

mobio technologies

Mobio Technologies Inc.

Condensed Consolidated Interim Financial Statements
(unaudited)

(EXPRESSED IN CANADIAN DOLLARS)

**For the Three Month Periods Ended
October 31, 2017 and 2016**

Index

Condensed Consolidated Interim Statements of Financial Position

Condensed Consolidated Interim Statements of Comprehensive Loss

Condensed Consolidated Interim Statements of Changes in Shareholders'
Equity

Condensed Consolidated Interim Statements of Cash Flows

Notes to Condensed Consolidated Interim Financial Statements

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

The Company's auditors have not reviewed or been involved in the preparation of these condensed 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 condensed 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 condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor, for the three-month periods ended October 31, 2017, and 2016.

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

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - expressed in Canadian dollars)

As at		October 31, 2017	July 31, 2017
ASSETS			
<u>Current Assets</u>			
Cash		\$ 11,202	\$ 118,305
Restricted cash	7	25,235	25,235
Accounts receivable	4	9,641	18,803
Deposits and prepaid expenses		<u>12,207</u>	<u>14,507</u>
		58,285	176,850
<u>Non-Current Assets</u>			
Fixed assets		2,844	3,947
Investments	5	<u>711,219</u>	<u>698,545</u>
TOTAL ASSETS		\$ 772,348	\$ 879,342
LIABILITIES			
<u>Current Liabilities</u>			
Trade payables and accruals	8	\$ 471,416	\$ 472,860
Short-term loans payable	9	212,367	150,378
Deferred revenue and customer deposits		<u>1,203</u>	<u>1,203</u>
TOTAL LIABILITIES		684,986	624,441
SHAREHOLDERS' EQUITY			
Share capital	10	23,954,926	23,954,926
Warrant reserve		554,297	554,297
Equity portion of debt	9	15,705	-
Share-based payment reserves		489,572	489,572
Deficit		<u>(24,927,138)</u>	<u>(24,743,894)</u>
TOTAL EQUITY		87,362	254,901
TOTAL LIABILITIES AND EQUITY		\$ 772,348	\$ 879,342
Nature of operations and going concern uncertainty	1		
 <i>Approved on behalf of the board</i>			
 <i>"Derek Lew"</i>			
<hr/>			
Derek Lew, Director			
 <i>"Laurie Baggio"</i>			
<hr/>			
Laurie Baggio, Chief Executive Officer			

See accompanying notes to the condensed consolidated interim financial statements

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited - expressed in Canadian dollars)

Three months ended October 31,	2017	2016
REVENUE		
Sales	\$ 26,680	\$ 44,409
EXPENSES		
Depreciation	811	563
Amortization of intangible assets	-	463,911
Hosting and computing services	33,081	50,164
Personnel	12 143,442	240,056
Professional fees	5,000	23,921
Office and administration	12,569	20,320
Regulatory and filing costs	654	4,636
Marketing	573	2,542
Communications	-	11,365
Website and IT	6,587	5,664
Bank charges	1,770	2,035
	204,487	825,177
Finance income	(7,561)	(622)
Finance costs and foreign exchange	12,011	8,197
Gain on debt repayment	-	(2,974)
Loss on asset dispositions	987	-
	5,437	4,601
Net loss and comprehensive loss for the period	\$ (183,244)	\$ (785,369)
Basic and diluted loss per share	11 \$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding for the period, basic and diluted	11 29,090,557	25,021,807

See accompanying notes to the condensed consolidated interim financial statements

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - expressed in Canadian dollars)

Three month periods ended October 31, 2017 and 2016								
	Notes	Share capital		Reserves			Deficit	Total
		Number of shares	Amount	Warrant reserves	Equity portion of debt	Share-based payments reserves		
Balance at August 1, 2016		12,815,573	22,797,300	110,703	2,974	489,572	(22,791,213)	609,336
Shares issued in private placements		16,275,000	1,190,486	437,014	-	-	-	1,627,500
Share issuance costs		-	(32,860)	6,580	-	-	-	(26,280)
Repayment of convertible debenture		-	-	-	(2,974)	-	-	(2,974)
Share consolidation adjustment	(16)	-	-	-	-	-	-	-
Comprehensive loss for the period		-	-	-	-	-	(785,369)	(785,369)
Balance at October 31, 2016		29,090,557	\$ 23,954,926	\$ 554,297	\$ -	\$ 489,572	\$ (23,576,582)	\$ 1,422,213
Balance at August 1, 2017		29,090,557	23,954,926	554,297	-	489,572	(24,743,894)	254,901
Equity portion of debt		-	-	-	15,705	-	-	15,705
Comprehensive loss for the period		-	-	-	-	-	(183,244)	(183,244)
Balance at October 31, 2017		29,090,557	\$ 23,954,926	\$ 554,297	\$ 15,705	\$ 489,572	\$ (24,927,138)	\$ 87,362

See accompanying notes to the condensed consolidated interim financial statements

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited - expressed in Canadian dollars)

Three months ended October 31,	2017	2016
OPERATING ACTIVITIES		
Net loss for the period	\$ (183,244)	\$ (785,369)
<u>Items not affecting cash</u>		
Depreciation	811	563
Amortization of intangible assets	-	463,911
Gain on debt repayment	-	(2,974)
Accrued interest income	(7,561)	-
Unrealized foreign exchange gains	(5,113)	-
Accrued interest expense	7,693	(611)
Loss on asset dispositions	987	-
<u>Net changes in non-cash working capital</u>		
Accounts receivable	9,162	(15,468)
Deposits and prepaid expenses	2,300	(33,723)
Trade payables and accruals	(1,443)	(275,655)
Deferred revenue and deposits	-	2,119
	10,019	(322,727)
Net cash used in operating activities	(176,408)	(647,207)
INVESTING ACTIVITIES		
Equipment purchases	(695)	(2,888)
Changes to restricted cash	-	(3)
Cash investments made	-	(59,157)
Net cash used in investing activities	(695)	(62,048)
FINANCING ACTIVITIES		
Proceeds from short-term loans	70,000	-
Repayment of short-term loans	-	(75,000)
Issuance of common shares	-	1,627,501
Share issuance costs	-	(26,281)
Repayment of convertible debenture	-	(134,687)
Net cash provided by financing activities	70,000	1,391,533
NET CASH FLOW FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES	(107,103)	682,278
CASH, BEGINNING OF THE PERIOD	118,305	441,967
CASH, END OF THE PERIOD	\$ 11,202	\$ 1,124,245

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Mobio Technologies Inc. ("Mobio" or the "Company") was 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 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 on the TSX Venture Exchange under the symbol "MBO". The Company's primary line of business is Strutta.com Media Inc. ("Strutta"), a social promotions platform that allows brands to run contests and sweepstakes across multiple social web channels.

These condensed 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 period ended October 31, 2017, the Company had a net and comprehensive loss of \$183,244 and negative cash flow from operations of \$176,408. 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 working capital is sufficient, but if necessary, additional working capital can be obtained from internal and external sources to meet the Company's liabilities and commitments. During the year ended July 31, 2017, the Company successfully raised \$1,627,501 by way of an equity financing.

There can be no assurance that the Company will be successful in achieving profitability or raising additional cash to finance operations. The condensed 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 condensed consolidated interim financial statements were authorized for issue on December 29, 2017, by the Board of Directors of the Company.

Statement of Compliance

These condensed 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"). These condensed 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 annual audited consolidated financial statements of the Company for the years ended July 31, 2017, and 2016.

Functional and Presentation Currency

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

2. BASIS OF PRESENTATION (CON'T)**Basis of Measurement**

These condensed 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. An area subject to significant estimates is the impairment of financial and non-financial assets. Actual results could differ from those estimates.

The most significant judgement applied in the preparation of these condensed consolidated interim financial statements relate to the carrying value of the Company's investments (Note 5). The Company invests in start-up technology companies whose products and services are under development. The successful development and commercialization of these products and services is subject to a high degree of risk. Judgement is applied in the consideration of impairment indicators of investments.

The preparation of these condensed consolidated interim financial statements required the use of judgment 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 judgment applied to making this determination includes assessing whether the acquisition contains inputs, processes, and outputs as described in IFRS 3.

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to asset impairment. The recoverable amount of an asset or a cash generating unit ("CGU") is determined using the greater of fair value less costs to sell and value in use which requires the use of various judgments, estimates, and assumptions. The Company identifies CGUs as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets. Value in use calculations require estimations of discount rates and future cash flows derived from revenue growth, gross margin and operating costs. Fair value less costs to sell calculations require the Company to estimate fair value of an asset or a CGU using market values of similar assets as well as estimations of the related costs to sell.

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the three-month period ended October 31, 2017. Management prepares the condensed consolidated interim financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not

2. BASIS OF PRESENTATION (CON'T)**Use of estimates and judgments (con't)**

limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, current working capital levels, and potential sources of replacement financing.

As a result of the assessment and as described in Note 1 – Nature of Operations and Going Concern Uncertainty, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecast and expectations with respect to access to financing for the next twelve months.

Estimates and 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.

3. NEW ACCOUNTING STANDARDS AND POLICIES**Accounting Standards Issued But Not Yet Applied**

At the date of authorization of these condensed consolidated interim financial statements, the following standards, amendments and interpretations have not been early adopted:

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.

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 fiscal years beginning on or after 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 beginning on or after January 1, 2018 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.

4. ACCOUNTS RECEIVABLE

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

	October 31, 2017		July 31, 2017	
Trade receivables	\$	7,346	\$	16,452
GST recoverable		2,295		2,351
Total accounts receivable	\$	9,641	\$	18,803

5. INVESTMENTS

The Company's investee companies are focused on the online gaming, travel information, media content distribution, healthcare, and business services sectors. Investments consist of common shares, preferred shares, convertible notes and limited partnership units. The Company does not presently have any positions that result in significant influence. Convertible notes are unsecured and bear interest annually at rates from 8 to 10%, 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. Investments are carried at cost and assessed for impairment at every reporting date. See Note 2 – Basis of Presentation for judgement applied in the assessment of impairment of investments. See Note 6 – Commitments. See Note 15 – Subsequent Events.

The following table sets forth the changes to the Company's investments during the three months ended October 31, 2017 and year ended July 31, 2017:

Three months ended October 31, 2017

	Opening Balance		Additions		Interest Accrued		Foreign Exchange Gain		Fair Value	
Investments	\$	698,545	\$	-	\$	7,561	\$	5,113	\$	711,219

Year ended July 31, 2017

	Opening Balance		Additions		Interest Accrued		Foreign Exchange (Loss)		Fair Value	
Investments	\$	122,795	\$	563,722	\$	17,146	\$	(5,118)	\$	698,545

See Note 6 – Commitments. See Note 15 – Subsequent Events.

6. COMMITMENTS

During the year ended July 31, 2017, the Company invested in a limited partnership for a total commitment of \$250,000. As at October 31, 2017, the Company has advanced \$87,500. The Company

6. COMMITMENTS (CON'T)

will not be required to advance the balance of \$162,500 of the commitment as the fund has been suspended (See Note 5 – Investments).

In March 2017, the Company entered into an agreement to invest \$1,000,000 in a company with a common director. As of October 31, 2017, \$150,000 has been advanced. Additional investments of \$300,000 each are required on the first and second anniversaries, and the remainder on the third anniversary, of the agreement (See Note 5 – Investments).

In May 2017, the Company entered into an office lease agreement for three years. Minimum lease commitments under the agreement are:

To July 2018	\$ 15,887
To July 2019	16,601
To July 2020	12,852
	<u>\$ 45,340</u>

7. RESTRICTED CASH

The Company has pledged \$25,235 (July 31, 2017 - \$25,235) in cash as collateral against the credit limits of credit cards issued to the Company. Cash pledged is held in short-term GICs maturing in 30 days or less.

8. TRADE PAYABLES AND ACCRUALS

As of October 31, 2017, the Company's trade payables and accrued expenses were as follows:

	October 31, 2017	July 31, 2017
Trade payables	\$ 282,199	\$ 299,778
Accrued liabilities	189,217	173,082
Total trade payables and accruals	<u>\$ 471,416</u>	<u>\$ 472,860</u>

Included in accrued liabilities at October 31, 2017, is \$150,000 (July 31, 2017 - \$120,000) owing to an officer of the Company and included in trade payables is \$3,948 (July 31, 2017 - \$Nil) owing to an officer of the Company.

9. SHORT TERM LOANS

On July 12, 2017, the Company received a loan in the amount of \$50,000 from a company with a common director. The loan is unsecured, bears interest at 10% per annum and matures on July 12, 2018. The loan was initially recognized at face value of \$50,000 less the value of the equity component of \$3,932 for a net amount of \$46,068. Current value includes accrued interest of \$1,552 and accretion of \$1,159. During the period ended October 31, 2017, the Company accrued \$2,470 (period ended October 31, 2016 - \$Nil) in interest and accretion on the loan.

On July 26, 2017, the Company received a loan in the amount of \$100,000 from a company with a common director and a common officer. The loan is unsecured, bears interest at 10% per annum and matures on July 26, 2018. The loan was initially recognized at face value of \$100,000 less the value of the equity component of \$7,840 for a net amount of \$92,160. Current value includes accrued interest of \$2,682 and accretion of \$2,007. During the period ended October 31, 2017, the Company accrued \$4,552 (period ended October 31, 2016 - \$Nil) in interest and accretion on the loan.

On September 12, 2017, the Company received a loan in the amount of \$20,000 from a company with a common director. The loan is unsecured and bears interest at 10%. Principal and any unpaid interest are due on September 12, 2018.

On October 3, 2017, the Company received a loan in the amount of \$50,000 from a company with a common director and a common officer. The loan is unsecured, bears interest at 10% per annum and matures on October 3, 2018. The loan was initially recognized at face value of \$50,000 less the value of the equity component of \$3,933 for a net amount of \$46,067. Current value includes accrued interest of \$397 and accretion of \$274. During the period ended October 31, 2017, the Company accrued \$671 (period ended October 31, 2016 - \$Nil) in interest and accretion on the loan.

The short-term loans are comprised as follows:

	<u>October 31, 2017</u>
Equity component	\$ 15,705
Liability component, at the date of issuance	204,295
Accretion of interest	<u>8,072</u>
Liability component, end of period	<u>\$ 212,367</u>

10. SHARE CAPITAL

Authorized:

- Unlimited number of common shares without par value.
- Unlimited number of preferred shares without par value, non-voting and entitled to such dividends as may be set by the Board of Directors of the Company.

10. SHARE CAPITAL (CON'T)

Issued and outstanding shares

At October 31, 2017, the Company had 29,090,557 (July 31, 2017 – 29,090,557) issued and outstanding common shares.

Warrants

Share purchase warrant transactions were as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2016	3,142,855	0.15
Warrants issued during the year	8,260,000	0.15
Balance, October 31, 2017 and July 31, 2017	11,402,855	\$ 0.15

The weighted average life of the warrants is 0.80 years.

As at October 31, 2017, the following warrants were issued and exercisable:

Number of Warrants	Exercise Price	Expiry Date
3,142,855	\$ 0.15	July 28, 2018
8,260,000	\$ 0.15	August 24, 2018
11,402,855		

Stock Options

Under the Company's Stock Option Plan, options may be granted to directors, officers, 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.

No stock options were issued during the three months ended October 31, 2017 or the year ended July 31, 2017.

10. SHARE CAPITAL (CON'T)

Stock Options (con't)

As at October 31, 2017, the following stock options were issued and exercisable:

Outstanding (#)	Exercisable (#)	Exercise Price (\$)	Expiry Date
52,500	52,500	3.20	Nov. 15, 2017
2,500	2,500	5.40	May 10, 2018
12,500	12,500	6.40	May 30, 2018
36,000	36,000	3.00	Oct. 11, 2018
19,250	19,250	10.00	Dec. 24, 2018
12,500	12,500	5.00	Apr. 2, 2019
192,500	192,500	1.00	Oct. 31, 2019
50,000	50,000	1.00	Dec. 3, 2019
377,750	377,750	2.30	

The weighted average life of the options is 1.52 years.

11. LOSS PER SHARE

The basic loss per common share is calculated using the weighted average number of common shares outstanding during the period. Any warrants and stock options outstanding as at October 31, 2017 and 2016 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		
	Shares Outstanding	Net Loss	Loss Per Share
Three months ended October 31, 2017	29,090,557	\$ (183,244)	\$ (0.01)
Three months ended October 31, 2016	25,021,807	\$ (785,369)	\$ (0.03)

12. RELATED PARTY TRANSACTIONS

Payments to key management and directors during the three months ended October 31, 2017 and 2016 were as follows:

Three months ended October 31,	2017	2016
Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers	\$ 41,250	\$ 84,000

12. RELATED PARTY TRANSACTIONS (CON'T)

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

Other amounts accrued for related parties during the period ended October 31, 2017 and 2016 are as follows:

Three months ended October 31,	2017	2016
Interest and accretion accrued on loans payable to companies with a common director	\$ 7,693	\$ -

As of October 31, 2017, "Trade payables and accruals" on the Company's Condensed Consolidated Interim Statements of Financial Position included \$153,948 due to officers of the Company (See Note 8 – Trade Payables and Accruals).

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, accounts receivable, investments, trade payables, and short-term loans. As at October 31, 2017 and July 31, 2017, 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.

Short term loans are measured at amortized cost using the effective interest rate method and transaction costs associated with the loans are amortized through net loss over the life of the loans.

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).

As of October 31, 2017, all of the Company's investments are classified as Level 3.

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:

- Interest rate risk
- Credit risk
- Liquidity risk
- Market risk
- Currency risk

13. FINANCIAL INSTRUMENTS (CON'T)

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, restricted cash, and accounts receivable. Management believes that the credit risk with respect to cash and restricted 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 4 – Accounts Receivable.

Liquidity Risk

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

Market Risk

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

Currency risk

The Company is headquartered in Canada and its functional reporting currency is the Canadian dollar. The Company's cash assets, investments, and liabilities are denominated in Canadian dollars and in US dollars. Additionally, a portion of Strutta's revenues are denominated in US dollars. As such, the Company's results of operations are subject to foreign currency fluctuation risks and these fluctuations may adversely affect the financial position and operating results of the Company. As of October 31, 2017, the Corporation does not use derivative instruments to reduce its exposure to currency risk.

14. CAPITAL MANAGEMENT

The Company defines capital as an aggregate of total liabilities and equity, which at October 31, 2017, was \$772,348 (July 31, 2017 - \$879,342). 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 to meet 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 years, the Company has relied on funds generated through the issuance of common shares and convertible debentures to supplement funds generated from operations.

15. SUBSEQUENT EVENTS

Subsequent to October 31, 2017:

The Company received a loan in the amount of \$50,000 from a company with a common director and a common officer. The loan is unsecured and bears interest at 10%. Principal and any unpaid interest are due on December 12, 2018.

The Company entered into an agreement to loan \$150,000 to Sitemax Systems Inc. and purchased 150,601 warrants to acquire common shares of Sitemax at \$0.83 per share for an aggregate purchase price of \$20. The loan is secured by a convertible promissory note and bears interest at 10% per annum. The promissory note and any unpaid interest is due on November 7, 2018.

The Company received a loan in the amount of \$100,000. The loan is unsecured and bears interest at 10%. Principal and any unpaid interest are due on December 21, 2018.

The Company entered into an agreement to loan \$100,000 to Exahash Cryptomining Corp. ("Exahash"). The loan bears interest at 10%, is due in one year from the date of issue and is convertible into any future financing of Exahash at the lower price of the financing offer or \$0.05 per share. As consideration for the loan, Mobio will receive 500,000 warrants, with an expiry date that is two years from the date of issue, exercisable into common shares of Exahash at \$0.0001 per share. Mobio will also receive 25,000 warrants, with an expiry date that is two years from the date of issue, exercisable into common shares of Exahash at \$0.05 per share.

52,500 stock options with an exercise price of \$3.20 expired unexercised.