DIGIFONICA INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – expressed in Canadian Dollars)
June 30, 2012 and 2011

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

DIGIFONICA INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – expressed in Canadian Dollars)

	Note	June 30, 2012 $	December 31, 2011 $
ASSETS			
Current assets			
Cash		12,732	237,471
HST recoverable and other receivables		7,134	9,457
Prepaid expenses		11,425	-
Total assets		31,291	246,928
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	85,916	96,039
Demand loans	3, 7	4,422	59,873
Subscriptions payable	4	5,000	10,000
Loans from shareholders	5	-	69,191
Total liabilities		95,338	235,103
(DEFICIENCY) EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	6	12,793,565	12,777,815
Contributed surplus		1,047,761	1,048,511
Deficit		(13,905,373)	(13,814,501)
Total (deficiency) equity attributable to shareholders		(64,047)	11,825
Total liabilities and (deficiency) equity attributable to shareholders		31,291	246,928

Organization and nature of operations and going concern (Note 1)
Commitments (Note 8)
Subsequent events (Note 6(c))

Approved by the Board of Directors

"Gunther Roehlig" Director   "Gavin McMillan" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements

DIGIFONICA INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited – expressed in Canadian Dollars)

	Note	Three months ended June 30, 2012 $	Three months ended June 30, 2011 $	Six months ended June 30, 2012 $	Six months ended June 30, 2011 $
General and administrative expenses					
Accounting and audit	7	9,277	7,500	22,723	21,517
Consulting fees	7	-	28,420	-	101,010
Legal		41,169	15,500	55,126	38,470
Office and miscellaneous		23,969	93,100	41,486	122,631
Loss before other items		(74,415)	(144,830)	(119,335)	(283,628)
Gain on settlement of debt	4, 5	30,015	17,356	30,015	17,356
Foreign exchange (loss) gain		(384)	5,153	(304)	6,291
Interest expense		(726)	(6,083)	(1,248)	(17,808)
Net loss and comprehensive loss for the period		(45,510)	(128,404)	(90,872)	(277,789)
Basic and diluted loss per share		(0.00)	(0.03)	(0.00)	(0.07)
Weighted average number of shares outstanding		35,876,165	3,877,197	35,851,396	3,877,197

DIGIFONICA INTERNATIONAL INC.
CONDESNED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
For the six months ended June 30, 2012 and 2011
(Unaudited – expressed in Canadian Dollars)

	Number of shares	Amount $	Contributed Surplus $	Deficit $	Total $
Balance, December 31, 2010	3,877,197	11,778,565	560,372	(14,501,806)	(2,162,869)
Net loss and comprehensive loss for the period	-	-	-	(277,789)	(277,789
Balance, June 30, 2011	3,877,192	11,778,565	560,372	(14,779,595)	(2,440,658)
Issued during the period:					
For cash pursuant to private placement of units	30,000,000	1,350,000	150,000	-	1,500,000
For finder's units	2,860,000	128,700	14,300	-	143,000
Less: issue costs – finders' units	-	(143,000)	-	-	(143,000)
– cash	-	(12,611)	-	-	(12,611)
Cancellation of escrow shares	(908,049)	(323,839)	323,839	-	-
Net income and comprehensive income for the period	-	-	-	965,094	965,094
Balance, December 31, 2011	35,829,143	12,777,815	1,048,511	(13,814,501)	11,825
Exercise of warrants	150,000	15,000	-	-	15,000
Transfer of value on warrant exercise	-	750	(750)	-	-
Net loss and comprehensive loss for the period	-	-	-	(90,872)	(90,872)
Balance, June 30, 2012	35,979,143	12,793,565	1,047,761	(13,905,373)	(64,047)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

DIGIFONICA INTERNATIONAL INC.
CONDESNSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2012 and 2011
(Unaudited – expressed in Canadian Dollars)

	2012 $	2011 $
Cash flow provided by (used in)		
Operating Activities		
Net loss for the period	(90,872)	(277,789)
Deduct non-cash item: unrealized foreign exchange gain		
Gain on forgiveness of debt	(30,015)	-
Unrealized foreign exchange gain	-	(2,835)
	(120,887)	(280,624)
Changes in non-cash working capital items		
HST recoverable and other receivables	2,323	(6,532)
Prepaid expenses	(11,425)	-
Accounts payable and accrued liabilities	(2,299)	167,356
	(132,288)	(119,800)
Financing Activities		
Exercise of warrants	15,000	-
Repayment of demand loans	(55,451)	-
Proceeds from demand loans	-	92,460
Repayment of subscriptions payable	(1,000)	-
Repayment of loans from shareholders	(51,000)	-
Proceeds from loans from shareholders	-	32,000
	(92,451)	124,460
(Decrease) increase in cash during the period	(224,739)	4,660
Cash – beginning of the period	237,471	238
Cash – end of the period	12,732	4,898
Cash paid during the period for:		
Interest	-	-
Income taxes	-	-
Non-cash financing activity:		
Transfer of value on exercise of warrants	750	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements

(Unaudited – expressed in Canadian Dollars)

1. ORGANIZATION AND NATURE OF OPERATIONS AND GOING CONCERN

Digifonica International Inc. ("Digifonica" or the "Company") was incorporated under the Alberta Business Corporations Act on November 23, 2004. During the six months ended June 30, 2012, the Company had ceased operations due to a lack of financing. The Company's main activity during the period has been maintaining its public listing. The Company is listed on the TSX Venture Exchange's NEX board under the trading symbol "DIL.H". The Company's head office is located at Suite 1750 – 999 West Hastings Street, Vancouver, BC.

These condensed interim consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At June 30, 2012, the Company had a working capital deficiency of $64,047, has accumulated losses of $13,905,373 since its inception and expects to incur further losses in the development of its business, all of which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the normal course of business. The continuation of the Company is dependent upon obtaining necessary financing and to meet its ongoing levels of corporate overhead. These condensed interim consolidated financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern. See Note 8 regarding a proposed private placement financing.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2011. These financial statements were approved by the board of directors for use on August 28, 2012.

3. DEMAND LOANS

	$
Balance – December 31, 2010	-
Add: Proceeds from demand loans	101,870
Deduct: Repayment of demand loans	(41,997)
Balance – December 31, 2011	59,873
Deduct: Repayment of demand loans	(55,451)
Balance – June 30, 2012	4,422

(Unaudited – expressed in Canadian Dollars)

During the year ended December 31, 2011, a third-party and a director provided non-interest bearing loans due on demand. The remaining demand loan balance of $4,422 is due to a director of the Company.

4. SUBSCRIPTIONS PAYABLE

	$
Balance – December 31, 2010	134,822
Deduct: Repayment	(124,822)
Balance –December 31, 2011	10,000
Deduct: Settlement	(5,000)
Balance – June 30, 2012	5,000

In December 2008, the Company received an advance of $124,822 from an arm's-length party. The terms of the subscription agreement were not finalized. In 2010, the Company received a $10,000 subscription in advance, but shares were not issued.

During the year ended December 31, 2011, $124,822 of the subscriptions were repaid. During the six months ended June 30, 2012, $5,000 of subscriptions payable were settled for $1,000 resulting in a gain on settlement of debt of $4,000.

5. LOANS FROM SHAREHOLDERS

	$
Balance – December 31, 2010	202,691
Add: Proceeds from loans	32,000
Deduct: Repayment	(165,500)
Balance –December 31, 2011	69,191
Deduct: Settlement	(69,191)
Balance – June 30, 2012	-

During the six months ended June 30, 2012, the Company settled $69,191 of loans from shareholders for $51,000 resulting in a gain on settlement of debt of $18,191.

6. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.
Unlimited preferred shares issuable in series.

(Unaudited – expressed in Canadian Dollars)

b) Options:

The Company has established a stock option plan in accordance with the policies of the TSX Venture Exchange under which it is authorized to grant share purchase options up to 10% of its outstanding shares. The exercise price of options granted equals the market price of the Company's stock on the date of the grant. The options are for a maximum term of five years.

A summary of the status of the Company's stock option plan as of June 30, 2012 and December 31, 2011 and the changes during the periods then ended is presented below:

	Number of options	**Weighted average exercise price $**
Balance outstanding – December 31, 2011 and 2010	69,000	10.58
Forfeited	(69,000)	10.58
Balance outstanding and exercisable – June 30, 2012	-	-

c) Warrants:

A summary of warrants outstanding as of June 30, 2012 and December 31, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	**Weighted average exercise price $**
Balance outstanding – December 31, 2010	375,515	2.50
Issued	32,860,000	0.10
Expired	(375,515)	2.50
Balance outstanding – December 31, 2011	32,860,000	0.10
Exercised	150,000	0.10
Balance outstanding – June 30, 2012	32,710,000	0.10

The weighted average remaining contractual life of warrants at June 30, 2012 is 0.46 years (December 31, 2011 – 0.96 years).

(Unaudited – expressed in Canadian Dollars)

At June 30, 2012, warrants outstanding that entitled the holder thereof to acquire one share for each warrant held are as follows:

Expiry Date	Exercise Price $	Number of Warrants
December 14, 2012	0.10	[(1)]32,710,000
		32,710,000

(1) Subsequent to June 30, 2012, 600,000 of these warrants were exercised for gross proceeds of $60,000.

7. RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the three and six months ended June 30, 2012 and 2011:

	Three months ended June 30, 2012 $	Three months ended June 30, 2011 $	Six months ended June 30, 2012 $	Six months ended June 30, 2011 $
Accounting fees	8,402	-	20,740	-
Consulting fees	-	3,000	-	66,590
	8,402	3,000	20,740	63,590

Included in accounts payable and accrued liabilities as at June 30, 2012 is $19,476 (December 31, 2011 - $20,365) due to current and former directors and officers of the Company and/or companies controlled by them. The amounts owing are unsecured, non-interest bearing and due on demand.

At June 30, 2012, $4,422 (December 31, 2011 - $4,422) of the demand loans are due to a director of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

Key management includes the directors of the Company. The compensation paid or payable to key management for services during the three and six months ended June 30, 2012 and 2011 is identical to the table above.

8. COMMITMENTS

Acquisition of assets of Bidcactus, LLC

On April 24, 2012, the Company entered into a non-binding letter of intent ("LOI") to acquire from Bidcactus, LLC ("Bidcactus"), through an off-shore subsidiary to be incorporated, substantially all of the assets and certain of the liabilities of Bidcactus (the "Transaction"). Bidcactus operates a "penny-auction" website at www.bidcactus.com.

Under the terms of the Transaction, the Company will issue to Bidcactus 25,000,000 common shares of the Company. A finder's fee of 500,000 common shares will be payable. It is a condition of closing of the Transaction that the Company will undertake a brokered private placement financing of at least $5,000,000 by the issuance of at least 12,500,000 units at $0.40 per unit, each unit consisting of one common share of the company one half of one warrant, each full warrant entitling the holder thereof to buy one additional common share of the Company at $0.75 per share for a period of two years.

The Transaction is subject to a number of conditions, including without limitation, completion of satisfactory technical and legal due diligence, TSX Venture Exchange approval, and Digifonica and Bidcactus shareholders' approval.