



# **MOBI724 GLOBAL SOLUTIONS Inc.**

Management Discussion and Analysis (“MD&A”)

For the year ended December 31, 2016

## Management Discussion and Analysis

### Introduction

This Management Discussion and Analysis ("MD&A") for MOBI724 Global Solutions Inc. (the "Company", "MOBI724" or "we") focuses on the significant activities of the Company which occurred during the year ended December 31, 2016.

This MD&A includes information about the Company up to May 1<sup>st</sup>, 2017.

The Company's annual consolidated financial statements, along with the comparative periods presented in them, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the consolidated financial statements including the accompanying notes for the year ended December 31, 2016. All amounts in this document are in Canadian dollars, which is the reporting currency of the Company. This MD&A was not audited nor reviewed by the Company's external auditors.

The Company's management is responsible for the preparation of the consolidated financial statements as well as other information contained in this MD&A. The Board of Directors is required to ensure that management assumes their responsibility with regards to the preparation of the Company's financial statements.

The Board adopted the creation of an audit committee (the "Audit Committee") to assist the management in relation to the preparation of its financial statements. The Audit Committee's role is to meet with members of the management team to discuss the operating results and the financial situation of the Company. The Audit Committee makes recommendations to the Company's management before the financial statements are presented to the Board of Directors for their examination and approval.

On May 1, 2017, the Board of Directors approved and authorized for release: i) the consolidated financial statements for the year ended December 31, 2016 and ii) the MD&A for the year ended December 31, 2016.

Additional information regarding the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and includes the Company's other recent financial reports, securities and continuous disclosure documents.

Certain information provided by the Company in this MD&A, and in other documents publicly filed throughout the year that are not recitation of historical facts, may constitute forward-looking statements. The words "may", "would", "could", "will", "likely", "estimate", "believe", "expect", "forecast" and similar expressions are intended to identify forward-looking statements.

Readers are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

### Corporate Overview

MOBI724 Global Solutions Inc. (CSE:MOS) is a global fintech company that offers a unique and fully integrated suite of payment & digital marketing solutions with combined Card Linked Offers, a Digital Marketing platform, and EMV Payments, that works on any card and any mobile device.

**Product Offerings** - MOBI724 provides a turnkey solution to its clients to capture card transactions on any mobile device, at any point of sale or from any payment card. MOBI724 provides its customers with full and comprehensive traceability and enriched consumer data through its offerings, which include:

- *Card-Linked Offers & Rewards* - provides card issuers, banks and merchants the ability to issue an offer linked to a payment card, that can be redeemed directly at the point of sale in a seamless user experience for all parties in the ecosystem (card issuers, retailers and cardholders).
- *Digital Marketing & Loyalty* - offers a comprehensive loyalty and customer relationship solution to retailers to deliver, manage and control a multitude of reward options. We also provide a variety of tactical/promotional solutions for retailers who are looking to leverage their customer purchase data.

- *Payments* - delivers a turnkey solution to merchants and financial institutions to capture card transactions on any mobile device and payment host. Our Mobile platform is designed to allow acquirers and merchants to quickly deploy and offer mobile payments in any location. Our easy to adapt gateway Switch is designed for easy integration with all payment protocols.

**Technology Value** - MOBI724's solutions add value to all types of transactions benefiting banks, retailers and cardholders by leveraging available user and purchasing data to increase transaction volumes and spend.

Our solutions enable card associations, retailers, manufacturers, offer providers, mobile operators and card issuers to create, manage, deliver and "track and measure" incentive campaigns worldwide to any device and allow its redemption at any point of sales, in a seamless user experience for all the parties in the eco-system.

Our easy-to-adapt gateway Switch is designed for easy integration with all payment protocols in our target markets.

Our credit and debit EMV payment solutions will allow banks to process end to end EMV transactions, focusing on authentication, approved security and quick merchant adoption which allows the users to process payments with a wide range of devices over a secure and seamless transaction.

MOBI724's PCI and EMV switch, with their device agnostic connectivity, simplifies deployment and integration, and introduces new payment and digital incentives solutions to the market enabling multi layered intelligent transactions.

**Global Partner** – In January 2017, MOBI724 signed an agreement with Visa to integrate its solutions with the Visa Offers Platform. Visa will provide MOBI724 with qualifying purchase notifications to enable the Company to deliver integrated Card-Linked Offers and Loyalty Platforms to participating Visa-issuing banks and their cardholders.

**Global Customer Base** – MOBI724 has become a preferred provider of fintech services to major financial and retail companies in Canada, USA, ASIA, Latin America ("LATAM") and the Caribbean like Grupo IRSA, the largest shopping mall operator in Argentina, RBC in the Caribbean and Banco Macro Argentina among other banks.

**Corporate** – MOBI724 was incorporated under the *Business Corporations Act* (Alberta) on February 8, 2005. The Company's registered office, and its head office, is located at 257 Sherbrooke St. East, Suite 400, Montreal, Quebec, H2X 1E3. The Company has additional offices in Buenos Aires (Argentina) and Manila (Philippines).

The common shares of MOBI724 are traded under the symbol "MOS" on the Canadian Securities Exchange ("CSE").

### ***Management Team and Board of Directors***

The Company's management team is entirely dedicated to: i) monetizing the Company's solutions; ii) generating high financial returns to its shareholders by focusing on revenue generation, reducing the burn rate and improving the balance sheet; iii) being transparent and communicate more frequently and more adequately with its shareholders and the financial community; and, iv) observe the highest of ethical standards in all of its actions. The Company is currently in the process recruiting a new C.F.O.

In order to adequately support the management team in its objective to generate the highest possible revenues for the Company, the company is currently supported by a board of 7 directors, composed of renowned business operators

### ***Going Concern***

These consolidated financial statements have been prepared on a going concern basis in compliance with IFRS. A going concern basis contemplates the realization of the carrying value of assets and the settlement of liabilities in the normal course of business as they come due, which is dependent on future events including amongst other things, attaining a satisfactory revenue level from its technologies and solutions, attainment of profitable operations, the generation of cash from operations and the ability to secure new financing arrangements and new capital to carry out its business plan.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the following

paragraphs, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company has generated revenues since inception and has generated losses from continuing operations totaling \$4,934,898 and \$2,133,968 for the years ended December 31, 2016 and 2015, respectively, and an accumulated deficit of \$30,942,803 since the Company's inception on February 8, 2005. During the year ended December 31, 2016, the Company received approximately \$3,370,000 in additional funds from equity financing and in the form of convertible debt and demand debt. The also raised additional funds in excess of \$10,000,000 subsequent to year end.

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

The business plan of the Company is to generate revenue through the license of its software platform and turnkey solution delivery to card issuers, companies with large base of customers and merchants and similar enterprises.

### **Forward Looking Statements**

This MD&A contains forward-looking statements and forward looking information within the meaning of applicable Canadian securities legislation ("forward looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact, but are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions or results of operations that are based on assumptions about future conditions, courses of action and consequences.

Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The Company cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, the successful commercialization of our technology, comments about potential future revenues, joint development agreements and expectations of signed contracts with customers etc. A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks and uncertainties include the risk of not securing required capital in future, the risks of not successfully concluding agreements with potential partners on a timely basis, the risks associated with commercializing and bringing to market our technology. These risks are affected by numerous factors beyond the Company's control: the existence of present and possible future government regulation, the significant and increasing competition that exists in the Company's business sector, uncertainty of revenues, markets and profitability, as well as those other factors discussed in this MD&A report. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities law.

**1-BUSINESS HIGHLIGHTS (2016)**

- The main achievements of MOBI724 after 12 months in 2016, compared to the same period in 2015, could be summarized as follows:
  - Sales increase of 610%: \$2.66M sales in 2016 compared to \$437K in 2015.
  - Operating loss increase of 204%: -\$3.68M in 2016 compared to -\$1.8M in 2015.
  - Net loss increase of 233%: -\$4.9M in 2016 compared to -\$2.1M in 2015.
- On January 12, 2016, the Company converted debentures issued in February and March 2015 into common shares of the Company. The capital and interest accrued up to January 12th, 2016, were converted at an average price of \$0.23 per common share. As a result of the aforementioned conversion, 2,854,996 common shares were issued.
- On February 11, 2016, the Company announced that its wholly owned Argentinian subsidiary, MOBI724 S.R.L. Inc., has signed a commercial agreement with First Data Cono Sur S.R.L. ("First Data") to route its transactions and offer its innovative solutions to First Data's partner banks and retailer clients. The integration of MOBI724's platform with First Data's gateway will allow immediate authorization of coupons and/or rewards redemptions. This agreement will enable First Data and MOBI724 Argentina to offer MOBI724's Digital Incentive Engine and services platform to retailers, offer providers, mobile operators and card issuers to create, manage, deliver and authorize incentive campaigns to ANY mobile device or payment card.

First Data is based in Argentina and operates as a subsidiary of First Data International Incorporated, which is a global leader in payment technology and services solutions. With 23,000 owner-associates and operations in 36 countries, the company provides secure and innovative payment technology and services to more than six million merchants and financial institutions around the world, from small businesses to the world's largest corporation, with a presence in 118 countries.

- On February 16, 2016, the Company announced that its subsidiary, MOBI724 Asia Inc., has signed a multi-year agreement with Tangent Solutions, Inc. ("Tangent") in the Philippines to allow the latter to use MOBI724's EMV Payment Solutions. The Company will immediately start the integration process. This integration will enable Tangent's network to become EMV compliant. All banks and all retail payment terminals in the Philippines are required to be EMV compliant.

Tangent is the leading third-party and EFTPOS terminal service and solutions provider in the Philippines. Tangent offers innovative software for the payment industry and manage the payment terminals fleet for over 80 banks in the Philippines through its partnership with Bancnet (the largest ATM switch in the Philippines) and with all the major credit cards acquirers in the Philippines.

- On March 22, 2016, the Company announced that it has renewed and expanded its yearly contract with IRSA Propiedades ("IRSA") through its subsidiary MOBI724 S.R.L in Argentina. MOBI724 continues to provide the existing platform and added new services and new programs to the previous contract, thus strengthening further its relationship with IRSA. Through the new contract, IRSA will be launching additional rewards programs throughout the country in most of its 15 shopping malls after the clear positive experience it had using the leading MOBI724 solutions and platform. The new programs will be launched during the next 12 months. IRSA has also signed on the business and intelligence reporting MOBI724 provides to be used as a tool for marketing and sales purposes. This software as a service ("SAAS") model with a monthly fee and per transaction performance variable fee basis accommodates well this market segment.

In Argentina, IRSA Propiedades Comerciales owns and operates 15 of the largest shopping centers, including: Abasto Shopping, Alto Avellaneda, Paseo Alcorta, Buenos Aires Design, Alto Palermo, Patio Bullrich, Dot Baires Shopping, Soleil Premium Outlet, Distrito Arcos, Córdoba Shopping, Mendoza Plaza Shopping, Alto Rosario, La Ribera Shopping, and Alto Noa Shopping.

- On March 29, 2016, the Company announced that it has signed a Strategic Alliance with FutureBrand Argentina ("FutureBrand"), the leading brand strategy & design consultancy. This global strategic alliance will enable MOBI724 to further expand its business and operations into 5 additional countries in Central and South America. The expansion will commence in Colombia where a leading processor is committed to market MOBI724's solutions. The additional countries are: Chile, Peru, Mexico and Argentina, where FutureBrand has offices and operations. MOBI724's ability to provide mobility and traceability to payment card issuers and retailers, combined

with FutureBrand's market leadership will allow the joint venture to deliver and monetize MOBI724's seamless payment card link @ POS transaction and digital marketing solutions.

Through traditional branding skills and foresight, FutureBrand helps companies create the future for their brands and businesses. FutureBrand works in over 21 markets around the world with top international brands.

- On April 14, 2016, the Company held an Annual and Special Shareholders Meeting during which it approved the 2014 audited financial statements, the election of the directors and the appointment of the auditors.
- On April 29, 2016, the Company has filed its financial results for the year ended December 31, 2015.
  - The results for the year ended December 31, 2015 reflect year over year revenue growth of 290 %, and operating loss reduction of 70 % as compared to the previous year not including the recent strategic acquisition of IQ/724.
  - Important financial progress has been achieved in 2015:
    - Revenue of \$437k for the year ended December 31, 2015 (an increase over 290%) as compared to \$149k for the year ended December 31, 2014;
    - The strategic acquisition of IQ/724, concluded in December 2015 (not consolidated in 2015):
      - i. IQ/724 generated sales of \$1.54M in 2015;
      - ii. IQ/724 financial statements will be consolidated in MOBI724 Global Solutions in 2016;
      - iii. Both MOBI724 and IQ/724 have a high recurring revenue model;
    - An operating expenses reduction of \$5.3M (a reduction of 70%) from \$7.5 to \$2.2M;
    - Loss from operations before depreciation, amortization, and stock based compensation was \$1.75M for the year ended December 31, 2015 (a reduction of more than 75%), as compared to \$7.35M for the year ended December 31, 2014;
- On June 01, 2016, the Company filed its Q1 financial results for quarter ending on March 31, 2016. Highlights include:
  - Revenues year over year increase for Q1 by 630% to 557K versus 88k.
  - The acquisition of IQ7/24 is now consolidated in Q1.
  - Notwithstanding the acquisition of IQ7/24 Inc. with the addition of selling, general and administrative expenses ("SG&A") of 173k: \$1.256M in Q1 2016 compared to \$1.083M in Q1 2015.
  - Decrease in operating loss by 30% to (699k) versus (995k) despite an increase by 173k in operating costs in the consolidated phase.
- On July 07, 2016, the Company announced that the board of directors of the Company authorized a financing of brokered senior secured convertible debentures for maximum proceeds of \$5,000,000.00.
  - The terms contemplated were Convertible Debentures for a term of 3 years bearing interest at a rate of 6.75% per annum, and convertible at the option of the holder into common shares of the Company on or prior to the expiry of the Term as follows: i) \$0.15 within the first year of the Term, ii) \$0.25 within the second of the Term and iii) \$0.35 within the third year of the Term.
  - The expected use of proceeds are for working capital.
  - The aforesaid proposed financing never materialized.
- On August 5, 2016, the Company filed its Q2 financial results for quarter ending on June 30, 2016 and announced the addition of a new board member;
  - Six-Month Year-to-Date 2016 Highlights
    - Revenue grew 800% to \$1.283M in 2016 from \$161K in 2015
    - Net loss decreased by 43% to (\$1.6M) from (\$2.8M) in 2015
  - Second Quarter 2016 Highlights
    - Revenue grew 30%: \$725K in Q2 2016 vs \$557K in Q1 2016
    - Net loss decrease by 31%: (\$662K) in Q2 2016 vs (\$962K) in Q1 2016
- On August 30, 2016, the Company, through its wholly-owned Argentinian subsidiary, MOBI724 S.R.L., signed a commercial agreement with FiRe Advertainment, an independent Network that operates in 11 countries, specialized in the development and implementation of Brand Content solutions, Real Time Content and advertising. FiRe Advertainment implement, integrate, maintain and support Mobi's mobile coupons patent pending solution with redemption at Point of Sale for the Coca-Cola® For Me Platform.
- On August 31, 2016, the Company issued to the previous shareholders of MOBI724 Solutions Inc. (a wholly owned subsidiary of MOBI724) 3,720,000 common shares representing anti-dilution shares with respect to the

acquisition of MOBI724 Solutions Inc. On the same date, the Company has also converted the debentures issued on November 20, 2015 in the amount of \$324,991 including interest by issuing 5,331,430 common shares to the debenture holders at a conversion price of \$0.061 as well as 5,331,430 common share purchase warrants exercisable at a price of \$0.0825 and expiring on December 31, 2016. The Company has also converted \$64,442 of debt by issuing 979,779 common shares at prices varying between \$0.06 and \$0.1125

- On September 02, 2016, the Company added \$1.5M to the Fidelity existent convertible debenture with June 30, 2018 as a new maturity bearing date will accrue interest at a rate of 12% per annum. The Convertible Debentures shall be convertible at a price of \$0.35 per common share. The proceeds were used for working capital.
- On September 06, 2016, the Company announced that it authorized and was seeking to close private placements in the aggregate amount of 1 million dollars by issuing a maximum of 20,000,000 common shares at \$0.05 per share, and one common share purchase warrant for every common share issued at an exercise price of \$0.15 exercisable on or before August 31st, 2018 after which they shall expire. The expected use of proceeds is for working capital.
- On September 28, 2016, the Company announced that it had authorized and was seeking financing by way of issuance of secured convertible debentures for maximum proceeds of \$500,000.

The proposed convertible debenture would have a term of 18 months, and would bear interest at a rate of 8 % per annum, and be convertible at the option of the holder into common shares of the Company on or prior to the expiry of the Term at a conversion price of \$0.15. The expected use of proceeds is for working capital.

- On October 7, 2016, the Company announced that it had successfully closed a first tranche equity private placement in the aggregate amount of \$250,000 dollars by issuing 5,000,000 common shares at \$0.05. The private placement included a conversion of debt in the amount of \$25,344. For each common share received, the subscribers were issued one common share purchase warrant at an exercise price of \$0.15 exercisable on or before August 31st, 2018 after which they shall expire. The proceeds were used for working capital.

On October 07, 2016, the Company also announced that it closed a secured convertible debenture private placement in the amount of \$500,000. The Convertible Debenture will mature on March 30, 2018, and will bear interest at a rate of 8 % per annum, and be convertible at the option of the holder into common shares of the Company on or prior to the expiry of the Term at a price of \$0.15. The convertible debenture will be secured by the receivables of the Company limited to 20% of the gross revenues. Payments shall be effected every 6 months and shall be limited to 10% of the gross revenues collected and the holder shall have the option to be paid in cash or convert into Shares at the Conversion Price. The Company has the option to redeem the Convertible Debentures at any time prior to the expiry of the Term without penalty. Due to pari passu provisions in an existing and outstanding debenture recently issued to an institutional investor, the Company is also granting the same security in favour of the existing debenture holder. The proceeds were used for working capital.

- On October 18, 2016, the Company announced that through one its wholly owned subsidiaries, iQ724 Inc., it has signed a partnership agreement with Ackroo Inc. (TSXV:AKR), (OTCQX:AKRFF), a gift card, loyalty and rewards technology and services provider, and marketing services. Through this agreement Ackroo will provide its Ackroo Anywhere solution and iQ724 will provide their customized marketing services modules as a combined solution for merchants across North America. The initiative will support upselling Ackroo's gift card and loyalty platform to iQ724 clients and upselling iQ724's customized marketing services modules to Ackroo clients as well as pursuing net new opportunities together via each company's channel partnerships.
- On November 01, 2016, the Company announced that through one its wholly owned subsidiaries, iQ724 Inc. (iQ), it has signed a commercial agreement with Bane-Welker Equipment to design, implement and operate a loyalty and digital marketing program for its 13 CaseIH agricultural dealerships in Indiana and Ohio. Bane-Welker Equipment is iQ's first turnkey loyalty and digital marketing program in the United States. Bane-Welker's 13 CaseIH agricultural dealerships are complemented by the other 13 Case IH agricultural dealerships that iQ also services in Canada.
- On November 01, 2016, the Company announced that it successfully closed a second tranche equity private placement in the aggregate amount of \$217,000 dollars by issuing 4,340,000 common shares at \$0.05. For each common share received, the subscribers were issued one common share purchase warrant at an exercise price of \$0.15 exercisable on or before August 31st, 2018 after which they shall expire. The Company also converted

debt in the amount of \$10,000 at a price of \$0.05 per common share and \$45,000 at a price of \$0.063 for an aggregate issuance of 914,285 common shares. The proceeds were used for working capital.

- On November 30, 2016, the Company filed its Q3 financial results for the quarter ended on September 30, 2016.
  - Nine-Month Year-to-Date 2016 Highlights
    - Revenue grew 707% to \$1.924M in 2016 from \$272K in 2015
    - Net operating loss decreased by 13% to \$1.885M from \$2.160M in 2015.
- On December 05, 2016, the Company announced that it filed its application to jointly list the company on the OTCQB venture markets platform.
- On December 07, 2016, the Company, through its wholly-owned Argentinian subsidiary, MOBI724 S.R.L., signed a commercial agreement with Banco Macro to implement, integrate, maintain and support MOBI724's oneSwipe Card-Linked-Offers solution for Banco Macro's card holder base. This will allow Banco Macro's cardholders, to redeem their offers directly at the Point of Sale of participating retailers, in a seamless customer experience.
- On December 27, 2016, the Company announced that it a third tranche equity private placement in the aggregate amount of \$167,500.00 dollars by issuing 3,350,000 common shares. For each common share received, the subscribers were issued one common share purchase warrant at an exercise price of \$0.15 exercisable on or before August 31st, 2018 after which they shall expire. The proceeds were used for working capital.

## **2- EVENTS AFTER THE REPORTING PERIOD**

- On January 10, 2017, the Company announced the grant of 3,835,000 stock options under its stock option plan to its employees and consultants including 400,000 stock options to the CEO, and 1,800,000 to the Directors. Each option shall vest gradually over a period of 3 years (1/3 per year, the first 1/3 vesting upon grant) and will allow the optionee to acquire 1 common share of the Company at a price of \$0.15 until January 9, 2020.
- On January 19, 2017, the Company announced that it has signed an agreement with Visa to integrate its solutions with the Visa Offers Platform. Visa will provide MOBI724 with qualifying purchase notifications to enable MOBI724 to deliver integrated Card-Linked Offers and Loyalty Platforms to participating Visa-issuing banks and their cardholders starting in the United States.
- On January 23, 2017, the Company announced the grant of 650,000 stock options under its stock option plan to key consultants. Each option shall vest gradually over a period of 3 years (1/3 per year, the first 1/3 vesting upon grant) and will allow the optionee to acquire 1 common share of the Company at a price of \$0.15. 150,000 will expire on January 9, 2020 and 500,000 will expire on January 23, 2020.
- On January 30, 2017, the Company announced that it successfully closed an equity private placement in the aggregate amount of \$553,000.00 dollars by issuing 4,608,333 common shares at \$0.12. For each common share received, the subscribers were issued one common share purchase warrant at an exercise price of \$0.20 exercisable on or before December 15, 2017 after which they shall expire. The proceeds were used for working capital.
- On February 07, 2017, the Company announced it has granted 351,500 stock options under its stock option plan to its employees and consultants. Each option shall vest gradually over a period of 3 years (1/3 per year, the first 1/3 vesting upon grant) and will allow the optionee to acquire 1 common share of the Company at a price of \$0.35 until February 7, 2020.
- On February 09, 2017, the Company issued 1,423,467 common shares at a price of \$0.24 (market price less maximum allowable discount) in forgiveness of \$341,632 of debt.
- On February 16, 2017, the Company announced that it has signed a partnership agreement with CredibanCo, Colombia's largest payment cards network and processor, to deliver an integrated card-linked offers and digital marketing platform for card issuers and retailers in the Colombian market, and allow Colombian card issuers to enable cardholders to redeem offers directly at the more than 172,000 CredibanCo points-of-sale.
- On February 17, 2017, the Company issued 86,353 common shares at a price of \$0.365 in forgiveness of a \$31,518 debt.

- On February 20, 2017, the Company announced that it has issued 9,507,930 common Shares of the Company at market price less the maximum allowable discount to the previous shareholders of the MOBI724 Solutions Inc. pursuant to the terms of pre-defined anti-dilution provisions and agreements with those shareholders. These shares issued form part of the purchase price for the remaining 49% shares of Solutions Inc. which issuance was announced on October 28, 2015.

(The Purchase Price was subject to a pre-defined anti-dilution provision with a cap of 18.05% of the total issued and outstanding shares of the Company and this issue covers events up to the Company's Board of directors meeting on November 25, 2016. Following this issue, the anti-dilution provision will cover the conversion of some previously issued convertible debentures and the next \$1.92M of new financing (of which \$550K was raised subsequent to the November 25, 2016 Board meeting).)

- On March 21, 2017, the Company announced that its wholly owned Argentinian subsidiary, MOBI724 S.R.L. Inc., has signed an agreement with HSBC Bank Argentina S.A. to provide services related to technological solutions regarding their customer loyalty and benefit program.
- On April 04, 2017, the Company announced that it had entered into an agreement with GMP Securities L.P. for a "bought deal" private placement offering of special warrants of the Company at a price per Special Warrant of \$0.35 for aggregate gross proceeds of approximately \$5 million.
- On April 06, 2017, the Company announced that it has increased the size of the "bought deal" private placement previously announced on April 4, 2017 with GMP Securities L.P., from aggregate gross proceeds of approximately \$5 million to approximately \$9.5 million, for the offering of special warrants of the Company at a price per Special Warrant of \$0.35. The Company has granted the Underwriter an option, exercisable in whole or in part, up to 48 hours prior to the closing of the Offering, to arrange for the purchase and sale of up to 20 per cent of the Special Warrants issued in the Offering. Each Special Warrant will entitle the holder thereof to receive and without payment of additional consideration, one (1) unit of the Company consisting of one (1) Common Share, and one-half of one (0.5) common share purchase warrant. Each whole Warrant, subject to customary adjustments, shall be exercisable into one (1) Common Share at an exercise price of \$0.46 per Warrant Share for a period of two (2) years from the date of issue.

If the volume weighted average price of the Common Shares on the CSE is equal to or greater than \$0.65 for a period of 10 consecutive trading days then the Company may anytime thereafter accelerate the expiry date of the Warrants to the date that is 30 days following the date on which the Company issues notice to all the Warrant holders of the new expiry date. The Company has agreed to use its reasonable commercial best efforts to obtain a receipt for a final short form prospectus qualifying the distribution of the Units upon exercise of the Special Warrants on or before the date that is 90 days following closing of the Offering.

- On April 21, 2017, the Company successfully completed its private placement offering of special warrants (the "Special Warrants"), previously announced by news releases dated April 4, and April 6, 2017, issuing an aggregate of 29,538,203 Special Warrants at a price of \$0.35 per Special Warrant for aggregate gross proceeds of \$10,338,371, which includes the exercise by GMP Securities L.P. ("GMP"), as sole lead agent, of its option for an additional 2,395,346 Special Warrants. The proceeds will be used for working capital

**3-SELECTED ANNUAL INFORMATION**

YR. 2016			
	Year ended Dec. 31st, 2016	Year ended Dec. 31st, 2015	Year ended Dec. 31st, 2014
Total revenue	2,665,142	437,114	149,637
Loss from continuing operations attributable to owners of the parent, in total	-4,934,898	-2,133,968	-3,159,202
Loss per share	-0.0478	-0.04	-0.07
Loss diluted per share basis	-0.0478	-0.04	-0.07
Loss attributable to owners of the parent, in total	-4,934,898	-2,133,968	-3,166,981
Loss per share	-0.0478	-0.04	-0.07
Loss diluted per share basis	-0.0478	-0.04	-0.07
Total assets	10,488,263	7,390,926	8,161,788
Total non-current financial liabilities	105,137	117,779	135,495
Basic	118,809,411	54,842,189	42,872,786
Diluted	same as basic	same as basic	same as basic

**4. SUMMARY OF QUATERLY RESULTS**

2016					
Summary of quarterly results	For the 3 months ended				
	Dec.31st, 2016	Sep. 30th, 2016	June 31st, 2016	March 31st, 2016	
Total revenue	740,899	641,431	725,427	557,385	
Loss from continuing operations attributable to owners of the parent, in total	-2,381,157	-928,033	-662,119	-963,589	
Loss per share	-0.02	-0.01	-0.01	-0.01	
Loss diluted per share basis	-0.02	-0.01	-0.01	-0.01	
Loss attributable to owners of the parent, in total	-2,381,157	-928,033	-662,119	-963,589	
Loss per share	-0.02	-0.01	-0.01	-0.01	
Loss diluted per share basis	-0.02	-0.01	-0.01	-0.01	
Basic	118,809,411	105,086,236	99,196,720	99,196,720	
Diluted	same as basic	same as basic	same as basic	same as basic	
2015					
Summary of quarterly results	For the 3 months ended				
	Dec.31st, 2015	Sep. 30th, 2015	June 31st, 2015	March 31st, 2015	
Total revenue	165,609	110,899	72,498	88,108	
Loss from continuing operations attributable to owners of the parent, in total	3,025,949	826,315	-1,653,886	-4,332,346	
Loss per share	0.06	0.02	-0.04	-0.10	
Loss diluted per share basis	0.06	0.02	-0.04	-0.10	
Loss attributable to owners of the parent, in total	3,025,949	826,315	-1,653,886	-4,332,346	
Loss per share	0.06	0.02	-0.04	-0.10	
Loss diluted per share basis	0.06	0.02	-0.04	-0.10	
Basic	54,842,189	53,982,639	45,761,297	45,071,271	
Diluted	same as basic	same as basic	same as basic	same as basic	

**CONSOLIDATED RESULTS**

**Business combinations**

**Acquisition of IQ 7/24 Inc.**

On December 22, 2015, in an effort to further its business objectives, the Company acquired 100% of the common shares of IQ 7/24 Inc., a company operating in Montreal, Canada (hereinafter "IQ"). As part of the agreement signed, the previous shareholders maintain control of the Company until the occurrence of certain future events. As such, the

Company does not control IQ but based on the Company's representation on the Board of Directors of IQ, which is two of four members, the Company did have significant influence over the operations of IQ.

Since the Company owns 100% of the issued and outstanding shares of IQ, the Company recorded 100% of IQ's results from the date of acquisition.

IQ incurred a loss of \$6,905 for the 9-day period from December 23, 2015 to December 31, 2015. The Company recorded this loss using the equity method, thus reducing their investment by this amount.

IQ's summary financial information is as follows:

**Net loss yr. 2016 and 2015**

<b>Net loss yr. 2016 and 2015</b>	Year ended Dec. 31st, 2016	Year ended Dec. 31st, 2015
Operating loss	-3,677,781	-1,750,656
Net financial expenses	1,918,272	206,112
Net loss before income taxes	-5,596,053	-1,956,768
Income tax expense	33,554	13,120
Recovery of deferred tax	-694,709	164,080
	-661,155	177,200
<b>Net loss</b>	<b>-4,934,898</b>	<b>-2,133,968</b>

**5-CASH FLOW AND LIQUIDITY**

As at December 31, 2016 the Company had a balance of \$0.03M in cash, total assets of \$10.5M with total liabilities of \$9.5M and total liabilities and shareholders of 10.5M. In comparison at December 31, 2015, the Company had a balance of cash of \$0.4M with total assets of \$7.4M, total liabilities of \$5.9M and total liabilities and shareholders of 7.4M.

Summary for the cash flow activities are detailed below:

***Operating Activities***

In the 12 months ended December 31, 2016, the cash flow used from operating activities amounted to \$3.4M (\$2.03M in 2015).

***Investing Activities***

For the year ended December 31, 2016, \$0.06M was invested for the acquisition of property, equipment and intangible and business acquisition (\$0.26M in 2015).

***Financing Activities***

For the year ended December 31, 2016, \$3.17M obtained from financing activities in bank loan, long term debts, convertible debentures and issuance of common shares and warranties (\$2.45M in 2015).

For the year ended December 31, 2016, the Company obtained the following financing:

**Demand Debt**

As at December 31, 2016, the total demand debt amounted \$536,000. The Company entered into demand loans in the aggregate amount of \$170,000.00 with related parties. The Company also entered into a demand loan with a third party in the amount of \$366,000. Interest is being paid on the aforementioned demand loans and with the influx of new capital said loans shall be reimbursed.

**Liquidity**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages liquidity risk through the management of its capital structure and financial leverage.

- Post event: On April 21, 2017, the Company successfully completed its private placement offering of special warrants (the "Special Warrants"), previously announced by news releases dated April 4, and April 6, 2017, issuing an aggregate of 29,538,203 Special Warrants at a price of \$0.35 per Special Warrant for aggregate gross proceeds of \$10,338,371.05, which includes the exercise by GMP Securities L.P. ("GMP"), as sole lead agent, of its option for an additional 2,395,346 Special Warrants. The proceeds will be used for working capital

**6- SHARE CAPITAL TRANSACTIONS**

A summary of the Company's share capital transaction for the fiscal year ended 2016 are as follows:

**Shares issued on closing of private placements**

12,690,000 common shares.

*For more details, please refer to the Financing Activities section hereinabove.*

**Shares issued on conversion of convertible debt**

On January 12, 2016, the Company converted debentures issued in February and March 2015 into common shares of the Company. The capital and interest accrued up to January 12th, 2016, were converted at an average price of \$0.23 per common share. As a result of the aforementioned conversion, 2,854,996 common shares were issued.

On August 31, 2016, the Company has also converted the debentures issued on November 20, 2015 in the amount of \$324,991.00 including interest by issuing 5,331,430 common shares to the debenture holders at a conversion price of \$0.061 as well as 5,331,430 common share purchase warrants exercisable at a price of \$0.0825 and expiring on December 31, 2016

**Shares issued for settlement of liabilities**

August 31, 2016, the Company converted \$64,442 of debt by issuing 979,779 common shares at prices varying between \$0.06 and \$0.1125

On October 5, 2016 the Company converted debt in the amount of \$25,344.51 by issuing 506,890 common shares issued at \$0.05.

**Shares issued for business combination**

On August 31, 2016, the Company issued to the shareholders of MOBI724 Solutions Inc. (a wholly owned subsidiary of Mobi) 3,720,000 common shares representing anti-dilution shares with respect to the acquisition of MOBI724 Solutions Inc.

**7-RELATED PARTY TRANSACTIONS**

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

The following table summarizes the transactions and balances outstanding with related parties of the Company:		2016	2015
		\$	\$
<b>Transactions:</b>			
	Management fees to officers and directors <sup>1</sup>	87,850	108,817
	Rent paid to company controlled by significant shareholder		102,000
		<b>87,850</b>	<b>210,817</b>
		December 31,	December 31,
		2016	2015
		\$	\$
<b>Balances outstanding:</b>			
	Amounts due to officers and directors	151,073	–
	shareholders and founders of the Company	–	(73,781)
	Demand debt due to director and significant shareholder	50,000	
	Demand debt due to directors	120,000	
	Amounts due to company controlled by an officer	128,553	
		<b>449,626</b>	<b>(73,781)</b>
<sup>1</sup>	There are management service contracts between the Company and key management personnel according to which the latter provide advisory and management services to the Company in exchange for management fees.		
<i>Compensation of key management personnel</i>			
The remuneration of directors and other members of key management personnel during the year were as follows:			
		2016	2015
		\$	\$
	Management fees, commissions and salaries	1,014,100	258,817
	Share-based payments compensation		33,361
		<b>1,014,100</b>	<b>292,178</b>

**8-INFORMATION ON OUTSTANDING SHARES**

**Data on Available Outstanding Shares (as at December 31, 2016):**

	Number
Common shares	123,673,275
Options	7,675,658
Warrants	20,788,446

During the year ended December 31, 2016, no stock options were issued to directors, officers, employees and consultants of the Company.

During the year ended December 31, 2016, 20,429,342 warrants were issued in connection with the conversion of the convertible debt and in connection of private placements.

**Contingencies and Events after the Reporting Period**

To the best of management's knowledge, the Company is presently in compliance, in all material respects, with the laws and regulations already in place.

**Off-Balance Sheet Transactions**

As at December 31, 2016, the Company had not entered into any significant off-balance sheet transactions.

**9-OUTLOOK FOR 2017**

Following the completion of a 3 years strategic planning (2016–2018), our focus for 2017 will be:

Monetize the following agreements:

- Visa:
  - VOP platform integration has been completed
  - Testing on platform has started
  - Rollout with issuers in planning
    - CredibanCo
  - Integration kicked off
  - Rollout with issuers in planning
  
- Expand on the Payment solution
  - Further expand the current deployments
  - Seek new opportunities in ASIA and Latin America where MOBI724 is already present
  - Strengthen the Philippine market position
  
- IQ Completed Acquisition:
  - Optimize synergies
  - Optimize operations
  - Leverage current MOBI724 customer base and agreements with IQ's existing platforms and solution and seek new opportunities for IQ outside the Canadian marketplace

Company's trading platform in US market and review of exiting Canadian platform

- MOBI724 is planning a joint listing on the OTCQB under the ticker MOBI-F
- FINRA has approved the application
- MOBI724 shall announce going live in May 2017
- Company is currently reviewing other trading platform options in the Canadian marketplace and the USA

Sales Expansion

- Further increase the sales pipeline
- Accelerate the Sales cycle through new deployments
- Seek new strategic acquisitions

Resources consolidation

- Sales resources to be strengthened with new members
- Continuously incorporate new members adding value to the core team

Technology and Solution evolution

- MOBI724 is continuously evaluating new technologies to ensure cutting edge solutions to its customers partners.

**10-CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of consolidated financial statements requires the Company's management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing material adjustments to the Company's financial statements are addressed below.

***Business combinations***

For business combinations, the Company must make assumptions and estimates to determine the fair value of the business acquired. To do so, the Company must determine the acquisition-date fair value of the identifiable assets acquired, including such intangible assets as electronic gateways and processor connections, and liabilities assumed. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Additionally, the Company must make assumption on the discount rate and estimated future revenue to determine the fair value of the liability for the consideration transferred. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

***Impairment of non-financial assets***

Impairment assessments may require the Company to determine the recoverable amount of a cash-generating unit ("CGU"), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: the determination of fair value, selling costs, timing and size of cash flows, and discount and interest rates. The Company supports all assumptions made in the above estimates and updates such assumptions to reflect the best information available to the Company if and when an impairment assessment requires the recoverable amount of a CGU to be determined.

***Share-based payments***

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options, the time of exercise of those options and expected extinguishments. The model used by the Company is the Black-Scholes model.

***Valuation of financial instruments***

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

***Income taxes***

The company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

**11- ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

At the date of authorization of filing the consolidated financial statements, certain new standards, and amendments to existing standards have been published by the International Accounting Standards Board (“IASB”) that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company’s consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company’s financial statements.

***IFRS 9 Financial Instruments***

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new “expected credit loss” model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management is continuing to assess the impact of this new standard on the Company’s consolidated financial statements.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

***IFRS 15 Revenue from Contracts with Customers***

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

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. Management is continuing to assess the impact of this new standard on its consolidated financial statements.

***IFRS 16 Leases***

In January 2016, the IASB published IFRS 16 – Leases, which will replace the existing standard IAS 17 – Leases and related interpretations. This IFRS eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, largely retains IAS 17’s approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances.

The adoption of this new standard will require the Company to change the method used for accounting for operating leases, but management is continuing to assess the impact of this new standard on its consolidated financial statements.

**12-RISKS AND UNCERTAINTIES**

The Company operates in the technology industry which is subject to numerous significant risks that can influence the profitability of a company. The Company has disclosed several risks below which it believes to be the most significant and that could have a material impact on its current operations. There may exist other risks that are not indicated below which may currently exist or can arise in the future regarding the Company’s operations. An investment in the Company should be considered highly speculative due to the nature of the Company’s activities and its current stage of development. For additional discussion of risk factors, please refer to the Company’s Annual Information Form which is available upon request from the Company or on its profile at [www.sedar.com](http://www.sedar.com).

**FINANCIAL RISKS*****Future financing***

Due to the Company's recent liquidity constraints, the success of future operations is directly linked to the ability to access to required capital. Over the past several years, the Company has successfully raised funding to support its development initiatives and fund its Company's corporate structure and overheads. The financing environment for early stage technology companies remains challenging and there is no certainty that the Company will be able to continue to raise financing as it has in the past to continue to support its business initiatives.

Post event: Given the recent financing close on April 21<sup>st</sup>, the management is confident it has the proper funding for fiscal 2017

***Access to capital markets***

To fund its growth, the Company is often dependent on securing the necessary capital through loans or issuing equity. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company's projects. To ensure the availability of capital, the Company maintains an investor relations program in order to inform all shareholders and potential investors of the Company's developments.

***Foreign exchange rates***

The functional currency of the Company is the Canadian dollar. The Company is exposed to foreign exchange risk as a portion of its monetary balances are denominated in U.S. dollars, Philippine Peso and Argentina Peso. The Company is, therefore, exposed to gains and losses due to fluctuations in these currencies. The Company does not use derivatives to manage the exposure to foreign exchange risk.

***Fluctuation in interest Rates***

The Company has a bank loan and long term debt that is exposed to risks associated to fluctuations in interest rates. The Company entered into financing agreements that bears interest at the Canadian prime rate plus 3% and 4%. As at December 31, 2016, the outstanding balance of the bank loan and long term debt that bears interest at the Canadian prime rate plus 3% and 4% is \$217,258 (\$57,368 in 2015). Based on the balance outstanding on December 31, 2016, a variation in the Canadian prime rate of 1% would not have a material impact on the consolidated financial statements.

**OPERATIONAL RISKS*****Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's long-term debts are collateralized by equipment of the Company. The Company manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

***Credit risk***

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash, short term investments, accounts receivable, and deposits. The Company offsets these risks by depositing its cash and its short-term investments with international financial institutions with low risk credit ratings.

***Industry competition***

The technology industry is very competitive and the Company has to compete with other companies relating to access to capital, attraction of technical labour and resources, and market demand. The Company has made significant strides in developing its products over the past four years in its attempt to commercialize products with its various strategic development partners. As of the current fiscal year, the Company has completed its development efforts to the point that it has product available for sale. For most sales in the payment industry, there are additional steps needed to certify a payment solution in order to deploy it. The Company has secured certifications in several important jurisdictions, but each market territory requires separate certifications with various payment acquirers, banks or processors. There remain uncertainties as to the Company's ultimate ability to complete necessary certifications in a timely fashion to deploy successful customer solutions.

***Market demand***

The Company has entered into multiple joint development agreements whereby our partners are subjecting our prototype products to rigorous testing. While this was very encouraging, there is no guarantee that they will

continue. Some of the joint development partners that we are dealing with are private companies and there is a potential risk of those companies having to secure all of their requisite financing to support their orders and their working capital requirement.

***Qualified technical labour***

The lack of qualified technical labour is a global risk for all technology companies including MOBI724 that can threaten to reduce productivity, increase operating costs, and cause project delays.

***Key management***

The Company is dependent on a relatively small number of key employees, of which the loss of any could have an adverse effect on its operations and financial reporting resulting in potential material weaknesses in the Company's environment of internal controls over financial reporting and disclosure controls and procedures.

***Litigation***

All industries, including the technology industry, are subject to legal claims, with and without merit. The Company may in the future be involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of these legal proceedings will have a material adverse effect on the financial position or results of operations, defense costs will be incurred, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial position.

***Risks linked to common shares***

The price of common shares can fluctuate for several reasons such as the exchange rate, financing and several other factors. It is possible that the price of common shares might experience significant volatility that has a negative impact on the market capitalization of the Company.

(s) Marcel Vienneau

Marcel Vienneau  
Chief Executive Officer