June 30, 2016 and December 31, 2015.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	\$	\$
Opening balance	438 000	2 095 264
Fair value adjustment on liability	(119 600)	785 724
Ending balance	318 400	2 880 988

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

11 - RELATED PARTY TRANSACTIONS

The following table summarizes the transactions and balances outstanding with related parties of the Company:

<i>Related party transactions</i>	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Transactions:				
Rent paid to company controlled by significant shareholder	31 443	25 500	62 886	51 000
	31 443	25 500	62 886	51 000
			June 30, 2016	June 30, 2015
			\$	\$
Balances outstanding:				
Amounts due to officers and directors			111 673	8 149
Amounts due to (from) persons that are significant shareholders and founders of the Company				277 185
Demand debt due to director and significant shareholder				60 000
Convertible debt due to a directors and significant shareholder			53 108	400 000
			164 781	745 334

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 period ended June 30,		For the six-month period ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Management fees, commissions and salaries	231 563	29 167	528 463	29 167
Share-based payments compensation			3 306	
	231 563	29 167	531 769	29 167

12 - LOSS PER SHARE

a) Basic

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss) attributable to the shareholders of the Company	(842 011)	1 653 886	(1 625 708)	(2 811 463)
Weighted average number of common shares outstanding	99 196 720	45 761 297	99 196 720	45 418 190

b) Diluted

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

For the six-month period ended June 30, 2016 and 2015, 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 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 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.

13 - SEGMENTED REPORTING

The Company operates and reports its results as three operating segments (two in 2015), which are the development of new internet technologies to facilitate point of sale payments, e-couponing and digital marketing, 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 also operates in four different geographies: Canada, United States, Latin America & Caribbean and Asia. The Company's financial information by reportable segment is as follows:

	June 30, 2016			
	Payment solution	E-couponing	Digital marketing	Unallocated
				Consolidated
Revenues from external customers	55 037	184 799	923 091	119 885
Total operating expenses	488 057	1 464 170	836 179	(72 294)
Operating loss (profit)	433 020	1 279 371	(86 912)	(192 179)
Net financial expenses (income)	61 171	183 512	15 686	-
Net loss (income) before income taxes	494 190	1 462 883	(71 226)	(192 179)
Income tax expense (recovery)	(16 990)	(50 970)	-	-
Net loss (income)	477 200	1 411 913	(71 226)	(192 179)

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

The Company's financial information by geographic location is as follows:

	June 30, 2016	June 30, 2015
	\$	\$
Sales from external customers		
Canada	1 043 243	24 786
United States		14 243
Caribbean	54 770	38 691
Latin America	184 799	82 886
	1 282 812	160 606

14 - EVENTS AFTER THE REPORTING PERIOD

On July 7, 2016, the Company announces that the board of directors has authorized to seek financing by way of issuance of brokered senior secured convertible debentures for maximum proceeds of \$5,000,000. The convertible debenture is for a 3 years term bearing interest of 6.75%. The conversion terms are i) \$0.15 within the first year of the term ii) \$0.25 within the first year of the term and iii) \$0.35 within the first year of the term. The financing is progressing. The Company will issue press release when closing will occur.