

DIGIFONICA INTERNATIONAL INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - expressed in Canadian Dollars)
Three and Nine Months Ended September 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	September 30, 2013 \$	December 31, 2012 \$
ASSETS			
Current assets			
Cash		384,378	94,576
GST recoverable		6,721	29,360
Prepaid expenses		1,450	2,634
Total assets		392,549	126,570
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6,8	45,187	323,753
Demand loans	3	-	4,422
Subscriptions payable	4	5,000	5,000
Total liabilities		50,187	333,175
EQUITY (DEFICIENCY) ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	7	14,410,726	13,169,360
Contributed surplus		1,029,866	1,029,866
Deficit		(15,098,230)	(14,405,831)
Total equity (deficiency) attributable to shareholders		342,362	(206,605)
Total liabilities and equity (deficiency) attributable to shareholders		392,549	126,570

Organization and nature of operations and going concern (Note 1)

Approved by the Board of Directors

%G Gunther Roehlig+ Director

%G Gavin McMillan+ Director

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2013 \$	2012 \$	2013 \$	2012 \$
General and administrative expenses					
Accounting and audit	8	16,074	15,606	40,763	38,329
Consulting fees	8	21,000	52,500	107,450	52,500
Legal		11,368	151,535	122,824	206,661
Office and miscellaneous		(8,379)	29,842	52,733	71,328
Loss before other items		(40,063)	(249,483)	(323,770)	(368,818)
Foreign exchange gain (loss)		1,006	233	(2,740)	(71)
Gain on forgiveness of debt	6	29,631	-	34,111	30,015
Loss on debt assignment	9	-	-	(400,000)	-
Interest expense		-	(1,054)	-	(2,302)
Net loss and comprehensive loss for the period		(9,426)	(250,304)	(692,399)	(341,176)
Basic and diluted loss per share		(0.00)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding		39,558,143	35,979,143	47,616,751	36,003,596

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

DIGIFONICA INTERNATIONAL INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

For the nine months ended September 30, 2013 and 2012

(Unaudited - expressed in Canadian Dollars)

	Number of shares	Amount \$	Commitment to issue shares \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, December 31, 2011	35,829,143	12,777,815	-	1,048,511	(13,814,501)	11,825
Issued during the period:						
Exercise of warrants	750,000	75,000	-	-	-	75,000
Transfer of value on warrant exercise	-	3,750	-	(3,750)	-	-
Cash received pursuant to the exercise of warrants	-	-	18,500	-	-	18,500
Net loss and comprehensive loss for the period	-	-	-	-	(341,176)	(341,176)
Balance, September 30, 2012	36,579,143	12,856,565	18,500	1,044,761	(14,155,677)	(235,851)
Issued during the period:						
For cash pursuant to the exercise of warrants	2,979,000	297,900	(18,500)	-	-	279,400
Transfer of value on warrant exercise	-	14,895	-	(14,895)	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(250,154)	(250,154)
Balance, December 31, 2012	39,558,143	13,169,360	-	1,029,866	(14,405,831)	(206,605)
Issued during the period:						
For cash pursuant to private placement	15,327,084	766,354	-	-	-	766,354
For the settlement of debt	9,672,916	483,646	-	-	-	483,646
Less: issue costs - cash	-	(8,634)	-	-	-	(8,634)
Net loss and comprehensive loss for the period	-	-	-	-	(692,399)	(692,399)
Balance, September 30, 2013	64,558,143	14,410,726	-	1,029,866	(15,098,230)	342,362

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

	2013	2012
	\$	\$
<hr/>		
Cash flow provided by (used in)		
Operating activities		
Net loss for the period	(692,399)	(341,176)
Add (deduct) non-cash items:		
Gain on forgiveness of debt	(34,111)	(30,015)
Loss on debt settlement	400,000	-
	<hr/>	<hr/>
	(326,510)	(371,191)
Changes in non-cash working capital items		
GST recoverable	22,639	(2,250)
Prepaid expenses	1,184	(21,384)
Accounts payable and accrued liabilities	(160,809)	215,916
	<hr/>	<hr/>
	(463,496)	(178,909)
Financing activities		
Issuance of shares, net of issue costs	757,720	-
Exercise of warrants	-	93,500
Repayment of demand loans	(4,422)	(55,451)
Repayment of subscriptions payable	-	(1,000)
Repayment of loans from shareholders	-	(51,000)
Deferred share issuance costs	-	(25,000)
	<hr/>	<hr/>
	753,298	(38,951)
Increase (decrease) in cash during the period	289,802	(217,860)
Cash . beginning of the period	94,576	237,471
	<hr/>	<hr/>
Cash . end of the period	384,378	19,611
Non-cash financing activities:		
9,672,916 common shares issued as settlement of accounts payable and accrued liabilities	483,646	-
Transfer of value on exercise of warrants	-	3,750
	<hr/>	<hr/>

DIGIFONICA INTERNATIONAL INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - expressed in Canadian Dollars)

1. ORGANIZATION AND NATURE OF OPERATIONS AND GOING CONCERN

Digifonica International Inc. (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 activities during the nine months ended September 30, 2013 have been maintaining its public listing and pursuing potential business opportunities as they arise. 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 2301 . 1011 West Cordova 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 September 30, 2013, the Company had working capital of \$342,362, had accumulated losses of \$15,098,230 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.

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 November 29, 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 . September 30, 2013	-

DIGIFONICA INTERNATIONAL INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2013 and 2012
(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 nine months ended September 30, 2013.

4. SUBSCRIPTIONS PAYABLE

	\$
Balance . December 31, 2011	10,000
Deduct: Settlement	(5,000)
Balance . September 30, 2013 and December 31, 2012	5,000

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 . September 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. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2013	December 31, 2012
Trade payables	36,415	279,363
Amounts due to related parties (Note 8)	8,772	44,390
	45,187	323,753

During the nine months ended September 30, 2013 the Company settled \$76,686 of trade payables for \$42,575 for a gain on debt settlement of \$34,111.

7. SHARE CAPITAL

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

DIGIFONICA INTERNATIONAL INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - expressed in Canadian Dollars)

b) Financing:

During the nine months ended September 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 9).

The Company incurred \$8,634 of cash issuance costs in connection with the private placement.

c) 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 September 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
<hr/>		
Balance outstanding and exercisable . September 30, 2013 and December 31, 2012	-	-

d) Warrants:

A summary of warrants outstanding as of September 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
<hr/>		
Balance outstanding . September 30, 2013 and December 31, 2012	-	-

DIGIFONICA INTERNATIONAL INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - expressed in Canadian Dollars)

8. 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 nine months ended September 30, 2013 and 2012:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Accounting fees	10,949	10,607	31,638	31,347
Consulting fees	7,500	-	37,500	-
	18,449	10,607	69,138	31,347

Included in accounts payable and accrued liabilities as at September 30, 2013 is \$8,772 (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 nine months ended September 30, 2013 and 2012 is identical to the table above.

9. TRANSACTION

Acquisition of assets of BidCactus, LLC

On December 10, 2012, the Company entered into a formal agreement with BidCactus, LLC, (the ~~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 arms 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 during the nine months ended September 30, 2013.