

mobio technologies

Mobio Technologies Inc.

(formerly LX Ventures Inc.)

Consolidated Financial Statements (unaudited)

(EXPRESSED IN CANADIAN DOLLARS)

**For the three and six month periods ended
January 31, 2015 and 2014**

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MOBIO TECHNOLOGIES INC. (“Mobio” or the “Company”)
(formerly “LX Ventures Inc.”)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

The Company’s auditors have not reviewed or been involved in the preparation of these consolidated interim financial statements.

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

In accordance with National Instrument 51-102 Section 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of consolidated interim financial statements by an entity’s auditor, for the three and six month periods ended January 31, 2015 and 2014.

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

MOBIO TECHNOLOGIES INC. (formerly LX Ventures Inc.)**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - expressed in Canadian dollars)

As at:	Note	January 31, 2015	July 31, 2014
ASSETS			
<u>Current Assets</u>			
Cash		\$ 235,072	\$ 738,485
Restricted cash	11	25,204	25,160
Accounts receivable	5	170,028	210,614
Deposits and prepaid expenses	5	<u>52,065</u>	<u>259,643</u>
		482,369	1,233,902
<u>Other Assets</u>			
Fixed assets	10	4,230	6,951
Intangibles	6,7	4,372,058	5,474,780
Goodwill	6,7	1,359,896	1,359,896
Investments	8	<u>1,152,219</u>	<u>1,187,713</u>
TOTAL ASSETS		\$ 7,370,772	\$ 9,263,242
LIABILITIES			
<u>Current Liabilities</u>			
Trade payables and accruals	9	\$ 391,031	\$ 528,221
Deferred revenue and deposits	6	<u>85,000</u>	<u>5,000</u>
		476,031	533,221
<u>Other Liabilities</u>			
Contingent consideration	6	773,437	910,156
TOTAL LIABILITIES		\$ 1,249,468	\$ 1,443,377
SHAREHOLDERS EQUITY			
Share capital	12	\$ 20,874,438	\$ 19,994,695
Warrant reserves		310,390	1,190,133
Share-based payment reserves	12	1,008,922	891,579
Deficit		<u>(16,072,446)</u>	<u>(14,256,542)</u>
TOTAL EQUITY		<u>6,121,304</u>	<u>7,819,865</u>
TOTAL LIABILITIES AND EQUITY		\$ 7,370,772	\$ 9,263,242

Nature of operations and going concern uncertainty 1

*Approved on behalf of the board**"signed"*

Jeff Durno, Chairman

"signed"

Mike Edwards, CEO

see accompanying notes to the financial statements

MOBIO TECHNOLOGIES INC. (formerly LX Ventures Inc.)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited - expressed in Canadian dollars)

		Three months ended		Six months ended	
	Note	January 31,		January 31,	
		2015	2014	2015	2014
REVENUE					
Sales		\$ 155,095	\$ 71,487	\$ 312,415	\$ 100,007
Cost of sales		22,421	-	64,530	-
Gross profit		\$ 132,674	\$ 71,487	\$ 247,885	\$ 100,007
EXPENSES					
Depreciation		674	3,701	1,507	5,360
Amortization of intangible assets	7	551,361	89,933	1,102,722	141,036
Personnel	14	202,937	603,410	432,651	1,099,001
Professional fees		29,010	170,849	35,270	199,126
Office and administration		20,058	45,358	36,410	75,239
Regulatory and filing costs		15,800	72,208	19,665	75,694
Marketing		9,706	1,243,020	251,676	1,339,135
Communications		65,578	112,039	133,596	155,183
Website and IT		39,094	60,847	60,158	100,751
Bank charges and foreign exchange		1,998	3,721	5,075	8,094
Share-based payments	12	72,240	86,766	117,343	174,128
		1,008,456	2,491,852	2,196,073	3,372,747
Operating loss		(875,782)	(2,420,365)	(1,948,188)	(3,272,740)
Finance income		1,936	6,353	3,303	12,613
Finance costs		(4,828)	(5,407)	(3,332)	(6,395)
Loss on asset dispositions	9	(490)	-	(461)	-
Loss on disposition of investments	8	(1,945)	-	(1,945)	-
Gain (loss) - revaluation of contingent consideration	6	(109,375)	-	136,719	-
Unrealized loss on investments	8	(18,000)	(40,000)	(2,000)	(92,000)
Net loss and comprehensive loss for the period		(1,008,484)	(2,459,419)	(1,815,904)	(3,358,522)
Basic and diluted loss per share	13	\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.07)
Weighted average number of common shares outstanding for the period, basic and diluted	13	102,358,294	59,117,405	102,358,294	50,354,899

see accompanying notes to the financial statements

MOBIO TECHNOLOGIES INC. (formerly LX Ventures Inc.)

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - expressed in Canadian dollars)

Six months ended January 31, 2015 & 2014

	Notes	Share capital		Reserves			Deficit	Total
		Number of shares	Amount	Warrant reserves	Share-based payments reserves			
Balance at August 1, 2013		38,028,950	\$ 6,023,105	\$ 214,584	\$ 439,080	\$ (4,061,360)	\$	2,615,409
Shares issued in private placements	12	19,581,668	3,814,968	876,406	-	-		4,691,374
Share issuance costs	12	-	(342,070)	61,937	-	-		(280,133)
Shares issued in acquisitions	6,12	3,746,872	1,423,811	-	-	-		1,423,811
Exercise of warrants	12	5,704,850	1,801,457	(102,590)	-	-		1,698,867
Exercise of stock options	12	500,000	130,000	-	(50,000)	-		80,000
Share-based compensation	12	-	-	-	174,128	-		174,128
Comprehensive loss for the period		-	-	-	-	(3,358,522)		(3,358,522)
Balance at January 31, 2014		67,562,340	12,851,271	1,050,337	563,208	(7,419,882)		7,044,934
Balance at August 1, 2014		102,358,294	\$ 19,994,695	\$ 1,190,133	\$ 891,579	\$ (14,256,542)	\$	7,819,865
Expiry of warrants	12	-	879,743	(879,743)	-	-		-
Share-based compensation	12	-	-	-	117,343	-		117,343
Comprehensive loss for the period		-	-	-	-	(1,815,904)		(1,815,904)
Balance at January 31, 2015		102,358,294	\$ 20,874,438	\$ 310,390	\$ 1,008,922	\$ (16,072,446)	\$	6,121,304

Six months ended January 31, 2015 & year ended July 31, 2014

	Notes	Share capital		Reserves			Deficit	Total
		Number of shares	Amount	Warrant reserves	Share-based payments reserves			
Balance at August 1, 2013		38,028,950	\$ 6,023,105	\$ 214,584	\$ 439,080	\$ (4,061,360)	\$	2,615,409
Shares issued in private placements	12	43,881,157	6,882,753	1,165,873	-	-		8,048,626
Share issuance costs	12	-	(434,159)	82,812	-	-		(351,347)
Shares issued in acquisitions	6,12	11,832,982	4,854,336	-	-	-		4,854,336
Shares returned to treasury	6	(105,235)	(67,350)	-	-	-		(67,350)
Exercise of warrants	12	8,195,440	2,500,316	(173,520)	-	-		2,326,796
Expiry of warrants	12	-	99,616	(99,616)	-	-		-
Share-based compensation	12	-	-	-	504,826	-		504,826
Exercise of stock options	12	525,000	136,078	-	(52,327)	-		83,751
Comprehensive loss for the period		-	-	-	-	(10,195,182)		(10,195,182)
Balance at July 31, 2014		102,358,294	\$ 19,994,695	\$ 1,190,133	\$ 891,579	\$ (14,256,542)	\$	7,819,865
Expiry of warrants	12	-	879,743	(879,743)	-	-		-
Share-based compensation	12	-	-	-	117,343	-		117,343
Comprehensive loss for the period		-	-	-	-	(1,815,904)		(1,815,904)
Balance at January 31, 2015		102,358,294	\$ 20,874,438	\$ 310,390	\$ 1,008,922	\$ (16,072,446)	\$	6,121,304

see accompanying notes to the financial statements

MOBIO TECHNOLOGIES INC. (formerly LX Ventures Inc.)**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS****(Unaudited - expressed in Canadian dollars)****Six months ended January 31,**

	Note	2015	2014
CASH FLOW USED IN OPERATING ACTIVITIES			
Net loss for the period		\$ (1,815,904)	\$ (3,358,522)
<u>Items not affecting cash</u>			
Depreciation	10	1,507	5,360
Amortization of intangible assets	7	1,102,722	141,036
Unrealized loss (gain) on investments	8,15	2,000	92,000
(Gain) on revaluation of contingencies	6	(136,719)	-
Expensing of development expenditures	7	-	10,031
Loss (gain) on asset disposals	10	461	-
Loss (gain) on disposition of investments	8	1,945	-
Accrued interest	8	-	(9,000)
Share-based payments	12	117,343	174,128
<u>Net changes in non-cash working capital</u>			
Accounts receivable	5	40,586	(345,946)
Deposits and prepaid expenses	5	207,578	(1,484,937)
Accounts payable	9	(137,190)	256,023
Deferred revenue and deposits	6	80,000	256,607
Deferred management fees		-	7,667
		<u>190,974</u>	<u>(1,310,586)</u>
Net cash used in operating activities		\$ (535,671)	\$ (4,255,553)
CASH FLOW USED IN INVESTING ACTIVITIES			
Net proceeds from equipment sales (purchases)	10	753	(15,480)
Changes to restricted cash		(44)	-
Cash acquired through Strutta acquisition		-	27,548
Investments	8	<u>31,549</u>	<u>(3,256)</u>
Net cash used in investing activities		\$ 32,258	\$ 8,812
CASH FLOW PROVIDED BY FINANCING ACTIVITIES			
Issuance of common shares	12	-	6,456,116
Share issuance costs	12	<u>-</u>	<u>(266,010)</u>
Net cash provided by financing activities		\$ -	\$ 6,190,106
INCREASE (DECREASE) IN CASH FOR THE PERIOD		\$ (503,413)	\$ 1,943,365
CASH, BEGINNING OF THE PERIOD		<u>\$ 738,485</u>	<u>\$ 449,898</u>
CASH, END OF THE PERIOD		<u>\$ 235,072</u>	<u>\$ 2,393,263</u>

see accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Mobio Technologies Inc. ("Mobio" or the "Company") was originally incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on November 19, 1998. On December 6, 2012, the Company was continued into British Columbia and changed its name to from Intensity Company Inc. to LX Ventures Inc. On July 7, 2014, the Company changed its name to Mobio Technologies Inc. Mobio is a public company whose shares are listed and posted for trading on the TSX Venture Exchange under the symbol "MBO" and quoted on the OTCQX market in the United States under the symbol "MBIOF". In the past two years, Mobio has completed a series of acquisitions that give it a footprint in the social media space. The Company is now focusing its efforts on one of these acquired assets, Strutta.com Media Inc. ("Strutta"). Strutta is a social promotions platform that allows brands to run contests and sweepstakes across multiple social web channels.

These consolidated interim financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. During the six month period ended January 31, 2015, the Company had a net loss of \$1,815,904 and negative cash flow from operations of \$535,671. These conditions raise significant doubt about the Company's ability to continue as a going concern.

The continuing operations of the Company are dependent upon its ability to develop profitable operations in the future and to raise adequate financing, if necessary. The Company has generated operating losses since inception. The application of the going concern concept is dependent on the Company's ability to achieve viable operations and access financing. Management is of the opinion that sufficient working capital will be obtained from internal and external sources to meet the Company's liabilities and commitments.

There can be no assurance that the Company will be successful in achieving profitability or raising additional cash to finance operations. The consolidated interim financial statements do not include any adjustments relating to the recoverability of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

These consolidated interim financial statements were authorized for issue on **April 1, 2015** by the board of directors of the Company.

Statement of Compliance

These consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated interim financial statements do not include all of the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited annual financial statements of the Company for the years ended July 31, 2014 and 2013.

2. BASIS OF PRESENTATION (CON'T)

Functional and Presentation Currency

The consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of Measurement

These consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at their fair values. In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting.

Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Subsidiaries are deconsolidated on the date that control ceases.

The consolidated interim financial statements at January 31, 2015 include the assets, liabilities, revenues and expenses of the Company's 100% controlled and wholly owned subsidiaries. All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

These consolidated interim financial statements have been prepared using the following significant accounting policies:

Accounting Policies

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenues and expenses. Actual results could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The preparation of consolidated financial statements required the use of judgement with respect to assessing whether certain acquisitions meet the definition of a "business" as defined in IFRS 3 – *Business Combinations*. Those acquisitions which meet the definition of a business are accounted for as a business combination using the purchase method, and require the purchase price to be allocated to the fair values of the net assets acquired, including any intangible assets that may have arisen as a result of the acquisition, with the remainder of the purchase price allocated to goodwill. Those acquisitions which did not meet the definition of a business are accounted for as a purchase of assets. The judgement applied to making this determination includes assessing whether the acquisition contains inputs, processes, and outputs as described in IFRS 3.

2. BASIS OF PRESENTATION (CON'T)

Accounting Policies (con't)

The key sources of estimation uncertainty in the Company's consolidated financial statements are the fair values of the Company's investments. The determination of the fair values of investments involves the use of multiple sources of data as well as forward-looking information. Furthermore, multiple methods of determining the fair value of investments could be used and could potentially yield different results. The Company has developed a consistent approach to assessing the fair value of its investments as described below.

a) Measurement uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Aside from the significant areas described above, other areas requiring management estimates include impairment provisions, stock-based compensation and the estimation of the tax rates used to calculate deferred income tax assets and liabilities. Actual results could differ from those estimates.

b) Functional currency and presentation

The Company's functional currency is the Canadian dollar and transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at reporting period rate of exchange. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses denominated in a foreign currency are translated at the monthly average exchange rate (except for depreciation and amortization which is translated at historical exchange rates). Gains and losses resulting from the translation adjustments are included in income.

c) Income taxes

Income tax expense consists of current and deferred tax expenses. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or investments in subsidiaries and equity investments to the extent it is probable that they will not be reversed in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

2. BASIS OF PRESENTATION (CON'T)

Accounting Policies (con't)

c) Income taxes (con't)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that asset.

d) Stock-based compensation

For employees, the fair value is measured at grant date and recognized on a straight-line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Compensation expense for stock options granted to non-employees is recorded as an expense in the period at the earlier of the completion of performance and the date the options are vested using the fair value method.

e) Loss per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted-average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. The method requires computation as if the proceeds from the exercisable options and warrants would be used to purchase common shares at the average market price during the period. For the periods presented, diluted loss per share is equal to basic loss per share since the effects of stock options and warrants were anti-dilutive.

f) Financial instruments

At initial recognition, the Company classifies all financial instruments as held-to-maturity, available-for-sale, held-for-trading, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities measured at fair value. Financial assets held to maturity, loans and receivables and financial liabilities, other than those measured at fair value, are measured at amortized cost. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the statement of operations. Instruments classified as available for sale are measured at fair value with unrealized gains and losses included in other comprehensive income.

The Company has classified its financial instruments as follows:

Cash and cash equivalents	Loans and Receivables
Investments (other than promissory notes)	Fair Value through profit or loss
Investments (promissory notes)	Loans and Receivables
Accounts receivable and notes	Loans and receivables
Accounts payable and advances	Other financial liabilities

2. BASIS OF PRESENTATION (CON'T)

Accounting Policies (con't)

f) Financial instruments (con't)

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, and promissory notes on the statement of financial position approximate their fair value due to the current nature of these instruments.

g) Investments

Investments consist of common shares, preferred shares, convertible notes and promissory notes. Investments are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates fair value of its investments (other than promissory notes) based on the criteria below and records such valuations in the financial statements. All adjustments to the fair value of investments are recorded directly in profit or loss. At each reporting period thereafter, the fair value of an investment may, depending on circumstances, be adjusted by applying one or more of the following valuation techniques:

- There has been a significant new equity financing with arms-length investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or
- Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward; or
- There have been significant corporate, political, operating, technological or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or
- The investee company is placed into receivership or bankruptcy.

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized.

The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to, and determinations reached by, the Company.

Any fair value estimated by the application of these techniques may not be realized.

Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the Consolidated Statements of Comprehensive Loss.

2. BASIS OF PRESENTATION (CON'T)

Accounting Policies (con't)

h) Comprehensive income

Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings. Comprehensive loss is equal to net loss for the three and six month periods ended January 31, 2015 and 2014.

i) Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be accurately measured it is recorded at the carrying amount of the asset given up adjusted by the fair value of any monetary consideration received or given.

Other than as described in *Note 3 – New Standards and Policies Adopted* below, the accompanying financial information reflects the same accounting policies and methods of application as the Company's audited annual consolidated financial statements for the year ended July 31, 2014.

3. NEW STANDARDS AND POLICIES ADOPTED

Offsetting Financial Assets and Liabilities

In December 2011, the IASB issued, *Offsetting Financial Assets and Liabilities*, an amendment to IAS 32, *Financial Instruments: Presentation*. The objective of this amendment to IAS 32 is to clarify when an entity has a right to offset financial assets and liabilities. This amendment is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively.

The Company has applied this standard to its consolidated financial statements for the annual period beginning on August 1, 2014. This amendment did not have a material impact on these consolidated interim financial statements.

Accounting Standards Issued But Not Yet Applied

At the date of authorization of these consolidated interim financial statements, the following standards, amendments and interpretations have not been early adopted and are not expected to have a material effect on the Company's future results and financial position:

Financial Instruments

In November 2013, the IASB issued IFRS 9, *Financial Instruments*, (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2009) establishes the measurement and classification of financial assets. Financial assets are measured either at fair value through earnings or at amortized cost if certain conditions are met. IFRS 9 (2010) includes guidance on the classification and measurement of financial liabilities.

3. NEW STANDARDS AND POLICIES ADOPTED (CON'T)

Accounting Standards Issued But Not Yet Applied (con't)

Financial Instruments (con't)

The most recent amendment, IFRS 9 (2013) includes a new general hedge accounting model, which will align hedge accounting more closely with risk management. Additionally, the new standard removes the January 1, 2015 effective date. The new mandatory effective date of this standard is January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption.

The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

Separate Financial Statements

IAS 27, "Separate Financial Statements", has been amended for the issuance of IFRS 10, Consolidated Financial Statements, but retains the current guidance for separate financial statements. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Investments in Associates and Joint Ventures

IAS 28, *Investments in Associates and Joint Ventures*, has been amended for conforming changes based on the issuance of IFRS 10, Consolidated Financial Statements, and IFRS 11, Joint Arrangements. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Intangible Assets

On May 12, 2014, the IASB issued amendments to IAS 38, *Intangible Assets*. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

The Company intends to adopt the amendments to IAS 38 in its consolidated financial statements for the annual period beginning on August 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements.

Principles of Consolidation

These consolidated interim financial statements consist of Mobio Technologies Inc. and its wholly owned subsidiaries, including 0968998 B.C. Ltd. (which operates *Mobio INsider*) and Strutta.com Media Inc. Results for the comparative period during the prior year also include results for Sosido Networks Inc. ("Sosido"), which the Company divested on June 30, 2014. All intercompany balances and transactions have been eliminated on consolidation.

(a) Equipment

Equipment is carried at cost less accumulated depreciation. The Company provides for depreciation of its equipment using the declining balance method with annual rates between 20% and 55% which is designed to depreciate the cost of the equipment over its estimated useful life.

(b) Intangible Assets and Goodwill

Intangible assets with finite lives consist of acquired technologies and software. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. Amortization commences once the underlying asset is complete and put into use. Cost for intangible assets acquired in a business combination represents the fair value of the asset at the time of the acquisition. Intangible assets with finite lives are currently amortized over the following periods:

<u>Estimated useful life</u>	
Software	3 years

Goodwill is not amortized but is tested for impairment annually or whenever there is an indication of impairment. Goodwill is measured at cost less accumulated impairment losses.

(c) Revenue Recognition

Revenue is recognized when a contractual arrangement is in place, the fee is fixed and determinable, the products and services have been delivered to the customer, and collectability is reasonably assured. The Company's principal source of revenue and recognition of these revenues are as follows:

- (i) On-line subscription fees
- (ii) Advertising and sponsorship fees
- (iii) Professional services fees

Payments received in advance are recorded as deferred revenue and brought into revenue as services are delivered or subscription time elapses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

(d) Financial Instruments

All financial instruments are initially measured at fair value and categorized as either held-to-maturity, fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale or other financial liabilities.

Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.

FVTPL financial instruments are measured at fair value with changes in fair value charged or credited to earnings in the period in which they arise.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.

Available-for-sale financial instruments are measured at fair value with changes in fair value charged or credited to other comprehensive income. Impairment losses are reclassified from other comprehensive income and charged to net earnings in the period in which they arise.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

(e) Share-Based Payments

Stock options issued are accounted for in accordance with fair value accounting for share-based payments. The associated expense is charged to operations with a corresponding increase to share-based payments reserve over the vesting period of the option on a straight-line basis. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. As the options are exercised, the consideration paid, along with the amount previously recognized in share-based payments reserve, is recorded as an increase to share capital.

(f) Warrants

The proceeds from private placements that include warrants are allocated on a relative fair value basis between the common shares and warrants. The fair value attributed to warrants is recorded in a warrants reserve within equity. If the warrants are converted, the consideration paid, along with the amount previously recognized in warrant reserves, is recorded as an increase to share capital. Upon expiry of warrants, any fair value attributed is reclassified to share capital.

(g) Impairment of Non-Financial Assets

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in the statements of comprehensive loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

(g) Impairment of Non-Financial Assets (con't)

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

5. ACCOUNTS RECEIVABLE, DEPOSITS, PREPAID EXPENSES

Accounts receivable consist of amounts due from customers, excise taxes refundable, and research tax credits refundable. Amounts due from customers relate primarily to the operations of Strutta.

ACCOUNTS RECEIVABLE			
	January 31,		July 31,
	2015		2014
Trade receivables	\$	148,864	\$ 138,848
GST recoverable		21,164	71,766
Total receivables	\$	170,028	\$ 210,614

Deposits and prepaid expenses totaled \$52,065 as of January 31, 2015 (July 31, 2014 – \$259,643). Deposits and prepaid expenses pertain primarily to amounts paid on deposit with respect to future performance of services by certain vendors and to annual insurance policies.

6. BUSINESS AND ASSET ACQUISITIONS AND DISPOSITIONS

Proposed Disposition of Mobio Insider

On December 5, 2014, the Company announced that it has signed a definitive agreement (the "Agreement") with Red Thread Media Limited ("RTM"), a UK based technology company, to recapitalize 0968998 BC Ltd., the Company's wholly owned subsidiary which operates the *Mobio Insider* platform ("INSider").

Under the agreement, RTM will acquire 0968998 BC Ltd. by completing an equity financing of approximately C\$900,000 to fund the further development and marketing of the *INSider* platform, and RTM will commence making the following payments to the Company:

- US\$150,000 in cash;
- US\$10,000 per month under a technical support arrangement ("TSA");
- A royalty on future *INSider* revenues of 9%, declining to 3% as benchmark royalty payments are made; and
- preferred shares of RTM equal to 20% of RTM's pre-financing fully diluted share capital.

6. BUSINESS AND ASSET ACQUISITIONS AND DISPOSITIONS

Proposed Disposition of Mobio Insider (con't)

RTM has agreed to complete a going public transaction with an AIM listed company, pursuant to which the Company's preferred shares of RTM will be exchanged for listed shares of the public company.

During the six month period ended January 31, 2015, the Company received an initial payment from RTM pursuant to the terms of the Agreement in the amount of \$85,000, which is included under "deferred revenue and customer deposits" on the Company's Consolidated Statements of Financial Position. The Company also began providing RTM support under the terms of the TSA effective January 2015.

Closing of the transaction remains subject to RTM satisfying all conditions precedent to the Agreement.

Business Combination - Acquisition of Strutta.com Media Inc.

On January 31, 2014, the Company, through a wholly-owned subsidiary, completed the acquisition of all of the issued and outstanding shares of Strutta.com Media Inc. Strutta is a social promotions platform that allows brands to run contests and sweepstakes across multiple social web channels.

The acquisition of Strutta was accounted for as a business combination under IFRS 3. The assets acquired and liabilities assumed on January 31, 2014 are consolidated in the Consolidated Statements of Financial Position as of January 31, 2014. Strutta's revenues and expenses prior to January 31, 2014, are not consolidated into the Company's Consolidated Statements of Comprehensive Loss.

Final consideration paid for all of the issued and outstanding shares of Strutta consisted of 3,641,637 common shares of the Company with a fair value of \$1,356,462 and cash payments of \$250,000. The shares of Mobio issued in connection with the acquisition of Strutta are subject to pooling restrictions over the 18 months immediately following the acquisition date.

An additional 3,125,000 common shares are issuable on the achievement of each of three agreed monthly recurring revenue targets (9,375,000 additional common shares to be issued in aggregate if all three targets are achieved), the final one of which requires Strutta to achieve a monthly recurring revenue run rate of \$2,400,000 per annum. On May 8, 2014, 3,125,001 common shares of Mobio were issued to Strutta's former shareholders pursuant to the achievement of the first monthly recurring revenue target. These shares are subject to pooling restrictions for up to 22 months following the date of issue, and as of January 31, 2015, 3,748,165 common shares of Mobio issued in connection with the acquisition of Strutta remained in escrow. Any additional Mobio shares that may be issued pursuant to future revenue targets will also be subject to pooling restrictions over the 22 months following the date of issue.

At the time of acquisition, the Company estimated the timing and probability of revenue targets being achieved and calculated the fair value of the consideration, which is classified as contingent consideration and recorded as a liability.

6. BUSINESS AND ASSET ACQUISITIONS (CON'T)

Business Combination - Acquisition of Strutta.com Media Inc. (con't)

The initial amount of contingent consideration of \$3,416,157 was based on the value of the Company's shares, which are to be issued to satisfy these obligations, with the sole exception of the final contingent payment, where former shareholders of Strutta may elect to receive up to \$500,000 in cash by foregoing up to 25% of the shares to be issued pursuant to that payment. The value of this contingent consideration is re-measured at the end of each reporting period, with changes recorded directly in profit or loss. This re-measurement is based on the market price of the Company's shares at the end of each reporting period.

Allocation of Value - Assets and Liabilities of Strutta.com Media Inc., January 31, 2014

Assets acquired:		
Cash	\$	27,548
Accounts receivable and deposits		270,971
Marketable securities		147,272
Physical assets		25,375
Intangible assets		5,917,404
Goodwill		1,359,896
	\$	7,748,466
Liabilities assumed:		
Accounts payable and accruals	\$	139,812
Deferred revenue and customer deposits		13,566
Loans		1,208,223
Deferred taxes		1,364,246
	\$	2,725,847
Fair value of net assets acquired	\$	5,022,619
Financed by:		
Cash payments for shares		250,000
Issuance of common shares		1,356,462
Contingent consideration		3,416,157
Total consideration	\$	5,022,619

Intangible assets related primarily to software-related intangible assets.

During the six month period ended January 31, 2015, the Company recorded a gain of \$136,719 upon the re-measurement of contingent consideration, and during the prior year the Company recorded a gain of \$1,412,251 upon the re-measurement of contingent consideration on July 31, 2014. Contingent consideration totaled \$773,437 as of January 31, 2015 (July 31, 2014 - \$910,156).

In connection with the acquisition of Strutta, the Company incurred a charge to deferred taxes that arose from temporary differences between accounting values and tax values that resulted from the transaction being structured as a purchase of Strutta's shares. Both Strutta and Mobio have unused tax losses from prior years and the transaction did not result in any income taxes being payable by either Mobio or Strutta. During the year ended July 31, 2014, the Company recorded an income tax recovery against the full amount of deferred taxes.

6. BUSINESS AND ASSET ACQUISITIONS

Business Combination - Acquisition of Strutta.com Media Inc. (con't)

The most significant assets acquired by the Company with the acquisition of Strutta were software-related intangible assets.

In connection with the acquisition of Strutta, the Company incurred legal fees of \$54,506, and other professional costs of \$7,550. These costs were expensed during the prior period and included under "professional fees" in the Company's Consolidated Statements of Comprehensive Loss.

7. INTANGIBLE ASSETS AND GOODWILL

As of January 31, 2015, the Company's intangible assets consisted entirely of software-related intangible assets. Software-related intangible assets are reported on the Consolidated Statements of Financial Position under "Intangibles".

Schedule of Intangible Assets and Goodwill

Cost	Software-related technology		Goodwill		Total
Balance, July 31, 2014 and January 31, 2015	\$	7,539,896	\$	1,359,896	\$ 8,899,792
Amortization					
Balance, July 31, 2014	\$	2,065,116	\$	-	\$ 2,065,116
Amortization for the period		1,102,722		-	1,102,722
Balance, January 31, 2015	\$	3,167,838	\$	-	\$ 3,167,838
Carrying amounts, July 31, 2014	\$	5,474,780	\$	1,359,896	\$ 6,834,676
Carrying amounts, January 31, 2015	\$	4,372,058	\$	1,359,896	\$ 5,731,954

During the three and six month periods ended January 31, 2014, the Company recorded amortization expense of \$551,361 and \$1,102,722, respectively, on software-related technology assets pertaining to Strutta and to Mobio INsider. During the comparative periods in the prior year, the Company recorded amortization expenses of \$89,922 and \$141,036, all of which pertained to software-related intangibles and the expensing of previously capitalized development costs of Sosido. Software-related intangibles are being amortized on a straight-line basis over three years.

8. INVESTMENTS

In prior fiscal years, the Company made investments in several companies, including an investment in Copper Cloud Inc. ("Copper"), which the Company ultimately received preferred shares of Copper in. For a detailed discussion of the transactions involving Copper, please refer to Note 6 – Business and Asset Acquisitions; Note 7 – Intangible Assets and Goodwill; and Note 8 – Investments in the Company's audited annual consolidated financial statements for the years ended July 31, 2014 and 2013, available at www.sedar.com. The following table sets forth the changes in the Company's investments during the six month period ended January 31, 2015:

8. INVESTMENTS (CON'T)

Investments as of January 31, 2015

	Investments					
	Opening balance	Additions	Interest accrued	Redemptions/ distributions	Gains/losses	Fair value
Copper Cloud, Inc.	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
All other investments	204,966	-	1,253	(34,055)	(19,945)	152,219
	<u>\$ 1,204,966</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ (34,055)</u>	<u>\$ (19,945)</u>	<u>1,152,219</u>

The Company's investee companies are focused on high-growth markets such as online gaming, social performance management tools, cloud-based accounting and payroll solutions, and other emerging digital sectors. Equity investments consist of common shares, preferred shares and convertible promissory notes issued by the investee entities. The Company does not presently have any equity positions that result in significant influence. Equity investments are carried at fair value, with changes being recorded through profit or loss.

Convertible notes are unsecured and bear interest annually at rates between 5% and 8%, and mature in two years or less. The notes are convertible upon certain future events transpiring, and such events are uncertain as to both their occurrence and their magnitude. The convertible notes are carried at fair value through profit or loss.

During the six month period ended January 31, 2015, the Company disposed of two of its investments for aggregate proceeds of \$34,055. The dispositions resulted in a loss of \$1,945, which is reported under "loss on disposition of investments" on the Company's Consolidated Statements of Comprehensive Loss.

During the six month period ended January 31, 2015, the Company recorded \$2,506 of interest income on convertible notes (2014 - \$3,256). Accrued interest is recorded as an increase to the carrying value of each convertible note.

9. TRADE PAYABLES AND ACCRUED EXPENSES

TRADE PAYABLES

	January 31, 2015	July 31, 2014
Trade payables	\$ 371,518	\$ 461,337
Accrued liabilities	833	50,000
Payroll liabilities	18,680	16,884
Total payables and accruals	\$ 391,031	\$ 528,221

10. FIXED ASSETS

As of January 31, 2015, the Company's fixed assets were as follows:

	Computer Equipment	Furniture and Fixtures	Total
Cost			
Balance, July 31, 2014	\$ 10,661	\$ -	\$ 10,661
Additions	1,650	-	1,650
Disposals	(4,298)	-	(4,298)
Balance, January 31, 2015	\$ 8,013	\$ -	\$ 8,013
Accumulated depreciation			
Balance, July 31, 2014	\$ 3,710	\$ -	\$ 3,710
Depreciation	1,507	-	1,507
Disposals	(1,435)	-	
Balance, January 31, 2015	\$ 3,783	\$ -	\$ 3,783
Carrying amounts			
As at July 31, 2014	\$ 6,951	\$ -	\$ 6,951
As at January 31, 2015	\$ 4,230	\$ -	\$ 4,230

11. LOANS AND COMMITMENTS

The Company has pledged \$25,000 in cash as collateral against the credit limits of credit cards issued to the Company. Cash pledged is held as short-term guaranteed investments certificates, maturing in 30 days or less, and is reported as "restricted cash" on the Company's Consolidated Statements of Financial Position.

12. SHARE CAPITAL

Authorized:

- Unlimited number of common shares.
- Unlimited number of preferred shares, non-voting and entitled to such dividends as may be set by the Board of Directors of the Company.

Issued and outstanding shares

During the six month period ended January 31, 2015, the Company did not conduct any equity financing activities. During the prior year, the Company conducted the following equity financing activities:

- On July 8, 2014, the Company closed a non-brokered private placement for gross proceeds of \$1,400,028. The private placement consisted of the sale of 18,667,033 units at a price of \$0.075 per unit, with each unit comprising one common share and one-half of one common share purchase warrant, and each warrant having an exercise price of \$0.17 and a life of 12 months. In connection with the private placement, Mobio paid cash finder's fees of \$19,968 and issued 266,233 finder's warrants.

12. SHARE CAPITAL (CON'T)

Issued and outstanding shares (con't)

- (b) On March 11, 2014, the Company closed a non-brokered private placement for gross proceeds of \$1,971,350. The private placement consisted of the sale of 5,632,427 units at a price of \$0.35 per unit, with each unit comprising one common share and one-half of one common share purchase warrant, and each warrant having an exercise price of \$0.65 and a life of 12 months. In connection with the private placement, Mobio paid cash finder's fees of \$17,150 and issued 49,000 finder's warrants.
- (c) On November 27, 2013, the Company closed a non-brokered private placement for gross proceeds of \$3,045,000. The private placement consisted of the sale of 8,700,000 units at a price of \$0.35 per unit, with each unit comprising one common share and one-half of one common share purchase warrant, and each warrant having an exercise price of \$0.50 and a life of 12 months. In connection with the private placement, Mobio paid cash finder's fees of \$152,930 and issued 399,990 finder's warrants.
- (d) In October, 2013, the Company closed a non-brokered private placement for gross proceeds of \$1,632,250. The Company issued 10,881,668 units at a price of \$0.15 per unit, with each unit comprising one common share and one-half of one share purchase warrant, and each warrant having an exercise price of \$0.22 and a life of 12 months. In connection with the private placement, the Company paid cash finders' fees of \$70,127, and issued 404,110 finders' warrants. The financing closed in two tranches, on October 1, 2013 and October 4, 2013.

Warrants

No warrants were issued during the six month period ended July 31, 2015. The fair value of share purchase warrants issued during the prior year was calculated using the Black-Scholes option pricing model, with the following fair values:

- October 1 and 4, 2013: \$202,772
- November 27, 2013: \$735,540
- March 11, 2014: \$174,669
- July 8, 2014: \$135,703

Share purchase warrant transactions during the six month period ended January 31, 2015, and during prior fiscal year ended July 31, 2014 were as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 1, 2013	11,082,500	\$ 0.30
Warrants issued during the year	23,059,897	\$ 0.31
Warrants exercised during the year	(8,195,440)	\$ 0.28
Warrants expired during the year	(4,535,000)	\$ 0.30
Balance, July 31, 2014	21,411,957	\$ 0.30
Warrants expired during the period	(8,946,994)	\$ 0.37
Balance, January 31, 2015	12,464,963	\$ 0.28

12. SHARE CAPITAL (CON'T)

Warrants (con't)

The weighted average remaining contractual life of the issued and outstanding warrants at January 31, 2015 was 4.4 months.

Details of common share purchase warrants outstanding as at January 31, 2015, and for warrants issued, exercised, and expired during the six month period ended January 31, 2015, are as follows:

Date of Issue	Number of Warrants	Exercise Price	Expiry Date	Exercised to Date	Expired	Remaining Outstanding	Value
Sept. 30, 2013	4,110,894	\$ 0.22	Sept. 30, 2014	715,990	3,394,904	-	\$ -
Oct. 4, 2013	1,734,050	\$ 0.22	Oct. 4, 2014	931,950	802,100	-	\$ -
Nov. 27, 2013	4,749,990	\$ 0.50	Nov. 27, 2014	-	4,749,990	-	\$ -
Mar. 11, 2014	2,865,214	\$ 0.65	Mar. 11, 2015	-	-	2,865,214	\$ 174,669
Jul. 8, 2014	9,599,749	\$ 0.17	Jul. 8, 2015	-	-	9,599,749	\$ 135,703
Total	23,059,897			1,647,940	8,946,994	12,464,963	310,372

The following weighted average assumptions were used for the valuation of share purchase warrants issued during the prior year:

Risk-free interest rate	1.12%
Expected life	10 months
Estimated volatility	100% - 110%
Dividend rate	0.00%

Stock Options

A summary of the changes in the Company's outstanding stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2013	3,675,000	\$ 0.21
Stock options granted	3,230,000	\$ 0.33
Stock options exercised	(525,000)	\$ 0.16
Stock options forfeited	(1,575,000)	\$ 0.31
Balance, July 31, 2014	4,805,000	\$ 0.26
Stock options granted	5,100,000	\$ 0.05
Stock options forfeited	(1,750,000)	\$ 0.27
Balance, January 31, 2015	8,155,000	\$ 0.13

Under the Company's Stock Option Plan, options to purchase common shares of the Company may be granted to directors, officers, key employees and consultants of the Company. Options expire between two and five years after being issued or thirty days after an optionee ceases to be engaged in a *bona fide* manner with the Company. The Board of Directors has the discretion to extend the expiration period on cessation of engagement.

12. SHARE CAPITAL (CON'T)

Stock Options (con't)

The maximum number of common shares authorized for issuance by the Board of Directors under the plan is limited to 10% of the total issued and outstanding common shares of the Company and the aggregate number of common shares to be delivered upon exercise of the options to any one individual granted under the plan may not exceed 5% of the common shares issued and outstanding.

During the six month period ended January 31, 2015, the Company granted 5,100,000 incentive stock options to certain directors, officers, employees and consultants to the Company. The options vest in equal tranches, every quarter, over a period of one year from the date of grant. The fair value of these options was measured using the Black-Scholes option pricing model, and the fair value of these options is being amortized into share-based payments over the vesting period. During the three and six month periods ended January 31, 2015, \$72,240 and \$117,343 of the fair value of stock options was expensed as share-based payments as options vested over that period (2014 - \$86,766 and \$174,128 respectively). The fair value of stock options issued during the current year and prior year ranges from \$0.02 - \$0.42 per option.

The following weighted average assumptions were used for the valuation of the stock options granted during the six month period ended January 31, 2015:

Risk-free interest rate	1.25%
Expected life	2.5 years
Estimated volatility	125.00%
Dividend rate	0.00%

As at January 31, 2015, the following stock options were issued and exercisable:

Outstanding (#)	Exercisable (#)	Exercise Price (\$)	Expiry Date
4,100,000	1,025,000	\$ 0.05	Oct. 31, 2019
1,000,000	-	\$ 0.05	Dec. 3, 2019
720,000	450,000	\$ 0.15	Oct. 4, 2018
1,050,000	1,050,000	\$ 0.16	Nov. 15, 2017
250,000	250,000	\$ 0.25	Apr. 2, 2019
150,000	150,000	\$ 0.27	May 10, 2018
250,000	187,500	\$ 0.32	May 30, 2018
535,000	267,500	\$ 0.50	Dec. 24, 2018
100,000	100,000	\$ 0.60	Feb. 25, 2017
8,155,000	3,480,000		

13. LOSS PER SHARE

The basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. Any warrants and stock options outstanding as at January 31, 2015 and 2014 have not been included in the calculation of diluted loss per common share as the effect of their inclusion would be anti-dilutive. Loss per share is calculated as follows:

Loss Per Share Calculation	Weighed Average Shares Outstanding	Net Income (Loss)	Income (Loss) Per Share
Three months ended January 31, 2015	102,358,294	\$ (1,008,484)	\$ (0.01)
Three months ended January 31, 2014	59,117,405	\$ (2,459,419)	\$ (0.04)
Six months ended January 31, 2015	102,358,294	\$ (1,815,904)	\$ (0.02)
Six months ended January 31, 2014	50,354,899	\$ (3,358,522)	\$ (0.07)

14. RELATED PARTY TRANSACTIONS

Payments to key management, directors, and former directors during the six month periods ended January 31, 2015 and 2014 were as follows:

Six months ended January 31,	2015	2014
Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers	\$ 165,000	\$ 289,000
Share-based payments:		
Number of options granted	3,750,000	1,430,000
Fair value of options granted	\$ 70,928	\$ 297,362
Total compensation	\$ 235,928	\$ 586,362

The Company has agreements with officers or companies controlled by officers of the Company which contain provisions for severance payments upon termination without cause by the Company, such termination payments potentially equating to up to six months of equivalent base salary, as follows:

- Michael Edwards, Chief Executive Officer: the Company may terminate the contract at any time, without cause, by providing six (6) months written notice.
- Kevin Rathbun, Chief Financial Officer: the Company may terminate the contract at any time, without cause, by providing thirty (30) days written notice.

Fees paid to directors and officers are included in the line item "Personnel" in the Company's Consolidated Statements of Comprehensive Loss.

During the prior year, transactions with related parties, other than management compensation arrangements, also included premises rental agreements. For the three and six month periods ended January 31, 2014, the Company and its subsidiaries rented office space from a company that two of the Company's former and current directors are also directors of.

14. RELATED PARTY TRANSACTIONS (CON'T)

The Company's offices were rented on a month-to-month basis and no lease has been entered into. During the prior year, for the three and six month periods ended January 31, 2014, the Company paid rent of \$30,370 and \$55,870.

Rent expenditures are included in the line item "Office and administration" in the Company's Consolidated Statements of Comprehensive Loss.

All related party transactions were in the normal course of business and have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties. The exchange amounts approximate fair values.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, investments in convertible notes, investments in equity securities, and trade and other payables. As at January 31, 2015, there were no significant differences between the carrying amounts of these items and their estimated fair values. The carrying value of these items approximates their fair values.

The Company's financial instruments are exposed to certain financial risks, and the Board of Directors approves and monitors the risk management processes. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk and funding risk
- Interest rate risk
- Market risk

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company manages its financial instruments with the objective of minimizing potential interest rate risk, which generally means avoiding interest-bearing obligations other than in unusual circumstances.

15. FINANCIAL INSTRUMENTS (CON'T)

Credit Risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and accounts receivable, investments in convertible notes, and investments in promissory notes. Management believes that the credit risk with respect to cash is minimal as balances are held with a high-credit quality financial institution. Accounts receivable have historically been subject to very few bad debts, and are described in *Note 5 – Accounts Receivable, Deposits, and Prepaid Expenses*.

Credit risk arising from convertible notes can be managed through the conversion features embedded in those notes. The Company does face credit risk exposure from promissory notes.

During the three and six month periods ended January 31, 2015, the Company recorded no provisions for bad debt, as all outstanding receivables were collected or are reasonably assured for their collectability. The Company believes that its current credit practices mitigate exposure to bad debts.

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising funds to sustain operations. The Company controls liquidity risk by management of working capital and cash flows.

Market Risk

The Company's exposure to financial market risk is limited to a minimal number of financial instruments that fluctuate as a result of changes in prices quoted in open markets. Currently the Company only has one equity investment that has prices quoted in a recognized market, and is therefore exposed to financial market risk. As at January 31, 2015, the fair value of this investment was \$12,000.

16. CAPITAL MANAGEMENT

The Company defines capital as an aggregate of total liabilities and equity, which at January 31, 2015 was \$7,383,489 (July 31, 2014 - \$9,263,242). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company targets meeting this objective by managing working capital to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements in the near term. The Board of Directors does not establish quantitative return on capital criteria for management. In recent periods, the Company has relied on funds generated through the issuance of common shares to fund its operations.

17. INCOME TAXES

For a detailed discussion of the Company's income tax assets, liabilities, tax loss carry-forwards, and other relevant tax matters, please refer to *Note 17 – Income Taxes*, in the Company's audited annual consolidated financial statements for the years ended July 31, 2014 and 2013, available at www.sedar.com.