

Mobi724 Global Solutions Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2016 and 2015

Mobi724 Global Solutions Inc.

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Notice to Reader

For the three-month and nine-month periods ended September 30, 2016 and 2015

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 nine-month periods ended September 30, 2016 and 2015

For the three-month and nine-month periods ended September 30, 2016 and 2015

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Mobi724 Global Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
As at September 30, 2016 and December 31, 2015

(in Canadian dollars)

For the three-month and nine-month periods ended September 30, 2016 and 2015

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
	\$	\$
ASSETS		
Current assets		
Cash	600 996	430 979
Short-term investments	39 425	39 425
Trade and other receivables (Note 5)	730 523	215 783
Prepaid expenses	243 241	21 498
Inventory	4 200	
	<u>1 618 385</u>	<u>707 685</u>
Non-Current assets		
Investment accounted for using the equity method		993 095
Property and equipment	10 537	10 469
Intangible assets (Note 6)	2 160 406	2 540 486
Goodwill (Note 6)	4 352 930	3 139 191
	<u>6 523 873</u>	<u>6 683 241</u>
	<u>8 142 258</u>	<u>7 390 926</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	2 519 941	2 081 212
Liability for the acquisition of non-controlling interest of Solutions Mobi724 Inc. (Note 10)	424 300	438 000
Convertible debt (Note 8)	2 469 152	2 036 386
Demand debt, 6% to 18% interest	730 500	100 000
Current portion of long-term debt	34 428	34 428
	<u>6 178 321</u>	<u>4 690 026</u>
Non-Current liabilities		
Long-term debt	113 582	117 779
Contingent consideration payable (Note 4)	750 000	750 000
Deferred income taxes	243 520	345 460
	<u>7 285 423</u>	<u>5 903 265</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	20 895 515	19 038 170
Other equity accounts (Note 9)	7 949 417	8 186 308
Equity component of convertible debt (Note 8)	568 049	230 184
Deficit	(28 467 209)	(25 907 905)
Cumulative translation account	(88 937)	(59 096)
Total equity attributable to shareholders of the Company	<u>856 835</u>	<u>1 487 661</u>
Total liabilities and shareholder equity	<u>8 142 258</u>	<u>7 390 926</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) Allan Rosenhek
Allan Rosenhek, Interim 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 nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars except share amounts)

For the three-month and nine-month periods ended September 30, 2016 and 2015

	Three-month period		Nine-month period	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenues	641 431	110 899	1 924 243	271 505
Operating expenses				
Share-based payments expense (Note 9)	3 306	71 792	9 918	217 085
Salaries and benefits	529 458	164 095	1 653 836	787 637
Contract labor	133 026	219 325	414 271	400 863
Computer software development	48 703	15 695	179 957	164 245
Travel	24 065	74 661	157 764	186 946
Professional fees	(89 678)	276 210	169 719	492 725
Office expense	176 106	108 992	458 246	346 815
Marketing and promotion	1 083	2 110	44 644	10 541
Filing fees	4 805	6 660	20 827	15 353
Purchases	28 969	10 820	90 147	35 618
Gain on settlement of liabilities		(568 342)	(75 600)	(735 217)
Foreign exchange loss	4 239	6 419	12 323	12 057
Depreciation of property and equipment	1 153	26 743	11 523	65 390
Amortization of intangible assets (Note 6)	221 640	138 502	655 421	430 005
Bad debt expense	5 863	1 980	5 863	1 980
Total operating expenses	1 092 738	555 662	3 808 859	2 432 043
Operating loss	(451 307)	(444 763)	(1 884 616)	(2 160 538)
Net financial expenses (income)	510 706	(1 239 568)	771 074	(78 780)
Net income (loss) before income taxes	(962 013)	794 805	(2 655 690)	(2 081 758)
Income tax expense		2 470	5 554	5 327
Recovery of deferred tax	(33 980)	(33 980)	(101 940)	(101 940)
	(33 980)	(31 510)	(96 386)	(96 613)
Net income (loss)	(928 033)	826 315	(2 559 304)	(1 985 145)
Earnings (loss) per share (Note 12)				
Basic and diluted	(0,01)	0,02	(0,03)	(0,04)
Weighted average number of outstanding common shares (Note 12)				
Basic and Diluted	105 086 236	53 982 639	100 739 716	55 458 265

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 nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars)

For the three-month and nine-month periods ended September 30, 2016 and 2015

	<u>Three-month period</u>		<u>Nine-month period</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net income (loss)	\$ (928 033)	\$ 826 315	\$ (2 559 304)	\$ (1 985 145)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	<u>(77 495)</u>	<u>3 993</u>	<u>(29 841)</u>	<u>(14 675)</u>
Comprehensive income (loss)	<u>(1 005 528)</u>	<u>830 308</u>	<u>(2 589 145)</u>	<u>(1 999 820)</u>

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 nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars except share amounts)

For the three-month and nine-month periods ended September 30, 2016 and 2015

	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					(2 559 304)		(2 559 304)
Other comprehensive income						(29 841)	(29 841)
Comprehensive income (loss) for the period	-	-	-	-	(2 559 304)	(29 841)	(2 589 145)
Conversion of convertible debt	8 186 426	1 043 152		(105 255)			937 897
Exercise of warrants	3 030 303	545 151					545 151
Shares issued during the period	4 765 480	269 042					269 042
Warrants issued during the period			(246 809)				(246 809)
Issuance of convertible debt				443 120			443 120
Share-based payments			9 918				9 918
	15 982 209	1 857 345	(236 891)	337 865			1 958 319
Balance September 30, 2016	110 134 691	20 895 515	7 949 417	568 049	(28 467 209)	(88 937)	856 835

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 nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars except 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					(1 985 145)		(1 985 145)
Other comprehensive loss						(14 675)	(14 675)
Comprehensive income (loss) for the period	–	–	–	–	(1 985 145)	(14 675)	(1 999 820)
Issuance of shares through private placement	9 696 968	327 758	472 242				800 000
Loss on modification of convertible debt				133 000			133 000
Issuance of shares from the conversion of convertible debt (Note 8)	996 859	613 618		(204 400)			409 218
Share-based payments (Note 8)			217 085				217 085
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
	10 943 827	968 876	744 327	69 087			1 782 290
Balance September 30, 2015	55 458 265	15 257 238	7 551 983	2 155 379	(25 759 082)	(58 143)	(852 625)

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 nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars)

For the three-month and nine-month periods ended September 30, 2016 and 2015

	Three-month period		Nine-month period	
	2016	2015	2016	2015
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss)	(928 033)	826 315	(2 559 304)	(1 985 145)
Adjustments for items not involving cash				
Depreciation of property and equipment	1 153	26 743	11 523	65 390
Amortization of intangible assets	221 640	138 502	655 421	430 005
Share-based payments expense	3 306	71 792	9 918	217 085
Gain on settlement of liabilities		(568 342)	(75 600)	(735 217)
Fair value adjustment on liability for the acquisition of the non- controlling interest of Mobi	310 500	(1 309 540)	190 900	(523 816)
Loss on modification of convertible debt				133 000
Fair value adjustment on financial derivative asset		(227 000)		(447 000)
Accretion expense on convertible debt	125 147	73 746	313 783	276 413
Interest on convertible debt	24 400	140 839	129 110	353 010
Financing expenses	48 342		48 342	
Recovery of deferred taxes	(33 980)	(33 980)	(101 940)	(101 940)
	<u>(227 525)</u>	<u>(860 925)</u>	<u>(1 377 847)</u>	<u>(2 318 215)</u>
Change in non-cash working capital items	<u>(300 113)</u>	<u>(29 880)</u>	<u>(562 529)</u>	<u>599 926</u>
	<u>(527 638)</u>	<u>(890 805)</u>	<u>(1 940 376)</u>	<u>(1 718 289)</u>
INVESTING ACTIVITIES				
Advances receivable		(50 000)		(50 000)
Acquisition of property and equipment	(4 560)	(4 983)	(11 591)	(4 983)
Acquisition of intangibles assets				(7 281)
	<u>(4 560)</u>	<u>(54 983)</u>	<u>(11 591)</u>	<u>(62 264)</u>
FINANCING ACTIVITIES				
Proceeds from long-term debt			1 692	
Repayment of long-term debt	(3 019)	8 105	(5 889)	(9 109)
Proceeds from demand debt		50 000	570 501	400 000
Repayment of demand debt	(194 320)		(194 320)	(138 619)
Proceeds from issue of convertible debt	1 500 000		1 500 000	372 500
Proceeds from issue of common shares		800 000		800 000
Proceeds from issuance of warrants	155			
Proceeds from exercise of warrants			250 000	
	<u>1 302 816</u>	<u>858 105</u>	<u>2 121 984</u>	<u>1 424 772</u>
Effect of the exchange rate changes on cash		12 852		12 852
Variation in cash during the period	<u>770 618</u>	<u>(74 831)</u>	<u>170 017</u>	<u>(292 956)</u>
Cash, beginning of the period	<u>(169 622)</u>	<u>71 057</u>	<u>430 979</u>	<u>289 182</u>
Cash, end of the period	<u><u>600 996</u></u>	<u><u>(3 774)</u></u>	<u><u>600 996</u></u>	<u><u>(3 774)</u></u>

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 nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

For the three-month and nine-month periods ended September 30, 2016 and 2015

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. and 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 November 21, 2016.

The preparation of these condensed interim financial statements 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,

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 nine-month periods ended September 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 \$2,261,701 for the nine months ended September 30, 2016, and an accumulated deficit of \$28,073,220 since the Company's inception on February 8, 2005. As at September 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 September 30, 2016.

During the nine-month period ended September 30, 2016, the Company received \$250,000 in additional funds from warrants exercised and \$376,181 from the issue of demant debt and \$1,500,000 from the issue of convertible 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 nine-month periods ended September 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	1 213 738
	<u>1 749 406</u>
Liabilities assumed	
Current liabilities	749 406
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 September 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 \$1,515,000 to total revenue and generated a loss of \$3,587.

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)

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(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. During the period ended September 30, 2016, 3,720,000 shares were issued having a value of \$204,600. An estimated 10,608,000 shares will be issued in 2016 to settle the remaining liability.

5 - TRADE AND OTHER RECEIVABLES

	September 30,	December 31,
	2016	2015
	\$	\$
Trade receivables	496 995	84 384
Sales tax receivable	82 792	57 618
Amount receivable from an officer	27 126	73 781
Tax credits receivable	123 610	
	730 523	215 783

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

For the three-month and nine-month periods ended September 30, 2016 and 2015

6 - Goodwill and 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	1 213 739
Balance September 30, 2016	1	3 169 882	1 028 441	80 378	4 278 701	4 352 930
Accumulated amortization and impairment						
Balance January 1, 2016		1 412 121	36 730	14 023	1 462 874	
Amortization		532 838	117 531	5 052	655 421	
Balance September 30, 2016		1 944 959	154 261	19 075	2 118 295	-
Net Book Value September 30, 2016	1	1 224 923	874 180	61 303	2 160 406	4 352 930
	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 September 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		424 713		5 292	430 005	
Balance September 30, 2015	-	1 254 692	-	12 577	1 267 269	-
Net Book Value September 30, 2015	1	1 634 983	1 035 722	67 801	2 738 507	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)

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(in Canadian dollars except share and per share amounts)

For the three-month and nine-month periods ended September 30, 2016 and 2015

7 - Accounts payable and accrued liabilities	September 30, 2016	December 31, 2015
	\$	\$
Accounts payable and accrued liabilities	2 234 246	1 570 498
Salaries and related benefits	35 695	260 714
Liability for third party garnishment resulting from assumption of judgment against former directors (a)	250 000	250 000
	2 519 941	2 081 212

(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 September 30, 2016 an amount of \$250,000 remains payable.

8 - CONVERTIBLE DEBT

2016 Unsecured Convertible Debentures

During the nine month period ended September 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
Convertible debt issue during the period	1 056 880	443 120		443 120	1 500 000
Interest and accretion interest expense	313 783				313 783
Convertible debt converted during the period	(937 897)	(105 255)		(105 255)	(1 043 152)
Balance, September 30, 2016	2 469 152	552 352	15 697	568 049	3 037 201
Balance, January 1, 2015	2 724 762	1 871 789	214 503	2 086 292	4 811 054
Convertible debt issue 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	629 423				629 423
Convertible debt converted during the period	(464 218)	(149 400)	(55 000)	(204 400)	(668 618)
Balance, September 30, 2016	3 546 980	1 995 876	159 503	2 155 379	5 702 359

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2016 and 2015

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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.

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

	<u>Number of common shares</u>	<u>Amount \$</u>
Balance, December 31, 2015	94 152 482	19 038 170
Shares issued during the period ¹	4 765 480	269 042
Shares issued for conversion of convertible debt ²	8 186 426	1 043 152
Exercise of warrants ³	<u>3 030 303</u>	<u>545 151</u>
Balance, September 30, 2016	<u><u>110 134 691</u></u>	<u><u>20 895 515</u></u>
Balance, December 31, 2014	44 514 438	14 288 362
Issue of shares for cash	9 696 968	327 758
Shares issued for conversion of convertible debt	996 859	613 618
Shares issued for settlement of liabilities	<u>250 000</u>	<u>27 500</u>
Balance, September 30, 2015	<u><u>55 458 265</u></u>	<u><u>15 257 238</u></u>

¹ *Share issued during the period*

During the nine month period ended September 30, 2016, a total of 1,045,480 shares were issued for an aggregate amount of \$64,442 in settlement of liabilities and a total of 3,720,000 shares for an aggregate amount of \$204,600 in settlement of the liability for the acquisition of non-controlling interest of Solutions Mobi724 Inc.

² *Share issued for conversion of convertible debt*

During the nine month period ended September 30, 2016, Unsecured Convertible Debenture, for an aggregate amount of \$1,043,152 (capital and interest), have been converted into 8,186,426 common shares.

³ *Shares issued on warrants exercised*

During the nine month period ended September 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.

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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 nine-month period ended		For the nine-month period ended	
	September 30, 2016		September 30, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance, beginning of year	7 086 000	0,30	3 273 393	0,82
Granted			2 486 000	0,24
Forfeited			(343 081)	0,89
Expired	(300 000)	0,15	(1 201 828)	0,90
Balance, end of year	6 786 000	0,29	4 214 484	0,77
Exercisable options	6 137 667	0,26	2 779 484	0,56

Outstanding options as at September 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	2,66	4 055 000	0,15	4 055 000	0,15
0,25	1,43	420 000	0,25	420 000	0,25
0,35	1,43	916 000	0,35	916 000	0,35
0,50	0,74	830 000	0,50	276 667	0,50
0,96	0,33	565 000	0,96	470 000	0,96
0.15 to 0.96	2,59	6 786 000	0,29	6 137 667	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	Share options
		September 30, 2016	September 30, 2015
October 17, 2015	1,10		35 000
December 4, 2015	1,00		158 484
September 8, 2016	0,15		300 000
October 30, 2016	0,96	565 000	705 000
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	300 000
December 4, 2017	0,25	420 000	420 000
December 4, 2017	0,15	300 000	916 000
September 8, 2018	0,15	550 000	550 000
December 9, 2018	0,15	1 005 000	
December 9, 2020	0,15	2 200 000	
		6 786 000	4 214 484

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

An amount of \$9,918 has been expensed as share-based payment awards for the period ended September 30, 2016 (\$217,085 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

c) Other equity accounts

	September 30, 2016	December 31, 2015
	\$	\$
Contributed Surplus	7 058 799	6 378 488
Option reserve	797 021	789 638
Warrant reserve	93 597	1 018 182
	<u>7 949 417</u>	<u>8 186 308</u>

	September 30, 2016	December 31, 2015
	\$	\$
<i>Contributed surplus</i>		
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	2 535	1 251 965
Extinguished conversion option		178 231
Balance, end of period	<u>7 058 799</u>	<u>6 378 488</u>

	September 30, 2016	December 31, 2015
	\$	\$
<i>Option reserve</i>		
Balance, beginning of year	789 638	1 759 010
Stock based payments	9 918	282 593
Stock options expired or forfeited	(2 535)	(1 251 965)
Balance, end of period	<u>797 021</u>	<u>789 638</u>

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(in Canadian dollars except share and per share amounts)

For the three-month and nine-month periods ended September 30, 2016 and 2015

	September 30, 2016			September 30, 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	(6 311 704)	(1 630 311)	1,22
Issued during the period	6 885 975	48 342		10 444 613	527 242	0,12
Exercised during the period	(3 030 303)	(295 151)	0,08			
Balance, end of the period	8 993 566	93 597	1,26	14 926 054	1 606 470	0,28

During the nine-month period ended September 30, 2016, 1,554,545 warrants were issued in connection with the issue of demand loans. The warrants were valued at \$32,645 and recorded as financing expenses. In addition, 5,331,430 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.

During the nine-month period ended September 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. An additional 9,696,968 warrants were issued in connection with the issue of common shares.

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For the three-month and nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

For the three-month and nine-month periods ended September 30, 2016 and 2015

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 September 30, 2016 and 2015.

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
	\$	\$
Assets		
Loans and receivables		
Cash	600 996	430 979
Short-term investments	39 425	39 425
Trade and other receivables (excluding sales taxes and tax credits receivable)	524 121	158 165
Total loans and receivables	<u>1 164 542</u>	<u>628 569</u>
Liabilities		
Amortized cost		
Accounts payable and accrued liabilities (excluding salaries and related benefits)	2 484 246	2 081 212
Convertible debt	2 469 152	2 036 386
Demand debt	730 500	100 000
Long term debt	148 010	152 207
Contingent consideration payable	750 000	750 000
Total amortized cost	<u>6 581 908</u>	<u>4 369 805</u>
Fair Value		
Liability for the acquisition of non-controlling interest of Mobi	424 300	438 000

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 September 30, 2016 and December 31, 2015.

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

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
	\$	\$
Opening balance	438 000	2 095 264
Fair value adjustment on liability	190 900	(523 806)
Shares issued to remaining shareholders of Mobi during the period	<u>(204 600)</u>	
Ending balance	<u>424 300</u>	<u>1 571 458</u>

Mobi724 Global Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 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 September 30,		For the nine-month period ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Transactions:				
Rent paid to company controlled by significant shareholder	31 443	25 500	94 329	76 500
	<u>31 443</u>	<u>25 500</u>	<u>94 329</u>	<u>76 500</u>
			September 30, 2016	September 30, 2015
			\$	\$
Balances outstanding:				
Amounts due to officers and directors			58 219	
Amounts due from officers and directors				12 360
Amounts due to persons that are significant shareholders and founders of the Company				261 535
Demand debt due to director and significant shareholder			45 000	30 000
Convertible debt due to a directors and significant shareholder				
			<u>103 219</u>	<u>303 895</u>

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 September 30,		For the nine-month period ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Management fees, commissions and salaries	221 877	43 750	764 774	72 917
Share-based payments compensation	3 306		9 918	
	<u>225 183</u>	<u>43 750</u>	<u>774 692</u>	<u>72 917</u>

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 September 30,		For the nine-month period ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss) attributable to the shareholders of the Company	<u>(928 033)</u>	<u>826 315</u>	<u>(2 559 304)</u>	<u>(1 985 145)</u>
Weighted average number of common shares outstanding	<u>105 086 236</u>	<u>53 982 639</u>	<u>100 739 716</u>	<u>55 458 265</u>

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For the three-month and nine-month periods ended September 30, 2016 and 2015

(in Canadian dollars except share and per share amounts)

b) Diluted

For the nine-month period ended September 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-coupons 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:

	September 30, 2016				
	Payment solution	E-couponing	Digital marketing	Unallocated	Consolidated
Revenues from external customers	89 176	287 776	1 560 597	(13 306)	1 924 243
Total operating expenses	577 973	1 806 212	1 496 969	(72 294)	3 808 859
Operating loss (profit)	488 797	1 518 436	(63 628)	(58 988)	1 884 616
Net financial expenses (income)	88 721	660 152	22 201	-	771 074
Net loss (income) before income taxes	577 518	2 178 588	(41 427)	(58 988)	2 655 690
Income tax expense (recovery)	(24 096)	(72 290)	-	-	(96 386)
Net loss (income)	553 422	2 106 298	(41 427)	(58 988)	2 559 304

	September 30, 2015				
	Payment solution	E-couponing	Digital marketing	Unallocated	Consolidated
Revenues from external customers	81 213	190 292			271 505
Total operating expenses	1 330 538	872 660		228 845	2 432 043
Operating loss	1 249 325	682 368		228 845	2 160 538
Net financial expenses (income)	119 796	9 817		(208 393)	(78 780)
Net loss (income) before income taxes	1 369 121	692 185		20 452	2 081 758
Income tax expense (recovery)				(96 613)	(96 613)
Net loss (income)	1 369 121	692 185		(76 161)	1 985 145

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

	September 30, 2016	September 30, 2015
	\$	\$
Sales from external customers		
Canada	1 547 291	81 213
Caribbean	89 176	
Latin America	287 776	190 292
	1 924 243	271 505

14 - EVENTS AFTER THE REPORTING PERIOD