

mobio technologies

Mobio Technologies Inc.
(formerly LX Ventures Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIODS ENDED

OCTOBER 31, 2014 AND 2013

TO OUR SHAREHOLDERS**December 19, 2014****MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is management's discussion and analysis ("MD&A") of Mobio Technologies Inc.'s ("Mobio" or the "Company") (formerly "LX Ventures Inc.") operating and financial results for the three month periods ended October 31, 2014 and 2013, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated **December 19, 2014**.

This MD&A should be read in conjunction with the Company's unaudited consolidated interim financial statements for the three month periods ended October 31, 2014 and 2013, and in conjunction with the Company's audited annual consolidated financial statements for the years ended July 31, 2014 and 2013. Additional information is available at www.sedar.com.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management no less than quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information including the Company's future plans. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward looking information, including but not limited to statements pertaining to Company's future plans and management's belief as to the Company's potential involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding for such expenditures), business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the risks associated with the commercial viability of any technologies the Company is in the process of developing or deploying, delays or changes in plans with respect to any technologies, costs and expenses, the risk of foreign exchange rate fluctuations, risks associated with securing the necessary regulatory approvals and financing to proceed with any planned business venture, product development or deployment, and risks and uncertainties regarding the potential to economically scale and bring to profitability any of the Company's current or planned endeavors. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause the results of the Company's business to 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. See the Risk Management section of this MD&A for a further description of these risks. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information.

1. SUMMARY OF OPERATIONS, EVENTS AND FUTURE PLANS

The Company was originally incorporated under the *Business Corporations Act* (Alberta) on November 19, 1998. On December 6, 2012, the Company changed its name to LX Ventures Inc. and was continued into British Columbia under the *Business Corporations Act* (British Columbia). On July 7, 2014, the Company again changed its name to Mobio Technologies Inc. to better reflect the activities of the Company at that point in time and anticipated going forward.

Development of the Company's Business

In the past two years, Mobio has completed a series of acquisitions that give it a footprint in the social media space. The Company is now focusing its efforts on one of these acquired assets, Strutta.com Media Inc. ("Strutta"). Strutta is a social promotions platform that allows brands to run contests and sweepstakes across multiple social web channels.

During the prior fiscal year, the Company launched *Mobio Insider* ("INSIDER"), a social media platform designed to let influencers monetize high rates of fan engagement. Since its launch, *INSIDER* has attracted millions of unique visitors and page views and served up millions of ad impressions.

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

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

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

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

The Company believes that the transfer of *INSIDER* to RTM will result in significant new expertise and resources being brought to the platform, while providing the Company with financial upside.

2. BUSINESS COMBINATIONS AND ACQUISITIONS

Acquisition of Strutta.com Media Inc.

On January 31, 2014, Mobio completed a foundational acquisition when it closed on the purchase of Strutta.com Media Inc. Strutta has developed a social media platform that enables brands to create, launch and manage online campaigns to drive leads, awareness and sales. The acquisition of Strutta gave the Company a new presence in social marketing.

Strutta's technology connects brands with their target consumers through social promotions. Its do-it-yourself tools allow agencies, brands and developers to easily create and manage interactive contests and sweepstakes. Strutta's technology has powered award-winning promotions for top international agencies, Fortune 500 companies, small businesses, and household brand names including Gatorade, AirBNB, Edelman, Hilton, Crate & Barrel, Red Bull and Shutterfly. To date, Strutta has worked with over 12,000 customers and had over 8.5 million users create accounts.

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

Final consideration paid for all of the issued and outstanding shares of Strutta consisted of 3,641,637 common shares of the Company with a fair value of \$1,356,462 (based on Mobio's closing price of \$0.38 on the date of acquisition) and cash payments of \$250,000. The shares of Mobio issued in connection with the acquisition of Strutta are subject to pooling restrictions over the 18 months immediately following the acquisition date.

An additional 3,125,000 common shares are issuable on the achievement of each of three agreed monthly recurring revenue targets (9,375,000 additional common shares to be issued in aggregate if all three targets are achieved), the final one of which requires Strutta to achieve a monthly recurring revenue run rate of \$2,400,000 per annum. On May 8, 2014, 3,125,001 common shares of Mobio were issued to Strutta's former shareholders pursuant to the achievement of the first monthly recurring revenue target. These shares are subject to pooling restrictions for up to 22 months following the date of issue, and as of October 31, 2014, 5,107,449 common shares of Mobio issued in connection with the acquisition of Strutta remained in escrow. Any additional Mobio shares that may be issued pursuant to future revenue targets will also be subject to pooling restrictions over the 22 months following the date of issue.

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

During the three month period ended October 31, 2014, the Company recorded a gain of \$246,094 upon the re-measurement of contingent consideration, and during the prior year the Company recorded a gain

of \$1,412,251 upon the re-measurement of contingent consideration. Contingent consideration totaled \$664,062 as of October 31, 2014 (July 31, 2014 - \$910,156).

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

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

Intangible assets related primarily to software-related intangible assets.

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

3. EARNINGS AND EXPENSES

Following is a discussion of the Company's consolidated financial results for the three month periods ended October 31, 2014 and 2013. The consolidated interim financial statements of the Company for the three month periods ended October 31, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All inter-company balances and transactions have been eliminated upon consolidation.

Revenue

The Company's revenues primarily consist of software licensing fees, management and recurring revenues fees generated by Strutta. Software license fees and recurring revenue primarily consists of fees charged for the provisioning and hosting for delivered services and products, for customer support on software products post-delivery and also includes recurring fees derived from annual software as a service contracts, subscriptions, combined software/support contracts, and transaction-related revenues.

The Company reported revenues for the three month period ended October 31, 2014 of \$157,320 (2013 - \$28,520). The increase in revenues during the current period was the result of the acquisition of Strutta, the results of which are included in the current period, but not the prior period. Nearly all of the Company's operating revenues for the current period were generated by Strutta. Revenues for the corresponding prior period were generated primarily by products or services of Fodio and Sosido, which the Company no longer offers.

Cost of Sales and Gross Profit

Cost of sales for the three months ended October 31, 2014 were \$42,109 (2013 - \$13,063). Gross Profit for the period totalled \$115,211 (2013 - \$15,457). Cost of sales pertain primarily to the cost of provisioning the various software and electronic services that the Company's operating subsidiaries provide to customers.

Operating, General and Administrative ("G&A") Expenses

Expenses consist primarily of staffing costs, professional services to fulfill customer arrangements, marketing costs, and general operating expenses. Operating, general and administrative expenses for the year three month period ended October 31, 2014 were \$1,187,618 (2013 - \$868,653). The increase in G&A expenses for the current period is attributable to the Company's increased intangible asset base compared to the prior period, which resulted in a significant amortization expense. Amortization of intangibles for the period was \$551,361, or 46% of the Company's total G&A expenses, compared to only \$51,103 for the corresponding period in the prior year. Intangible assets are amortized on a straight-line basis over a period of 36 months.

Other than amortization of intangible assets, marketing costs and personnel costs are presently the two most significant cost categories for Company. Marketing costs for the three month period ended October 31, 2014 were \$241,970 (2013 - \$96,356). Marketing costs pertain primarily to *INsider* and relate to customer acquisition and business development costs.

Personnel costs during the three month period ended October 31, 2014 decreased by more than 50% compared to the corresponding period in the prior year, totaling \$229,714 (2013 - \$472,226). The decrease in personnel costs reflects efforts undertaken by the Company to implement efficiencies throughout all areas of operations of the Company.

The Company also recorded non-cash charges share-based payments. Share-based payments for the three month period ended October 31, 2014 were \$45,103 (2013 - \$87,362). Share based payments are recorded to the Company's Statements of Comprehensive Loss over the vesting period of the option grants.

Non-cash charges for the amortization of intangible assets and share-based payments collectively totaled \$596,464 (2013 - \$138,465), accounting for more than 50% of the Company's total G&A for the period (2013 - 16%).

Other Gains and Losses

Other gains and losses during the three month period ended October 31, 2014 included a gain of \$246,094 upon the re-measurement of contingent consideration related to Strutta. Contingent consideration totaled \$664,062 as of October 31, 2014 (July 31, 2014 - \$910,156).

Loss and Loss Per Share

The Company's net and comprehensive loss for the three month period ended October 31, 2014 was \$814,265 (2013 - \$898,992). The decrease in the Company's net and comprehensive losses during the current fiscal period is attributable to the Company's increased operating revenues, decreased personnel costs, and gains recorded on the re-measurement of contingent consideration.

Loss Per Share for the three month period ended October 31, 2014 was \$0.01 (2013 - \$0.02). The increase in the weighted average common shares outstanding for the current period was the single biggest factor influencing the reduction in the Company's loss per share as illustrated in the following table:

Loss Per Share Calculation	Weighed Average Shares Outstanding	Net Income (Loss)	Income (Loss) Per Share
Three months ended October 31, 2014	102,358,294	\$ (814,265)	\$ (0.01)
Three months ended October 31, 2013	41,489,186	\$ (898,992)	\$ (0.02)

4. ASSETS

Current Assets

Current assets held by the Company as of October 31, 2014 consist of cash in the amount of \$405,238 (July 31, 2014 - \$738,485), restricted cash in the amount of \$25,160 (July 31, 2014 - \$25,160), receivables in the amount of \$160,643 (July 31, 2014 - \$210,614), and deposits and prepaid expenses in the amount of \$68,766 (July 31, 2014 - \$259,643). Accounts receivable are primarily represented by trade receivables of Strutta, excise taxes recoverable, and development-related taxes refundable. Deposits and prepaid expenses pertain primarily to amounts paid on deposit with respect to future performance of services by certain vendors.

Intangibles and Goodwill

The Company's intangible assets pertain to software-related intangibles. As part of the acquisition of Strutta, the Company acquired significant software-related intangible assets.

Cost	Software-related technology		Goodwill	Total
Balance, July 31, 2014 and October 31, 2014	\$ 7,539,896	\$	1,359,896	\$ 8,899,792
Amortization				
Balance, July 31, 2014	\$ 2,065,116	\$	-	\$ 2,065,116
Amortization for the period	551,361		-	551,361
Balance, October 31, 2014	\$ 2,616,477	\$	-	\$ 2,616,477
Carrying amounts, July 31, 2014	\$ 5,474,780	\$	1,359,896	\$ 6,834,676
Carrying amounts, October 31, 2014	\$ 4,923,419	\$	1,359,896	\$ 6,283,315

Capital Assets

The Company's capital assets consist of computers and related equipment. As of October 31, 2014, the book value of fixed assets was \$5,194, as illustrated by the following table:

	Computer Equipment		Furniture and Fixtures		Total
Cost					
Balance, July 31, 2014	\$	10,661	\$	-	\$ 10,661
Additions		1,650		-	1,650
Disposals		(4,008)		-	(4,008)
Balance, October 31, 2014	\$	8,303	\$	-	\$ 8,303
Accumulated depreciation					
Balance, July 31, 2014	\$	3,710	\$	-	\$ 3,710
Depreciation		833		-	833
Disposals		(1,435)		-	
Balance, October 31, 2014	\$	3,108	\$	-	\$ 3,108
Carrying amounts					
As at July 31, 2014	\$	6,951	\$	-	\$ 6,951
As at October 31, 2014	\$	5,194	\$	-	\$ 5,194

Investments

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

	Investments						Fair value
	Opening balance	Additions	Interest accrued	Redemptions/ distributions	Gains/losses		
Copper Cloud, Inc.	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	
All other investments	187,713	-	1,253	-	16,000	204,966	
	\$ 1,187,713	\$ -	\$ 1,253	\$ -	\$ 16,000	1,204,966	

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

Convertible notes are unsecured and bear interest annually at rates between 5% and 8%, and mature in two years or less. The notes are convertible upon certain future events transpiring, and such events are

uncertain as to both their occurrence and their magnitude. The convertible notes are carried at fair value through profit or loss.

During the three month period ended October 31, 2014, the Company recorded \$1,253 of interest income on convertible notes (2013 - \$1,628). Accrued interest is recorded as an increase to the carrying value of each convertible note.

5. LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2014, the Company had working capital of \$221,290, compared to working capital of \$700,681 at July 31, 2014. Management has been actively engaged in securing the resources necessary from internal and external sources to fulfill all of the Company's planned activities.

The Company's continued activities over the long term are dependent upon the Company's ability to raise additional capital in the future, achieve profitability, monetize one or more of its proprietary technologies, or reduce discretionary expenditures.

6. SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations for the three most recently completed fiscal years. For more detailed information pertaining to the Company, please see Mobio's annual audited consolidated financial statements for the years ended July 31, 2014 and 2013.

SELECTED ANNUAL INFORMATION			
Year ended July 31,	2014	2013	2012
Revenue	\$ 926,098	\$ 31,026	\$ 45,018
Cost of sales	\$ 309,461	\$ 22,504	\$ 29,127
Expenses	\$ 9,927,869	\$ 1,639,184	\$ 217,834
Other income (expenses)	\$ 883,950	\$ 17,943	\$ 39,716
Net earnings (loss)	\$ (10,195,182)	\$ (1,731,015)	\$ (162,227)
Earnings (loss) per share, basic and fully diluted	\$ (0.17)	\$ (0.06)	\$ (0.03)
Cash	\$ 738,485	\$ 449,898	\$ 1,546
Working capital (deficiency)	\$ 700,681	\$ 259,677	\$ (392,048)
Total assets	\$ 9,263,242	\$ 2,986,542	\$ 4,547
Total long-term liabilities	\$ -	\$ -	\$ -
Shareholders' equity	\$ 7,819,865	\$ 2,615,409	\$ (392,048)
Cash dividends	\$ -	\$ -	\$ -

The Company presently does not pay and does not anticipate paying any dividends on its common shares, as all available funds will be used to develop the Company's business for the foreseeable future.

7. SELECTED QUARTERLY INFORMATION

The following table provides a brief summary of the Company's financial results for each of the eight most recent quarters. For additional information pertaining to the Company's quarterly results, please refer to the consolidated interim financial statements for the three month periods ended October 31, 2014 and 2013, and to the Company's annual audited consolidated financial statements for the years ended

July 31, 2014 and 2013, and to the interim financial statements and MD&A for each period presented, which are available at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Oct. 31 2014	Jul. 31 2014	Apr. 30 2014	Jan. 31 2014	Oct. 31 2013	Jul. 31 2013	Apr. 30 2013	Jan. 31 2013
Revenue	\$ 157,320	\$ 170,255	\$ 659,327	\$ 71,487	\$ 28,520	\$ 31,026	\$ -	\$ -
Cost of sales	42,109	56,523	-	-	13,063	22,504	-	-
Expenses	1,187,618	4,670,322	4,222,302	2,497,259	868,653	1,006,737	244,743	404,941
Net earnings (loss)	(814,265)	(3,354,664)	(3,984,405)	(2,459,419)	(898,992)	(1,001,336)	(244,508)	(404,941)
Earnings (loss) per share, basic and fully diluted	(0.01)	(0.04)	(0.05)	(0.04)	(0.02)	(0.03)	(0.01)	(0.01)
Cash	405,238	738,485	186,544	2,393,263	1,152,636	449,898	1,300,261	1,043,097
Working capital (deficiency)	221,290	700,681	478,874	2,426,345	1,113,364	259,677	1,369,313	1,049,704
Total assets	8,153,282	9,263,242	15,483,063	13,944,096	3,632,017	2,986,542	2,528,819	1,974,870
Total long-term liabilities	-	-	-	-	-	-	-	-
Shareholders' equity	7,050,703	7,819,865	11,527,496	10,200,407	3,355,931	2,615,409	2,495,486	1,936,704
Cash dividends	-	-	-	-	-	-	-	-

8. RELATED PARTY TRANSACTIONS

Related party transactions consist of transactions made between the Company's subsidiaries and key management. Payments to key management, directors, and former directors during the three month periods ended October 31, 2014 and 2013 were as follows:

Three months ended October 31,	2014	2013
Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers	\$ 87,000	\$ 97,500
Share-based payments:		
Number of options granted	2,750,000	720,000
Fair value of options granted	\$ 49,140	\$ 67,038
Total compensation	\$ 136,140	\$ 164,538

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

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

During the prior year, transactions with related parties, other than management compensation arrangements, also included premises rental agreements. For prior three month period ended October 31, 2013, the Company and its subsidiaries rented office space from a company that two of the Company's

former and current directors are also directors of. The Company's offices were rented on a month-to-month basis and no lease has been entered into. During the prior three month period ended October 31, 2013, the Company paid rent of \$25,500.

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

9. FUTURE ACCOUNTING CHANGES

The IASB has made the pronouncements described below related to accounting changes, which have not yet been adopted by the Company. As of the date hereof, the following standards, amendments and interpretations have not been early adopted and are not expected to have a material effect on the Company's future results and financial position:

Financial Instruments

In November 2013, the IASB issued IFRS 9, *Financial Instruments*, (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2009) establishes the measurement and classification of financial assets. Financial assets are measured either at fair value through earnings or at amortized cost if certain conditions are met. IFRS 9 (2010) includes guidance on the classification and measurement of financial liabilities. The most recent amendment, IFRS 9 (2013) includes a new general hedge accounting model, which will align hedge accounting more closely with risk management. Additionally, the new standard removes the January 1, 2015 effective date. The new mandatory effective date of this standard is January 1, 2018.

The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

Revenue from Contracts with Customers

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

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

Separate Financial Statements

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

Investments in Associates and Joint Ventures

IAS 28, *Investments in Associates and Joint Ventures*, has been amended for conforming changes based on the issuance of IFRS 10, Consolidated Financial Statements, and IFRS 11, Joint Arrangements. The

Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Intangible Assets

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

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

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, investments in convertible notes, investments in equity securities, and trade and other payables. As at October 31, 2014, there are 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 due to their immediate or short-term maturity.

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

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

Fair Value

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

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

11. RISK MANAGEMENT

Early stage technology companies face many risks. While management is unable to eliminate risks, the Company is intent on identifying and mitigating such risks as much as is reasonably possible.

Many early stage technology companies are unsuccessful in achieving development of their product or commercialization thereof due to external factors that cannot be predicted, anticipated, or controlled by management, and even one such factor may result in the economic viability of a particular project being detrimentally impacted to the point where it is not feasible nor economical to proceed. The Company frequently evaluates and monitors its activities and the risk factors which could impact those activities, and makes timely decisions in regard to risk management. Management occasionally seeks the assistance of experienced professionals when appropriate to address risks.

Risks faced by the Company include:

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and accounts receivable, investments in convertible notes, and investments in promissory notes. Management believes that the credit risk with respect to cash is minimal as balances are held with a high-credit quality financial institution.

Liquidity Risk

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

Market Risk

The Company's exposure to financial market risk is limited to a minimal number of financial instruments that fluctuate as a result of changes in prices quoted in open markets. Currently the Company only has one equity investment that has prices quoted in a recognized market, and is therefore exposed to financial market risk. As at October 31, 2014, the fair value of this investment was \$30,000.

12. ACCOUNTING POLICIES & USE OF CRITICAL ESTIMATES

Accounting Policies

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenues and expenses. Actual results could differ from these estimates. The financial statements include estimates, which by their nature are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting

adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

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

a) Measurement uncertainty

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

b) Functional currency and presentation

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

c) Income taxes

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

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

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

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

d) Stock-based compensation

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

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

e) Loss per share

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

f) Financial instruments

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

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

g) Investments

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

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

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

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

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

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

Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the statement of loss and comprehensive loss.

h) Comprehensive income

Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings. Comprehensive loss is equal to net loss for the three month periods ended October 31, 2014 and 2013.

i) Non-monetary transactions

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

transaction cannot be accurately measured it is recorded at the carrying amount of the asset given up adjusted by the fair value of any monetary consideration received or given.

Other than as described in *Note 3 – New Standards and Policies Adopted* in the Company's consolidated interim financial statements for the three month periods ended October 31, 2014 and 2013, the accompanying financial information reflects the same accounting policies and methods of application as the Company's audited annual consolidated financial statements for the year ended July 31, 2014.

13. OUTSTANDING SHARE DATA

As of October 31, 2014, common shares issued and outstanding were as follows:

Common Shares Issued and Outstanding	Number	Amount
Balance, August 1, 2013	38,028,950	\$ 6,023,105
Shares issued pursuant to private placements	43,881,157	\$ 6,882,753
Share issuance costs	-	\$ (434,159)
Shares issued for business acquisitions	11,832,982	\$ 4,854,336
Shares returned to treasury	(105,235)	\$ (67,350)
Shares issued on warrant exercise	8,195,440	\$ 2,500,316
Expiration of warrants	-	\$ 99,616
Shares issued on option exercise	525,000	\$ 136,078
Balance, July 31, 2014	102,358,294	\$ 19,994,695
Expiration of warrants	-	144,221
Balance, October 31, 2014	102,358,294	\$ 20,138,916

As of October 31, 2014, the Company had the following common share purchase warrants issued and outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 1, 2013	11,082,500	\$ 0.30
Warrants issued during the year	23,059,897	\$ 0.31
Warrants exercised during the year	(8,195,440)	\$ 0.28
Warrants expired during the year	(4,535,000)	\$ 0.30
Balance, July 31, 2014	21,411,957	\$ 0.30
Warrants expired during the period	(4,197,004)	\$ 0.22
Balance, October 31, 2014	17,214,953	\$ 0.34

As of October 31, 2014, the Company had the following stock options issued, outstanding, and vested and exercisable:

Outstanding (#)	Exercisable (#)	Exercise Price (\$)	Expiry Date
4,100,000	-	\$ 0.05	Oct. 31, 2019
880,000	440,000	\$ 0.15	Oct. 4, 2018
1,650,000	1,650,000	\$ 0.16	Nov. 15, 2017
250,000	250,000	\$ 0.25	Apr. 2, 2019
150,000	150,000	\$ 0.27	May 10, 2018
500,000	312,500	\$ 0.32	May 30, 2018
625,000	234,375	\$ 0.50	Dec. 24, 2018
100,000	100,000	\$ 0.60	Feb. 25, 2017
8,255,000	3,136,875		

As of the date of this MD&A, the fully diluted share capital of the Company is 123,078,257 shares, comprising 102,358,294 common shares, 12,464,963 share purchase warrants, and 8,255,000 stock options. Additionally, the Company could issue up to 6,249,999 shares to former shareholders of Strutta contingent upon certain revenue-based milestones being achieved within agreed-upon timeframes.

14. CORPORATE INFORMATION

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Mike Edwards, Chief Executive Officer and director
David Baxby, director
Derek Lew, director

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Stock Exchange Listing (CAN)

TSX Venture Exchange
Symbol: **MBO**

Officers

Kevin Rathbun, Chief Financial Officer

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Stock Listing (USA)

OTCQX
Symbol: **MBIOF**