

SPOT MOBILE INTERNATIONAL LTD.

Form 10-Q

June 20, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 0-22636

SPOT MOBILE INTERNATIONAL LTD.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

75-2461665
(I.R.S. Employer
Identification Number)

4950 Yonge Street, Suite 900
North York, Ontario M2N 6K1
(Address of principal executive offices, including zip code)

(416) 229-9333
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter time period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of June 20, 2011, the registrant had 29,253,594 shares of common stock, \$0.001 par value per share, outstanding.

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SPOT MOBILE INTERNATIONAL LTD. AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SPOT MOBILE INTERNATIONAL LTD.****CONSOLIDATED BALANCE SHEETS**

	April 30, 2011 (unaudited)	October 31, 2010
ASSETS		
Current assets:		
Cash	\$ 15,088	\$ 156,465
Accounts receivable, net	16,257	35,738
Inventory	154,211	138,116
Prepaid expenses	16,293	
Total current assets	201,849	330,319
Deposits	694,000	30,000
Equipment, net	1,119,298	1,204,196
Customer lists, net	137,500	212,500
Intellectual property, net	91,667	141,667
Goodwill	300,000	400,000
	2,342,465	1,988,363
Total assets	\$ 2,544,314	\$ 2,318,682
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,182,568	\$ 1,123,090
Secured notes payable	1,175,000	1,175,000
Deferred revenue	75,494	2,027
Due to related parties	1,193,353	871,845
Note payable	100,000	100,000
Convertible promissory note	500,000	
Senior secured note payable	1,250,000	
Total current liabilities	5,476,415	3,271,962
Convertible promissory note		500,000
Senior secured note payable		1,250,000
Total liabilities	5,476,415	5,021,962
Shareholders' deficit:		
Preferred stock		

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Common stock	28,754	24,154
Additional paid in capital	5,822,256	3,835,856
Accumulated deficit	(8,783,111)	(6,563,290)
Total shareholders' deficit	(2,932,101)	(2,703,280)
Total liabilities and shareholders' deficit	\$ 2,544,314	\$ 2,318,682

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

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SPOT MOBILE INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended April 30,		Six months ended April 30	
	2011	2010	2011	2010
Revenue	\$ 3,007,736	\$ 4,437,176	\$ 5,876,283	\$ 9,104,815
Cost of revenue	3,249,401	4,333,535	6,226,395	8,931,021
Gross (loss) profit	(241,665)	103,641	(350,112)	173,794
Operating expenses:				
Selling, general and administrative expenses	813,299	357,479	1,592,963	544,013
Costs related to Rapid Link transaction		68,765		168,765
Amortization	115,600	76,593	231,140	153,439
Impairment charges	100,000		100,000	
Loss on legal settlements		300,000		300,000
	1,028,899	802,837	1,924,103	1,166,217
Loss from operations	(1,270,564)	(699,196)	(2,274,215)	(992,423)
Other income/expense:				
Loss on disposal of fixed assets		(5,490)		(5,490)
Management fee income	73,564		159,195	
Interest expense	(52,705)	(48,333)	(104,801)	(78,333)
Net loss	\$ (1,249,705)	\$ (753,019)	\$ (2,219,821)	\$ (1,076,246)
Net loss per share - basic and diluted	\$ (.04)	\$.23	\$ (.08)	\$ (.68)
Weighted average number of shares common shares outstanding	28,596,291	3,213,483	26,474,036	1,580,110

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

Table of Contents**SPOT MOBILE INTERNATIONAL LTD.****CONSOLIDATED STATEMENT OF SHAREHOLDERS DEFICIT****(UNAUDITED)**

	Common stock Shares	Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, November 1, 2010	24,153,594	\$ 24,154	\$ 3,835,856	\$ (6,563,290)	\$ (2,703,280)
Shares sold in a private placement	4,600,000	4,600	1,986,400		1,991,000
Net loss				(2,219,821)	(2,219,821)
Balance, April 30, 2011	28,753,594	\$ 28,754	\$ 5,822,256	\$ (8,783,111)	\$ (2,932,101)

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

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SPOT MOBILE INTERNATIONAL LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Six months ended April 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (2,219,821)	\$ (1,076,246)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense	231,140	153,439
Accrued interest waived by shareholder		60,000
Loss on disposal of fixed assets		5,490
Loss on impairment of goodwill	100,000	
Changes in operating assets and liabilities:		
Accounts receivable	19,481	(7,404)
Prepaid expenses	(16,293)	
Inventory	(16,095)	9,205
Deposits	(664,000)	(63,500)
Accounts payable and accrued liabilities	59,479	357,280
Deferred revenue	73,467	41,881
Net cash used in operating activities	(2,432,642)	(519,855)
Cash flows from investing activities:		
Purchases of equipment	(21,242)	(3,448)
Net cash used in investing activities	(21,242)	(3,448)
Cash flows from financing activities:		
Repayments of advances to related parties	(226,466)	(4,336)
Advances from related parties		