

# mobio technologies

## **Mobio Technologies Inc.**

(formerly LX Ventures Inc.)

### Consolidated Financial Statements (unaudited)

(EXPRESSED IN CANADIAN DOLLARS)

**For the three and nine month periods ended  
April 30, 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 nine month periods ended April 30, 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 | April 30,<br>2015   | July 31,<br>2014    |
|-------------------------------------|------|---------------------|---------------------|
| <b>ASSETS</b>                       |      |                     |                     |
| <u>Current Assets</u>               |      |                     |                     |
| Cash                                |      | \$ 261,369          | \$ 738,485          |
| Restricted cash                     | 11   | 25,213              | 25,160              |
| Accounts receivable                 | 5    | 82,243              | 210,614             |
| Deposits and prepaid expenses       | 5    | 51,329              | 259,643             |
|                                     |      | 420,154             | 1,233,902           |
| <u>Other Assets</u>                 |      |                     |                     |
| Fixed assets                        | 10   | 3,648               | 6,951               |
| Intangibles                         | 6,7  | 3,820,697           | 5,474,780           |
| Goodwill                            | 6,7  | 1,359,896           | 1,359,896           |
| Investments                         | 8    | 57,473              | 1,187,713           |
| <b>TOTAL ASSETS</b>                 |      | <b>\$ 5,661,868</b> | <b>\$ 9,263,242</b> |
| <b>LIABILITIES</b>                  |      |                     |                     |
| <u>Current Liabilities</u>          |      |                     |                     |
| Trade payables and accruals         | 9    | \$ 309,231          | \$ 528,221          |
| Deferred revenue and deposits       | 6    | 85,000              | 5,000               |
|                                     |      | 394,231             | 533,221             |
| <u>Other Liabilities</u>            |      |                     |                     |
| Contingent consideration            | 6    | -                   | 910,156             |
| <b>TOTAL LIABILITIES</b>            |      | <b>\$ 394,231</b>   | <b>\$ 1,443,377</b> |
| <b>SHAREHOLDERS EQUITY</b>          |      |                     |                     |
| Share capital                       | 12   | \$ 21,049,090       | \$ 19,994,695       |
| Warrant reserves                    |      | 135,738             | 1,190,133           |
| Share-based payment reserves        | 12   | 1,052,501           | 891,579             |
| Deficit                             |      | (16,969,692)        | (14,256,542)        |
| <b>TOTAL EQUITY</b>                 |      | <b>5,267,637</b>    | <b>7,819,865</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b> |      | <b>\$ 5,661,868</b> | <b>\$ 9,263,242</b> |

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 |             | Nine months ended |             |
|-------------------------------------------------------|------|--------------------|-------------|-------------------|-------------|
|                                                       |      | April 30,          |             | April 30,         |             |
|                                                       | Note | 2015               | 2014        | 2015              | 2014        |
| <b>REVENUE</b>                                        |      |                    |             |                   |             |
| Sales                                                 |      | \$ 123,428         | \$ 659,327  | \$ 435,843        | \$ 759,334  |
| Cost of sales                                         |      | 15,837             | 175,294     | 80,368            | 218,442     |
| Gross profit                                          |      | \$ 107,591         | \$ 484,033  | \$ 355,475        | \$ 540,892  |
| <b>EXPENSES</b>                                       |      |                    |             |                   |             |
| Depreciation                                          |      | 582                | 11,322      | 2,089             | 16,682      |
| Amortization of intangible assets                     | 7    | 551,361            | 899,897     | 1,654,082         | 1,040,933   |
| Personnel                                             | 14   | 204,498            | 1,181,438   | 637,150           | 2,280,438   |
| Professional fees                                     |      | 4,963              | 120,482     | 40,233            | 319,609     |
| Office and administration                             |      | 12,690             | 107,948     | 49,099            | 183,186     |
| Regulatory and filing costs                           |      | 16,821             | 37,809      | 36,487            | 113,503     |
| Marketing                                             |      | 6,354              | 1,335,795   | 258,031           | 2,674,930   |
| Communications                                        |      | 2,013              | 153,756     | 135,608           | 308,938     |
| Website and IT                                        |      | 45,757             | 52,537      | 105,916           | 110,143     |
| Bank charges and foreign exchange                     |      | 1,911              | 160,665     | 6,986             | 155,153     |
| Share-based payments                                  | 12   | 43,579             | 160,653     | 160,922           | 334,781     |
|                                                       |      | 890,529            | 4,222,302   | 3,086,603         | 7,538,296   |
| <b>Operating loss</b>                                 |      | (782,938)          | (3,738,269) | (2,731,128)       | (6,997,404) |
| Finance income                                        |      | 327                | 5,436       | 3,630             | 18,049      |
| Finance costs                                         |      | (4,793)            | -           | (3,971)           | -           |
| Loss on asset dispositions                            | 9    | -                  | (461)       | (461)             | (461)       |
| Loss on disposition of investments                    | 8    | (820,000)          | -           | (825,386)         | -           |
| Gain on expiration of contingent consideration        | 6    | 771,996            | -           | 910,156           | -           |
| Research tax credits recovered                        | 17   | 17,108             | -           | 17,108            | -           |
| Unrealized loss on investments                        | 8    | (83,099)           | (426,692)   | (83,098)          | (518,692)   |
| Income tax recovery (of deferred taxes)               | 17   | -                  | 175,581     | -                 | 175,581     |
| <b>Net loss and comprehensive loss for the period</b> |      | (901,399)          | (3,984,405) | (2,713,150)       | (7,322,927) |
| <b>Basic and diluted loss per share</b>               | 13   | \$ (0.01)          | \$ (0.05)   | \$ (0.03)         | \$ (0.12)   |
| Weighted average number of common shares              |      |                    |             |                   |             |
| outstanding for the period, basic and diluted         | 13   | 102,358,294        | 77,115,918  | 102,358,294       | 59,145,015  |

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)

Nine months ended April 30, 2015 & 2014

|                                     | Notes | Share capital    |               | Reserves         |                               |                 |    | Total       |
|-------------------------------------|-------|------------------|---------------|------------------|-------------------------------|-----------------|----|-------------|
|                                     |       | Number of shares | Amount        | Warrant reserves | Share-based payments reserves | Deficit         |    |             |
| 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    | 25,214,124       | 5,614,652     | 1,048,071        | -                             | -               |    | 6,662,723   |
| Share issuance costs                | 12    | -                | (390,522)     | 64,925           | -                             | -               |    | (325,597)   |
| Shares issued in acquisitions       | 6,12  | 8,707,981        | 3,681,116     | -                | -                             | -               |    | 3,681,116   |
| Exercise of warrants                | 12    | 8,195,440        | 2,500,316     | (173,520)        | -                             | -               |    | 2,326,796   |
| Exercise of stock options           | 12    | 525,000          | 136,078       | -                | (52,328)                      | -               |    | 83,750      |
| Share-based compensation            | 12    | -                | -             | -                | 334,781                       | -               |    | 334,781     |
| Comprehensive loss for the period   |       | -                | -             | -                | -                             | (7,322,928)     |    | (7,322,928) |
| Balance at April 30, 2014           |       | 80,671,495       | \$ 17,564,745 | \$ 1,154,060     | \$ 721,533                    | \$ (11,384,288) | \$ | 8,056,050   |
| 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    | -                | 1,054,395     | (1,054,395)      | -                             | -               |    | -           |
| Share-based compensation            | 12    | -                | -             | -                | 160,922                       | -               |    | 160,922     |
| Comprehensive loss for the period   |       | -                | -             | -                | -                             | (2,713,150)     |    | (2,713,150) |
| Balance at April 30, 2015           |       | 102,358,294      | \$ 21,049,090 | \$ 135,738       | \$ 1,052,501                  | \$ (16,969,692) | \$ | 5,267,637   |

Nine months ended April 30, 2015 & year ended July 31, 2014

|                                     | Notes | Share capital    |               | Reserves         |                               |                 |    | Total        |
|-------------------------------------|-------|------------------|---------------|------------------|-------------------------------|-----------------|----|--------------|
|                                     |       | Number of shares | Amount        | Warrant reserves | Share-based payments reserves | Deficit         |    |              |
| 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    | -                | 1,054,395     | (1,054,395)      | -                             | -               |    | -            |
| Share-based compensation            | 12    | -                | -             | -                | 160,922                       | -               |    | 160,922      |
| Comprehensive loss for the period   |       | -                | -             | -                | -                             | (2,713,150)     |    | (2,713,150)  |
| Balance at April 30, 2015           |       | 102,358,294      | \$ 21,049,090 | \$ 135,738       | \$ 1,052,501                  | \$ (16,969,692) | \$ | 5,267,637    |

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)

Nine months ended April 30,

|                                                   | Note  | 2015           | 2014           |
|---------------------------------------------------|-------|----------------|----------------|
| <b>CASH FLOW USED IN OPERATING ACTIVITIES</b>     |       |                |                |
| Net loss for the period                           |       | \$ (2,713,150) | \$ (7,322,927) |
| <u>Items not affecting cash</u>                   |       |                |                |
| Depreciation                                      | 10    | 2,089          | 16,682         |
| Amortization of intangible assets                 | 7     | 1,654,082      | 1,040,933      |
| Unrealized loss (gain) on investments             | 8,15  | 83,098         | 518,692        |
| Income tax recovery (of deferred taxes)           | 17    | -              | (175,581)      |
| (Gain) on expiration of contingencies             | 6     | (910,156)      | -              |
| Expensing of development expenditures             | 7     | -              | 10,031         |
| Loss (gain) on asset disposals                    | 10    | 461            | -              |
| Loss (gain) on disposition of investments         | 8     | 825,386        | -              |
| Unrealized foreign exchange gains                 | 8     | -              | (18,266)       |
| Share-based payments                              | 12    | 160,922        | 334,781        |
| <u>Net changes in non-cash working capital</u>    |       |                |                |
| Accounts receivable                               | 5     | 128,371        | 120,704        |
| Deposits and prepaid expenses                     | 5     | 208,314        | (951,074)      |
| Accounts payable                                  | 9     | (218,990)      | (52,567)       |
| Deferred revenue and deposits                     | 6     | 80,000         | 28,155         |
| Deferred management fees                          | 6     | -              | 15,667         |
|                                                   |       | 197,695        | (839,115)      |
| Net cash used in operating activities             |       | \$ (699,573)   | \$ (6,434,770) |
| <b>CASH FLOW USED IN INVESTING ACTIVITIES</b>     |       |                |                |
| Net proceeds from equipment sales (purchases)     | 10    | \$ 753         | \$ (28,936)    |
| Changes to restricted cash                        | 10    | (53)           | (250,000)      |
| Acquisitions                                      | 6     | -              | (1,463,486)    |
| Investments                                       | 8     | 221,756        | (155,759)      |
| Net cash used in investing activities             |       | \$ 222,456     | \$ (1,898,181) |
| <b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b> |       |                |                |
| Borrowings                                        | 11    | \$ -           | \$ 1,500,000   |
| Loans repaid                                      | 11,14 | -              | (2,178,074)    |
| Issuance of common shares                         | 12    | -              | 9,059,145      |
| Share issuance costs                              | 12    | -              | (311,474)      |
| Net cash provided by financing activities         |       | \$ -           | \$ 8,069,597   |
| INCREASE (DECREASE) IN CASH FOR THE PERIOD        |       | \$ (477,116)   | \$ (263,354)   |
| CASH, BEGINNING OF THE PERIOD                     |       | \$ 738,485     | \$ 449,898     |
| CASH, END OF THE PERIOD                           |       | \$ 261,369     | \$ 186,544     |

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 nine month period ended April 30, 2015, the Company had a net loss of \$2,713,150 and negative cash flow from operations of \$699,573. 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 June 29, 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 April 30, 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 nine month periods ended April 30, 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 | April 30,<br>2015 | July 31,<br>2014 |
|---------------------|-------------------|------------------|
| Trade receivables   | \$ 62,448         | \$ 138,848       |
| GST recoverable     | 19,795            | 71,766           |
| Total receivables   | \$ 82,243         | \$ 210,614       |

Deposits and prepaid expenses totaled \$51,329 as of April 30, 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 (CON'T)**

***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 nine month period ended April 30, 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 provided RTM support services under the terms of the TSA in the prior quarter, in 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.

Under the acquisition agreement, an additional 3,125,000 common shares were 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 were achieved), the final one of which required 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 were subject to pooling restrictions for up to 22 months following the date of issue, and as of April 30, 2015, 3,037,286 common shares of Mobio issued in connection with the acquisition of Strutta remained in escrow. Subsequent to the period end, all such shares were released from pooling and escrow.

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 was classified as contingent consideration and recorded as a liability.

## 6. BUSINESS AND ASSET ACQUISITIONS AND DISPOSITIONS (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 were to be issued to satisfy these obligations, with the sole exception of the final contingent payment, where former shareholders of Strutta could 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 was re-measured at the end of each reporting period, with changes recorded directly in profit or loss. This re-measurement was based on the market price of the Company's shares at the end of each reporting period where the Company has a potential obligation to pay contingent consideration.

Under the terms of the acquisition, the outside date to achieve the second monthly recurring revenue target was April 30, 2015. As the target was not met, the obligation for the Company to issue any further contingent consideration lapsed. During the three and nine month periods ended April 30, 2015, the Company recorded gains of \$771,996 and \$910,156 respectively pursuant to the re-measurement and expiration of contingent consideration obligations.

During the prior year, the Company recorded a gain of \$1,412,251 upon the re-measurement of contingent consideration on July 31, 2014. The obligation for the Company to pay any further contingent consideration expired as of April 30, 2015, as the second monthly recurring revenue target was not achieved as of then.

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

|                                          |                     |
|------------------------------------------|---------------------|
| <b>Assets acquired:</b>                  |                     |
| 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           |
|                                          | <b>\$ 7,748,466</b> |
| <b>Liabilities assumed:</b>              |                     |
| Accounts payable and accruals            | \$ 139,812          |
| Deferred revenue and customer deposits   | 13,566              |
| Loans                                    | 1,208,223           |
| Deferred taxes                           | 1,364,246           |
|                                          | <b>\$ 2,725,847</b> |
| <b>Fair value of net assets acquired</b> | <b>\$ 5,022,619</b> |
| <b>Financed by:</b>                      |                     |
| Cash payments for shares                 | 250,000             |
| Issuance of common shares                | 1,356,462           |
| Contingent consideration                 | 3,416,157           |
| <b>Total consideration</b>               | <b>\$ 5,022,619</b> |

*Intangible assets related primarily to software-related intangible assets.*

**6. BUSINESS AND ASSET ACQUISITIONS AND DISPOSITIONS (CON'T)**

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

In connection with the acquisition of Strutta in the prior year, 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.

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 in the prior year, 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.

***Business Combination - Acquisition of Copper Cloud, Inc.***

During the comparative period for the prior year, on February 14, 2014, the Company completed the acquisition of all of the issued and outstanding shares of Copper Cloud, Inc. ("Copper"). Copper is an acquirer, developer, integrator and provider of software developer tools that allow full-stack cloud-based business applications to be developed, deployed, monitored and managed.

The acquisition of Copper was accounted for as a business combination under IFRS 3. Consideration paid for all of the issued and outstanding shares of Copper consisted of 4,961,109 common shares of the Company with a fair value of \$2,257,305 (based on Mobio's closing price of \$0.455 on the date of acquisition), total cash payments of \$1,250,000 which were paid upon closing, and an additional \$250,000 which was paid subsequent to closing. Additionally, the Company also recorded a contingency of \$500,000 for contingent share-based payments consisting of 694,444 common shares of the Company pursuant to certain agreed monthly recurring revenue targets within agreed-upon timeframes, and a charge of \$500,000 for future obligations payable in cash pursuant to the same agreed monthly recurring revenue targets within agreed-upon timeframes.

At the time of acquisition, the Company estimated the timing and probability of the revenue targets being achieved and calculated the fair value of the consideration. All contingent payments were recorded as a liability against contingent share-based payments. The initial amount of contingent consideration of \$500,000 was based on the value of cash consideration rather than the share-based consideration, as the form of consideration to be received was at the option of the vendor.

In connection with the acquisition of Copper and the share exchange described above, the Company incurred legal fees of \$99,445, and other professional costs of \$40,046. These costs were expensed during the prior year's periods ended April 30, 2014, and included under "Professional fees" in the Company's Consolidated Statements of Comprehensive Loss.

**6. BUSINESS AND ASSET ACQUISITIONS AND DISPOSITIONS (CON'T)**

***Business Combination - Acquisition of Copper Cloud, Inc. (con't)***

In connection with the acquisition of Copper, 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 Copper’s shares. Both Copper and Mobio had unused tax losses from prior years and the transaction did not result in any income taxes being payable by either Copper or Mobio.

During the prior year’s interim periods ended April 30, 2014, the Company recorded an income tax recovery against deferred taxes as the temporary differences between accounting values and tax values narrowed.

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

On May 7, 2014, the Company announced it had entered into in agreement with venture capital investors with respect to Copper. Under the terms of the agreement, Mobio exchanged all of its common shares of Copper for preferred shares, retained pro rata participation rights in future financings of Copper, and was relieved of any further obligations to its previous shareholders, including performance-related contingent consideration and future payment obligations (see *Note 8 – Investments*).

***Allocation of Value - Assets and Liabilities of Copper Cloud, Inc.***

|                                          |                     |
|------------------------------------------|---------------------|
| <b>Assets acquired:</b>                  |                     |
| Cash                                     | \$ 8,966            |
| Accounts receivable and deposits         | 34,623              |
| Intangible assets                        | 4,779,879           |
| Goodwill                                 | 1,357,117           |
|                                          | <b>\$ 6,180,585</b> |
| <b>Liabilities assumed:</b>              |                     |
| Accounts payable and accruals            | \$ 66,164           |
| Deferred taxes                           | 1,357,117           |
|                                          | <b>\$ 1,423,281</b> |
| <b>Fair value of net assets acquired</b> | <b>\$ 4,757,304</b> |
| <b>Financed by:</b>                      |                     |
| Cash payments for shares                 | 1,250,000           |
| Issuance of common shares                | 2,257,305           |
| Contingent consideration                 | 500,000             |
| Future payment obligations (in cash)     | 750,000             |
| <b>Total consideration</b>               | <b>\$ 4,757,304</b> |

## 7. INTANGIBLE ASSETS AND GOODWILL

As of April 30, 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 April 30, 2015 | \$                          | 7,539,896 | \$       | 1,359,896 | \$ 8,899,792 |
| <b>Amortization</b>                       |                             |           |          |           |              |
| Balance, July 31, 2014                    | \$                          | 2,065,116 | \$       | -         | \$ 2,065,116 |
| Amortization for the period               |                             | 1,654,082 |          | -         | 1,654,082    |
| Balance, April 30, 2015                   | \$                          | 3,719,198 | \$       | -         | \$ 3,719,198 |
| Carrying amounts, July 31, 2014           | \$                          | 5,474,780 | \$       | 1,359,896 | \$ 6,834,676 |
| Carrying amounts, April 30, 2015          | \$                          | 3,820,698 | \$       | 1,359,896 | \$ 5,180,594 |

During the three and nine month periods ended April 30, 2014, the Company recorded amortization expense of \$551,361 and \$1,654,082, 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 \$899,897 and \$1,040,933, all of which pertained to software-related intangibles (Strutta, Copper, Sosido, and Mobio INSider) 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 the prior fiscal years, the Company made investments in several companies, including an investment in Copper Cloud Inc., in which the Company ultimately received preferred shares of Copper. Upon completion of the series of transactions described in *Note 6 – Business and Asset Acquisitions*), the Company received 1.7 million preferred shares of Copper. Between May 7, 2014, and July 31, 2014, 558,724 preferred shares were redeemed for proceeds of \$558,724, and the Company recorded a fair value adjustment decreasing the value of the remaining preferred shares by \$141,276, as the remaining preferred shares of Copper owned by the Company had an aggregate redemption value of \$1 million as of July 31, 2014. For a detailed discussion of the acquisition of and transactions involving Copper in the prior year, 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](http://www.sedar.com).

During the three month period ended April 30, 2015, the Company reached agreement with Copper to redeem the remaining preferred shares of Copper held by the Company for aggregate proceeds of \$180,000. The redemption of the preferred shares occurred on April 14, 2015. The Company received the cash proceeds for the redemption in full on that date and recorded a loss of \$820,000 on the transaction.

## 8. INVESTMENTS (CON'T)

With the redemption of the preferred shares of Copper on April 14, 2015, the Company has no further investment or interest in Copper going forward.

The following table sets forth the changes in the Company's investments during the nine month period ended April 30, 2015:

### *Investments as of April 30, 2015*

|                       | Investments         |             |                  |                           |                     |               |
|-----------------------|---------------------|-------------|------------------|---------------------------|---------------------|---------------|
|                       | Opening balance     | Additions   | Interest accrued | Redemptions/distributions | Gains/losses        | Fair value    |
| Copper Cloud, Inc.    | \$ 1,000,000        | \$ -        | \$ -             | \$ (180,000)              | \$ (820,000)        | \$ -          |
| All other investments | 187,713             | -           | 2,859            | (44,614)                  | (88,485)            | 57,473        |
|                       | <u>\$ 1,187,713</u> | <u>\$ -</u> | <u>\$ 2,859</u>  | <u>\$ (224,614)</u>       | <u>\$ (908,485)</u> | <u>57,473</u> |

The Company's investee companies are focused on the online gaming and online travel information 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 nine month period ended April 30, 2015, and other than the Copper transactions described above, the Company disposed of three of its investments for aggregate proceeds of \$44,614. The dispositions resulted in losses of \$5,386 in the nine month period ended April 30, 2015, which is included in the amount reported under "loss on disposition of investments" on the Company's Consolidated Statements of Comprehensive Loss.

During the nine month period ended April 30, 2015, the Company recorded \$2,859 of interest income on convertible notes (2014 - \$5,759). Accrued interest is recorded as an increase to the carrying value of each convertible note.

## 9. TRADE PAYABLES AND ACCRUED EXPENSES

| TRADE PAYABLES                     | April 30,<br>2015 | July 31,<br>2014  |
|------------------------------------|-------------------|-------------------|
| Trade payables                     | \$ 286,352        | \$ 461,337        |
| Accrued liabilities                | -                 | 50,000            |
| Payroll liabilities                | 22,879            | 16,884            |
| <u>Total payables and accruals</u> | <u>\$ 309,231</u> | <u>\$ 528,221</u> |

## 10. FIXED ASSETS

As of April 30, 2015, the Company's fixed assets were as follows:

|                                 | Computer<br>Equipment | Furniture<br>and Fixtures | Total     |
|---------------------------------|-----------------------|---------------------------|-----------|
| <b>Cost</b>                     |                       |                           |           |
| Balance, July 31, 2014          | \$ 10,661             | \$ -                      | \$ 10,661 |
| Additions                       | 1,650                 | -                         | 1,650     |
| Disposals                       | (4,298)               | -                         | (4,298)   |
| Balance, April 30, 2015         | \$ 8,013              | \$ -                      | \$ 8,013  |
| <b>Accumulated depreciation</b> |                       |                           |           |
| Balance, July 31, 2014          | \$ 3,710              | \$ -                      | \$ 3,710  |
| Depreciation                    | 2,089                 | -                         | 2,089     |
| Disposals                       | (1,435)               | -                         |           |
| Balance, April 30, 2015         | \$ 4,364              | \$ -                      | \$ 4,364  |
| <b>Carrying amounts</b>         |                       |                           |           |
| As at July 31, 2014             | \$ 6,951              | \$ -                      | \$ 6,951  |
| As at April 30, 2015            | \$ 3,648              | \$ -                      | \$ 3,648  |

## 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.

During the comparative period for the prior year, loans payable amounted to \$530,150. These loans had a maturity date of one year from the date of issue, were interest bearing at a rate of 9% per annum, and were secured by a general security agreement of the Company's assets. All loans were fully discharged by the prior year's end.

During the comparative periods for the prior year, ended April 30, 2014, the Company discharged \$1,208,308 of loans and obligations of Strutta which predated the acquisition of Strutta.

During the comparative periods for the prior year, ended April 30, 2014, the Company had deposited \$250,000 into escrow in connection with the acquisition of Copper. The deposit formed part of the purchase consideration of Copper, and was subsequently released to the vendors of Copper.

## **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 nine month period ended April 30, 2015, the Company did not conduct any equity financing activities or share issuance transactions. During the prior year, the Company conducted the following equity financing activities:

- (a) 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.
- (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 nine month period ended April 30, 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:

## 12. SHARE CAPITAL (CON'T)

### Warrants (con't)

- 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 nine month period ended April 30, 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 | (11,812,208)       | \$ 0.44                         |
| Balance, April 30, 2015            | 9,599,749          | \$ 0.17                         |

The weighted average remaining contractual life of the issued and outstanding warrants at April 30, 2015 was 2.25 months.

Details of common share purchase warrants outstanding as at April 30, 2015, and for warrants issued, exercised, and expired during the nine month period ended April 30, 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  | -                     | \$ -       |
| Jul. 8, 2014   | 9,599,749          | \$ 0.17        | Jul. 8, 2015   | -                 | -          | 9,599,749             | \$ 135,738 |
| Total          | 23,059,897         |                |                | 1,647,940         | 11,812,208 | 9,599,749             | 135,738    |

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%       |

## 12. SHARE CAPITAL (CON'T)

### Stock Options

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

|                         | Number of<br>Options | Weighted Average<br>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 | (1,800,000)          | \$ 0.27                            |
| Balance, April 30, 2015 | 8,105,000            | \$ 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.

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 nine month period ended April 30, 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 nine month periods ended April 30, 2015, \$43,579 and \$160,922 of the fair value of stock options was expensed as share-based payments as options vested over that period (2014 - \$160,653 and \$334,781 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 nine month period ended April 30, 2015:

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

## 12. SHARE CAPITAL (CON'T)

### Stock Options (con't)

As at April 30, 2015, the following stock options were issued and exercisable:

| Outstanding<br>(#) | Exercisable<br>(#) | Exercise<br>Price (\$) | Expiry<br>Date |
|--------------------|--------------------|------------------------|----------------|
| 4,100,000          | 2,050,000          | \$ 0.05                | Oct. 31, 2019  |
| 1,000,000          | 250,000            | \$ 0.05                | Dec. 3, 2019   |
| 720,000            | 540,000            | \$ 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   |
| 100,000            | 100,000            | \$ 0.27                | May 10, 2018   |
| 250,000            | 218,750            | \$ 0.32                | May 30, 2018   |
| 535,000            | 334,375            | \$ 0.50                | Dec. 24, 2018  |
| 100,000            | 100,000            | \$ 0.60                | Feb. 25, 2017  |
| 8,105,000          | 4,893,125          |                        |                |

## 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 April 30, 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        | Weighted Average<br>Shares Outstanding | Net Income<br>(Loss) | Income (Loss)<br>Per Share |
|-----------------------------------|----------------------------------------|----------------------|----------------------------|
| Three months ended April 30, 2015 | 102,358,294                            | \$ (901,399)         | \$ (0.01)                  |
| Three months ended April 30, 2014 | 77,115,918                             | \$ (3,984,405)       | \$ (0.05)                  |
| Nine months ended April 30, 2015  | 102,358,294                            | \$ (2,713,150)       | \$ (0.03)                  |
| Nine months ended April 30, 2014  | 59,145,015                             | \$ (7,322,927)       | \$ (0.12)                  |

## 14. RELATED PARTY TRANSACTIONS

Payments to key management, directors, and former directors during the nine month periods ended April 30, 2015 and 2014 were as follows:

**14. RELATED PARTY TRANSACTIONS (CON'T)**

| <b>Nine months ended April 30,</b>                                                                                            | <b>2015</b> | <b>2014</b> |
|-------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers | \$ 235,000  | \$ 430,500  |
| Share-based payments:                                                                                                         |             |             |
| Number of options granted                                                                                                     | 3,750,000   | 1,430,000   |
| Fair value of options granted                                                                                                 | \$ 70,928   | \$ 297,362  |
| Total compensation                                                                                                            | \$ 305,928  | \$ 727,862  |

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 nine month periods ended April 30, 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. The Company's offices were rented on a month-to-month basis and no lease had been entered into. During the prior year, for the three and nine month periods ended April 30, 2014, the Company paid rent of \$52,301 and \$108,171 respectively.

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 April 30, 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.

## 15. FINANCIAL INSTRUMENTS (CON'T)

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.

### *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 nine month periods ended April 30, 2015, the Company recorded no bad debts, 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.

**15. FINANCIAL INSTRUMENTS (CON'T)**

*Market Risk*

The Company's exposure to financial market risk is limited, as it presently does not have any investments where value fluctuates as a result of changes in prices quoted in open markets.

**16. CAPITAL MANAGEMENT**

The Company defines capital as an aggregate of total liabilities and equity, which at April 30, 2015 was \$5,661,868 (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 supplement funds generated from operations.

**17. INCOME TAXES**

During the current period, the Company received tax refunds with respect to Scientific Research and Experimental Development expenditures made by Strutta in periods prior to its acquisition by Mobio. The Company recorded a gain of \$17,801 upon the receipt of such refunds.

In connection with the acquisitions of Copper and Strutta during the prior year, the Company incurred a charge to "deferred taxes" that arose from temporary differences between accounting values and tax values that resulted from the transactions being structured as a purchase of Copper's and Strutta's shares. During the prior year's interim periods ended April 30, 2014, the Company recorded an income tax recovery against deferred taxes as the temporary differences between accounting values and tax values narrowed.

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](http://www.sedar.com).

**18. SUBSEQUENT EVENTS**

On May 27, 2015, the Company announced that it has signed a Letter of Intent ("LOI") to acquire Twenty Year Media Inc. ("TYM"), a Canadian company which provides media content distribution, sales and promotion to theatres and consumers throughout North America. Under the terms of the LOI, Mobio will issue 20,000,000 common shares to the security holders of TYM upon closing. Up to an additional 20,000,000 common shares are issuable by Mobio as certain milestones are met in terms of agreed monthly revenue targets.

**18. SUBSEQUENT EVENTS (CON'T)**

The acquisition of TYM constitutes a “related party transaction” pursuant to the provisions of Multilateral Instrument 61-101 (“MI 61-101”), and pursuant to MI 61-101, the Company intends to rely upon exemptions from the requirement to obtain a formal valuation and minority shareholder approval.

All securities proposed to be issued in connection with the acquisition of TYM will be subject to a four-month-and-a-day hold period. The acquisition of TYM remains subject to completion of final documentation and due diligence, along with satisfaction of all closing conditions, including the approval of the TSX Venture Exchange.

Also on May 27, 2015, Mobio announced a non-brokered private placement (the “Private Placement”) in which it intended to raise up to \$750,000 through the issuance of up to 12,500,000 units at a price of \$0.06 per unit (a “Unit”); each Unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.10 for a period of 12 months from closing.

On June 15, 2015, Mobio closed the Private Placement on an oversubscribed basis, issuing 13,665,999 Units for gross proceeds of \$819,960. Transaction costs included the payment of finder’s fees totalling \$28,700 in cash plus 478,333 finders’ warrants, each finders’ warrant having the same terms as the warrants forming part of the Units. All securities issued in connection with the offering are subject to a four-month-and-a-day hold period expiring on October 16, 2015.