

CANADA
Province of Quebec
District of Montréal
Division No.: 01-Montréal
Court No.: 500-11-065571-255
Estate No.: 41-3214502

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF:

MOBI724 GLOBAL SOLUTIONS INC.
a duly constituted legal person having its principal
place of business at 500-1275 Avenue des
Canadiens-de-Montréal, Québec, H3B 0G4

Debtor / Applicant

-and-

RICHTER INC.

Proposal Trustee

FIRST REPORT OF THE PROPOSAL TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS
April 30, 2025

Richter Inc. ("**Richter**" or the "**Proposal Trustee**"), in its capacity as trustee under the Notice of Intention to Make a Proposal (the "**NOI**"), pursuant to the *Bankruptcy and Insolvency Act* (the "**BIA**") filed by Mobi724 Global Solutions Inc. ("**Mobi**", "**Debtor**" or the "**Company**"), an insolvent person, does hereby report to the Court the following:

INTRODUCTION

1. On April 22, 2025, the Company sought protection under the BIA by filing a NOI with the Proposal Trustee. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is annexed hereto as **Exhibit "A"**.
2. On April 25, 2025, the Company filed a motion entitled *Application for an Order (1) Approving Interim Financing and Interim Financing Charge, and (2) Approving an Administration Charge* (the "**Financing and Charge Motion**"). A hearing to consider the Financing and Charge Motion has been scheduled for May 1st, 2025.

PURPOSE OF THIS REPORT

3. The purpose of this first report of the Proposal Trustee (the "**First Report**") is to provide this Court with information pertaining to:
 - (i) General background information and financial situation of the Company;
 - (ii) The Company's creditors;
 - (iii) The restructuring measures;
 - (iv) The financing of the ongoing operations;
 - (v) The relief sought in the Financing and Charge Motion; and
 - (vi) The Proposal Trustee's recommendation.

TERMS OF REFERENCE

4. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
5. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtor's representatives, the Debtor's books and records, and discussions with the Debtor's representatives and legal counsel (the "**Information**").
6. Except as otherwise described in this First Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information. The Information has been provided by the management of the Company and only the Company is responsible for the accuracy of such Information.
7. Future oriented financial information relied upon in this First Report is based on the Debtor's representatives' assumptions regarding future events; actual results achieved may vary from the Information presented even if the hypothetical assumptions occur and these variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether projections will be achieved.

GENERAL BACKGROUND INFORMATION AND FINANCIAL SITUATION OF THE COMPANY

8. Reference is made to the Financing and Charge Motion. While this Report summarizes certain of the information set out in the Financing and Charge Motion, for context, readers are directed to the Financing and Charge Motion for more detailed background information and explanation of the grounds for the application.
9. The Company is a fintech corporation which has developed a sophisticated technology platform that conducts data analysis and transaction processing for existing networks, card issuers and payment systems (the “**Platform**”).
10. The Platform, using proprietary AI-based predictive-analysis analyzes consumer experiences generating valuable incremental commercial opportunities for banks, fintech card issuers and merchants, thereby enabling them to increase their transaction revenues and improve the performance and profitability of their card portfolios through data monetization.
11. The Company’s head office is located in Montreal, Quebec and at the time of the filing of the NOI, employed 9 employees.
12. Given the nature of the Company’s business in the fintech and AI sectors, a highly specialized workforce is required resulting in significant development costs.
13. The Debtor attributes its financial difficulties to the following:
 - (i) The substantial costs associated with maintaining a public listing on the TSX Venture Exchange and the Company’s inability to reduce operating costs;
 - (ii) The adverse impact of COVID-19 during the Company’s capital-raising efforts, which hindered its ability to commercialize products and generate sales;
 - (iii) A forced change in auditors led to substantial delays in the completion of the Company’s financial statements resulting in a cease trade order;
 - (iv) The Company’s inability to raise additional working capital;
 - (v) Revenu Québec initiating a third-party garnishment against Mobi’s principal client for unremitted deductions at source.
14. As noted in the Financing and Charge Motion, the Company acquired Mobi724 Solutions Inc. in 2013. As noted above, the Company is a publicly listed company, which has been delisted and under a cease trade order due to non-compliance with listing regulations. As a public company, its initial operations and product development were funded both through equity raised from shareholders and various lenders.

15. Set out below is a summary of Mobi's unaudited financial results for the years ended December 31, 2022 and December 31, 2023 and the Company's unaudited internal financial results for the 9-month period ended September 30, 2024:

| Mobi724 Global Solutions Inc. | | | |
|--------------------------------------|--------------------|--------------------|----------------------|
| Financial Results | F2022 | F2023 | YTD Sept 2024 |
| <i>(000's)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| <i>Months:</i> | <i>12 mths</i> | <i>12 mths</i> | <i>9 mths</i> |
| Net Revenues | \$ 379 | \$ 1,314 | \$ 773 |
| Operating Expenses | (5,204) | (3,449) | (2,314) |
| Operating Loss | (4,825) | (2,136) | (1,541) |
| Non-Operating Expenses | (434) | (805) | (768) |
| Net Loss | \$ (5,259) | \$ (2,941) | \$ (2,309) |

16. As previously discussed, the Company has been unable to secure additional capital to fund its commercialization efforts. As a result, sales volumes remained insufficient to cover operating costs, leading to significant losses and a resulting liquidity crisis.
17. The Debtor has advised that three legal proceedings have been instituted against it and its wholly owned subsidiary, Mobi724 Smart Transactions Inc., including the aforementioned Revenu Québec seizure. These parties will be notified, and all proceedings will be stayed as a result of the NOI filing.
18. Presented below is an overview of the Company's balance sheet as of September 30, 2024:

| Mobi724 Global Solutions Inc. | |
|--------------------------------------|--------------------|
| Balance Sheet | As at |
| <i>(000's)</i> | 30-Sep-24 |
| | <i>(Unaudited)</i> |
| Assets | |
| Cash | \$ 78 |
| Trade and Other Receivables | 783 |
| Prepays and Deposits | 72 |
| Property and Equipment | 3 |
| | \$ 935 |
| Liabilities | |
| Accounts Payables & Accruals | \$ 5,672 |
| Convertible Debt | 9,589 |
| Derivative Financial Instruments | 500 |
| Long-Term Debt | 2,936 |
| Future Income Taxes | (482) |
| | 18,215 |
| Shareholders' Equity | |
| Share Capital | 39,648 |
| Contributed Surplus | 15,511 |
| Convertible Equity | 73 |
| Warrant | 1,778 |
| Stock Option | 432 |
| Retained Earnings | (74,721) |
| | (17,279) |
| Liabilities & Equity | \$ 935 |

19. As reflected in the above table, the Company's poor financial performance has resulted in total liabilities significantly exceeding its assets, rendering it unable to meet its obligations as they become due.

THE COMPANY'S CREDITORS

20. At the time of the filing of the NOI, the Company's books and records reflected the following amounts owing to its creditors. The Proposal Trustee has not validated any of the following information.

Secured Creditors

21. The Debtor has the following amounts owing to secured creditors:
- (i) \$1.9 million (\$1.2 million hypothec) – Business Development Bank of Canada ("BDC")
 - (ii) \$3.2 million (\$2.76 million hypothec) – Investissement Québec ("IQ") - secured debenture
 - (iii) \$0.6 million (\$1.0 million hypothec) – IQ - Innovation program
 - (iv) \$0.4 million (\$0.2 million hypothec) – R&D Capital Inc.
22. The BDC holds a first ranking hypothec on intellectual property ("IP") and a second ranking hypothec on the moveable property.
23. IQ is the first ranking secured lender on the moveable property and is second ranking on the IP.
24. R&D Capital is the first ranking secured lender on research and development tax credits.

Priority Claims

25. The Company owes Revenue Canada and Revenu Québec a total of \$0.7 million representing unremitted deductions at source. We were advised by the Debtor that there is various offset of tax credits that have yet to be applied to the outstanding balance which the Debtor estimates will reduce the balance owing to approximately \$140K.

Unsecured Creditors

26. Set out below is an overview of the Company's unsecured creditors at the time of the filing of the NOI:

| Mobi724 Global Solutions Inc. | |
|--------------------------------------|------------------|
| Unsecured Creditors | |
| (000's) | |
| Suppliers and other trade | \$ 4,456 |
| Convertible debt | 6,614 |
| Employees | 979 |
| | \$ 12,049 |

27. The amount shown as owing to employees is comprised of unpaid wages and accrued vacation pay.

THE RESTRUCTURING MEASURES

28. Over the past 24 months, the Company initiated the following restructuring measures to address its liquidity challenges:
- (i) Engaged a mergers and acquisitions firm to conduct a strategic review of the Company in an effort to raise capital and / or financing;
 - (ii) Reduce headcount from 36 to 9 employees;
 - (iii) Reduced operating costs to a bare minimum while attempting to raise additional capital; and
 - (iv) Sought potential purchasers for the Company's business or assets.
29. Despite the Company's efforts, management was unsuccessful in selling the business or raising capital.
30. In light of the above, and the significant pressures coming from the creditors, the Debtor filed the NOI to allow it to maintain operations in the short-term and provide it time to focus on a sale of the Company on a going concern basis through the implementation of a sale and investment solicitation process ("**SISP**"). Management has engaged the Proposal Trustee to initiate an expedited SISP.
31. The Debtor has generated an offer from certain management personnel to purchase the assets of the Company as well as taking on various undertakings by way of a stalking horse bid in the SISP.
32. The Company intends to continue operations during the NOI proceedings, with the current management to remain in place.

THE FINANCING OF THE ONGOING OPERATIONS

33. In order to maintain operations during the NOI, fund the restructuring process and ensure payment of post-filing obligations, the Debtor has sought offers for interim financing ("**DIP Financing**") from various sources.
34. The Debtor advises that it has been searching for financing for nine months prior to the Interim Financing Facility discussed below. The Debtor has received an interim financing term sheet in an amount up to \$868K ("**Interim Financing Facility**") from 9538-5613 Québec Inc. ("**DIP Lender**"), a newly incorporated company, which is controlled by a related party. It is the Proposal Trustee's understanding that the DIP Lender in turn, has raised these funds from various third parties to enable the DIP Lender to provide funding to the Company. The Proposal Trustee has not reviewed or otherwise been provided with copies of any loan documents between the DIP Lender and the various third parties. Accordingly, the Proposal Trustee can only comment on the terms of the proposed Interim Financing Facility between the Company and the DIP Lender.
35. The terms and conditions of the Interim Financing Facility requires a 1st ranking charge in the amount of \$1,085K (to cover principal, interest and other amounts) ("**Interim Financing Charge**") in priority to all creditors, including DAS claims and the Administration Charge (further detailed below).

36. The DIP Financing has been split into three separate distributions:
- (i) A \$325K USD loan bearing interest at 15% per annum, to immediately fund the Company's operations and restructuring costs;
 - (ii) A \$203K loan bearing interest at 22% per annum, on or about May 23, 2025, in connection with the cash flow forecast;
 - (iii) A \$200K loan bearing interest at 12% per annum, on or about June 23, 2025 or as additional cash is required, subject to the cash flow forecast.
37. As noted above and in the Financing and Charge Motion, the Debtor lacks the necessary liquidity to continue operations without ongoing financial support. Management has provided the Proposal Trustee with a weekly cash flow forecast for the period from the date of the NOI, April 22, 2025 to May 30, 2025 ("**Cash Flow**"). We summarize the projections as follows:

| Mobi724 Global Solutions Inc. Statement of Projected Cash Flow For the Period Apr 22 to May 30, 2025 | |
|--|------------------|
| | Total 39 days |
| Receipts | |
| Customers | \$ 43 |
| | 43 |
| Disbursements | |
| Payroll | 158 |
| Consultants/contracted services | 62 |
| IT Services | 49 |
| Supplier deposit / prepayment | 48 |
| Operations | 22 |
| Restructuring costs | 190 |
| | 529 |
| Projected Cash Flow | \$ (486) |
| Opening bank | - |
| Interim financing | 668 |
| Net cash flow | (486) |
| Ending Bank | \$ 182 |

38. The Cash Flow is based upon the operations of the Company on a going concern basis and reflects the receipts and disbursements based on current headcount levels and historical trending. Certain of the disbursements represent pre-payments for post-filing NOI services, failing which, the service providers (including employees) have indicated they will not provide post-filing services. The Cash Flow also reflects the payment of various restructuring related costs including professional fees.
39. Based on management's assumptions, the Cash Flow indicates that the Company will be able to adhere to the maximum Interim Financing Facility throughout the projected period.
40. Absent the approval of the Interim Financing Facility, the Company does not have the necessary liquidity to fund its operating expenses.

THE RELIEF SOUGHT IN THE FINANCING AND CHARGE MOTION

41. As detailed in the Financing and Charge Motion, the Debtor seeks the following relief:

- (i) **Interim Financing Charge**: An amount of \$1,085K securing the Debtor's post-filing obligations and to rank first in priority to all other claims.
- (ii) **Administration Charge**: An amount of \$150K in respect of the post-filing professional fees of AG Avocat, counsel for the Debtor, the Proposal Trustee and its counsel, to rank second, in priority to all other claims.

42. The Proposal Trustee is supportive of the Interim Financing Charge and the Administration Charge.

- (i) The Interim Financing Charge is reasonable as funds are required to continue operations and provide sufficient time to run the SISF. Without the support of interim financing, the Company would have no other means to continue operations and would have to go bankrupt.
- (ii) The Administration Charge is reasonable in view of the level of work being undertaken by the various professionals.

RECOMMENDATION

43. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the relief sought in the Financing and Charge Motion.

Respectfully submitted at Montreal, this 30th day of April 2025.

Richter Inc.
Licensed Insolvency Trustee



Andrew Adessky CPA, CIRP, LIT



Shawn Travitsky CPA, CIRP, LIT

Exhibit "A"



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of: Québec
Division No.: 01 - Montreal
Court No.: 41-3214502
Estate No.: 41-3214502

In the Matter of the Notice of Intention to make a proposal of:

Mobi724 Global Solutions Inc.

Insolvent Person

RICHTER INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

April 22, 2025

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 23, 2025, 09:57

E-File/Dépôt Electronique

Official Receiver

Sun Life Building, 1155 Metcalfe Street, Suite 950, Montréal, Québec, Canada, H3B2V6, (877)376-9902

Canada

NO. 500-11-065571-255

SUPERIOR COURT
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE NOTICE OF
INTENTION TO FILE A PROPOSAL OF:

MOBI724 GLOBAL SOLUTIONS INC.

Debtor/Applicant

-and-

RICHTER INC.

Trustee

First Report of the Proposal Trustee on the
State of Petitioner's business and Financial
Affairs and Exhibit A

ORIGINAL

CODE NO. BS0327 File: 9877-71

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