DIGIFONICA INTERNATIONAL INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2013 and 2012

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED 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 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 STATEMENTS OF FINANCIAL POSITION
(Unaudited - expressed in Canadian Dollars)

	Note	June 30, 2013 $	December 31, 2012 $
ASSETS			
Current assets			
Cash		9,646	94,576
GST/HST recoverable		7,681	29,360
Prepaid expenses		1,354	2,634
Deferred financing costs	9	7,100	-
Total assets		25,781	126,570
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	890,359	323,753
Demand loans	3	-	4,422
Subscriptions payable	4	5,000	5,000
Total liabilities		895,359	333,175
DEFICIENCY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	6	13,169,360	13,169,360
Subscriptions received	9	20,000	-
Contributed surplus		1,029,866	1,029,866
Deficit		(15,088,804)	(14,405,831)
Total deficiency attributable to shareholders		(869,578)	(206,605)
Total liabilities and deficiency attributable to shareholders		25,781	126,570

Organization and nature of operations and going concern (Note 1)
Subsequent event (Note 9)

Approved by the Board of Directors

"Gunther Roehlig" Director "Gavin McMillan" Director

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

DIGIFONICA INTERNATIONAL INC.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three and six months ended June 30, 2013 and 2012
(Unaudited - expressed in Canadian Dollars)

		Three months ended June 30,		Six months ended June 30,	
		2013	2012	2013	2012
	Note	$	$	$	$
General and administrative expenses					
Accounting and audit	7	7,026	9,277	24,689	22,723
Consulting fees	7	-	-	86,450	-
Legal		23,461	41,169	111,456	55,126
Office and miscellaneous		15,499	23,969	61,112	41,486
Loss before other items		(45,986)	(74,415)	(283,707)	(119,335)
Foreign exchange loss		(2,408)	(384)	(3,746)	(304)
Gain on forgiveness of debt	3	-	30,015	4,480	30,015
Loss on debt assignment	8	(400,000)	-	(400,000)	-
Interest expense		-	(726)	-	(1,248)
Net loss and comprehensive loss for the period		(448,394)	(45,510)	(682,973)	(90,872)
Basic and diluted loss per share		(0.01)	(0.00)	(0.02)	(0.00)
Weighted average number of shares outstanding		39,558,143	35,876,165	39,558,143	35,851,396

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

DIGIFONICA INTERNATIONAL INC.
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
For the six months ended June 30, 2013 and 2012
(Unaudited - expressed in Canadian Dollars)

	Number of shares	Amount $	Subscriptions Received $	Contributed Surplus $	Deficit $	Total $
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)
Issued during the period:						
For cash pursuant to the exercise of warrants	3,579,000	357,900	-	-	-	357,900
Transfer of value on warrant exercise	-	17,895	-	(17,895)	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(500,458)	(500,458)
Balance, December 31, 2012	39,558,143	13,169,360	-	1,029,866	(14,405,831)	(206,605)
Subscriptions received	-	-	20,000	-	-	20,000
Net loss and comprehensive loss for the period	-	-	-	-	(682,973)	(682,973)
Balance, June 30, 2013	39,558,143	13,169,360	20,000	1,029,866	(15,088,804)	(869,578)

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

DIGIFONICA INTERNATIONAL INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the three and six months ended June 30, 2013 and 2012
(Unaudited - expressed in Canadian Dollars)

	2013 **$**	**2012** **$**
Cash flow provided by (used in)		
Operating activities		
Net loss for the period	(682,973)	(90,872)
Deduct non-cash item:		
Gain on forgiveness of debt	(4,480)	(30,015)
Loss on debt settlement	400,000	-
	(287,453)	(120,887)
Changes in non-cash working capital items		
GST/HST recoverable	21,679	2,323
Prepaid expenses	1,280	(11,425)
Accounts payable and accrued liabilities	171,086	(2,299)
	(93,408)	(132,288)
Investing activity		
Deferred financing costs	(7,100)	-
Financing activities		
Proceeds from share subscriptions	20,000	-
Exercise of warrants	-	15,000
Repayment of demand loans	(4,422)	(55,451)
Repayment of subscriptions payable	-	(1,000)
Repayment of loans from shareholders	-	(51,000)
	15,578	(92,451)
Decrease in cash during the period	(84,930)	(224,739)
Cash – beginning of the period	94,576	237,471
Cash – end of the period	9,646	12,732
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 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 year ended December 31, 2012, the Company had ceased operations due to a lack of financing. The Company's main activity during the year 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 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, 2013, the Company had a working capital deficiency of $869,578, had accumulated losses of $15,088,804 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. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that financing will be available on terms which are acceptable to the Company. These 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. Subsequent to June 30, 2013, the Company completed a combined private placement and debt settlement for $1,250,000 (Note 9).

2. BASIS OF PREPARATION

These condensed interim 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 financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012, 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, 2012. These financial statements were approved by the board of directors for use on August 28, 2013.

3. DEMAND LOANS

	$
Balance – December 31, 2011	59,873
Deduct: Repayment of demand loans	(55,451)
Balance – December 31, 2012	4,422
Deduct: Repayment of demand loans	(4,422)
Balance – June 30, 2013	-

(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 was paid during the six months ended June 30, 2013.

4. SUBSCRIPTIONS PAYABLE

	$
Balance – December 31, 2011	10,000
Deduct: Settlement	(5,000)
Balance – June 30, 2013 and December 31, 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, 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, 2011	69,191
Deduct: Settlement	(69,191)
Balance – June 30, 2013 and December 31, 2012	-

During the year ended December 31, 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.

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.

(Unaudited - expressed in Canadian Dollars)

A summary of the status of the Company's stock option plan as of June 30, 2013 and December 31, 2012 and the changes during the periods then ended is presented below:

	Number of options	Weighted average exercise price $
Balance outstanding – December 31, 2011	69,000	10.58
Forfeited	(69,000)	10.58
Balance outstanding and exercisable – June 30, 2013 and December 31, 2012	-	-

c) Warrants:

A summary of warrants outstanding as of June 30, 2013 and December 31, 2012 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average exercise price $
Balance outstanding – December 31, 2011	32,860,000	0.10
Exercised	(3,729,000)	0.10
Expired	(29,131,000)	0.10
Balance outstanding – June 30, 2013 and December 31, 2012	-	-

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, 2013 and 2012:

	Three months ended June 30,		Six months ended June 30,	
	2013 $	2012 $	2013 $	2012 $
Accounting fees	6,226	8,402	20,689	20,740
Consulting fees	-	-	30,000	-
	6,226	8,402	50,689	20,740

Included in accounts payable and accrued liabilities as at June 30, 2013 is $148,282 (December 31, 2012 - $44,390) 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.

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, 2013 and 2012 is identical to the table above.

8. TRANSACTION

Acquisition of assets of BidCactus, LLC

On December 10, 2012, the Company entered into a formal agreement with BidCactus, LLC, (the "BidCactus Agreement", that replaced a non-binding letter of intent ("LOI") entered into on April 24 2012) to acquire from BidCactus, LLC ("BidCactus"), substantially all of the assets and certain of the liabilities of BidCactus (the "Transaction"). Completion of the transaction was subject to the Company obtaining regulatory and shareholder approvals as well as securing an investment banker to sponsor the transaction with regulators. In addition, the Company needed to complete a financing of at least $5 million at closing.

On June 3, 2013 the Company and BidCactus entered into a termination agreement, mutually agreeing to terminate the BidCactus Agreement. As a result of the termination of the agreement the Company will not proceed with the balance of the Transaction or the financing.

As a result of the termination of the Transaction the Company agreed to assume $400,000 of debt from BidCactus. The debt originated from certain arm's length parties of the Company providing bridge loans to BidCactus, which were intended to be assumed by the Company on closing of the Transaction. The debt was settled subsequent to the six months ended June 30, 2013.

9. SUBSEQUENT EVENT

Subsequent to June 30, 2013, the Company closed a combined private placement and debt settlement for $1,250,000, issuing 25,000,000 common shares at a price of $0.05 per share. A total of 15,327,084 shares were issued under the private placement for proceeds $766,354, while 9,672,916 shares were issued in settlement of debts totalling $483,646. The debt settlement included $400,000 of debt that was assumed from BidCactus (Note 8). At June 30, 2013, the Company had received $20,000 of the private placement financing and had incurred deferred financing costs of $7,100.