

UGE INTERNATIONAL LTD.

(formerly Way Ventures Inc.)

Management's Discussion and Analysis

Three and six months ended June 30, 2015

The following Management Discussion and Analysis ("MD&A") is prepared as of August 26, 2015 and is intended to assist in understanding the results of operations and financial condition of UGE International Ltd. (the "Company" or "UGE"). Throughout the MD&A, reference to the Company or UGE is on a consolidated basis. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2015 and the audited consolidated financial statements for the year ended December 31, 2014, both of which are expressed in United States dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in United States Dollars unless otherwise indicated.

Forward-Looking Information

This MD&A may contain forward-looking information that involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such assumptions, risks and uncertainties include, without limitation, those associated with, loss of markets, expected sales, future revenue recognition, currency fluctuations, the effect of global and regional economic conditions, industry conditions, changes in laws and regulations, and changes in how they are interpreted and enforced, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates. The Company's performance could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if they do so, what benefits the Company will derive there from. The forward-looking information is made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Corporate Profile

UGE is a global renewable energy company, focused on serving commercial and industrial clients with energy solutions that provide cheaper, more reliable, and more sustainable electricity. We design and deploy energy systems around the world, either directly to our clients or by selling the components of the system through distribution channels, for resale to the end user. In our model, our distribution partners provide local presence through which we jointly make sales, they manage installation, and we provide system engineering, procurement, project financing and a trustworthy brand. Both individually, and with our partners, we aim to provide leading energy solutions and customer service to our clients. Project sizes typically range from 10kW to 2MW in rated peak capacity, and are most often made to medium and large companies (examples include Whole Foods Market, Inc., General Electric Company, and BMW AG).

UGE was formed in 2008 as an energy solutions company, looking to package together renewable energy technologies to solve the needs of commercial and industrial clients. We first reached commercial success through designing and manufacturing our proprietary line of vertical axis wind turbines ("VAWT"), which we brought to market in 2010. Utilizing a global distribution network (the "Partner Network") we believe we became the world's top seller of VAWTs, with installations in over 100 countries, including on the Eiffel Tower and with several other noteworthy clients. We have since grown expertise in solar and microgrids, as well as the project financing thereof, which we leverage to deploy advanced energy systems for our clients, designed to immediately lower their electricity costs. We have also developed a proprietary energy modeling software, UGE SET, which quickly produces microgrid system designs, optimized to provide the lowest cost of energy available among the universe of options.

In 2014 we set in place a strategic shift that saw us refine our focus towards commercial and industrial clients with a greater emphasis on solar energy and key geographic markets, which was coupled with our public listing in August of that year. Since making this shift our growth has accelerated, with confirmed orders reaching record levels in each of the last four quarters. Previously we had defined confirmed

orders as those projects with which we had an executed agreement with our customer. To include award letters from government grants, including the project with RISE: NYC described below, this quarter we are updating our definition to “projects with a firm commitment from our customer”. Through the first half of 2015 we have recorded new confirmed orders totaling $10.2 million, approximately twice that of the entire year ended December 31, 2014 total of $4.9 million. If we had continued with the prior definition confirmed orders would have been $6.3 million in the first half of the year.

Revenue recognition varies based on the method of deployment. When completing projects directly for our clients we generally recognize revenue after commissioning of the energy system. When we are selling components to a distribution partner, we recognize revenue after change of title, which generally occurs at shipment. Based on the time taken to fulfill an order, revenue follows the date an order is confirmed on average by approximately three months for component sales, six to nine months for complete projects, or nine to fifteen months for more complex or staged projects. One project with RISE:NYC, worth approximately $4.0 million and confirmed in the quarter ended June 30, 2015, will take up to twenty four months to recognize as revenue, longer than our usual expectations.

Management tracks confirmed orders as an early indication of future revenue. Revenue can fluctuate greatly from quarter to quarter as individual projects can take up a large percentage of Company revenue in any given quarter.

UGE is focused on providing the optimal energy solution to our customers. As we have gained prominence in the fast growing solar sector, and as the economics of solar have continued to improve, our sales has shifted away from wind and towards solar, though our wind turbines remain a key component of our offering. Margins in commercial solar are often lower, but invested capital per dollar sales is also much lower, because we do not manufacture solar panels, the largest cost of solar installations. We believe this shift will be beneficial for the Company, as the solar industry is expected to continue to experience rapid growth, and that we will benefit through increased revenues and net income that we could not expect solely focusing on our wind products. Management expects a combined gross profit margin to average 20% – 25% based on this product mix.

Overall Performance

The three months ended June 30, 2015 saw UGE’s growth rate accelerate significantly, in terms of revenue and confirmed orders. Our revenue grew more than 100%, year over year, reaching more than $1.4 million. Our confirmed orders, a leading indicator of future revenue, were $5.8 million for the quarter ended June 30, 2015, our highest total in company history. This brought the total backlog of confirmed orders yet to be recognized as revenue to $9.7 million. Furthermore, we watched expenses closely, keeping SG&A spending flat versus the same period from 2014, with the exception of non-cash compensation expenses.

A key aspect of our business is that revenue recognition is at times delayed on a portion of some projects, based on contract terms with our customers. For these projects we may recognize cost of sales at the time of project delivery, but some portion of revenue at the time of final payment from the customer, providing the appearance in the short run of lower margins than on a completed project basis. For the three months ended June 30, 2015, we had approximately $0.8 million in cost of sales for which we have not yet recognized all of the project revenue. Factoring out this project, our gross profit margin would have been 24%. In the absence of this adjustment, our gross profit margin in the most recent quarter was 11%.

For the six months ended June 30, 2015, the Company exhibited similarly strong growth, with revenue of $2.1 million, compared with $1.5 million for the same period of the prior year. Our year to date gross profit margin was 18%. Both the revenue and gross profit margin results do not account for the delayed recognition of revenue described above and would be higher otherwise. Maintaining a strong gross profit margin while capitalizing on growth opportunities continues to be one of our key objectives.

Selected Quarterly Financial Information

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue	$ 1,418,643	$ 685,794	$ 2,076,170	$ 1,534,282
Cost of sales	1,261,029	400,015	1,703,190	958,317
	11%	42%	18%	38%
Gross profit	157,614	285,779	372,980	575,965
Expenses				
Selling, general and administrative	1,460,956	1,450,272	3,024,876	2,535,967
Net finance costs	52,677	57,346	98,779	102,248
Income tax expense (recovery)	3,328	(47,980)	6,000	(74,046)
	1,516,961	1,459,638	3,129,655	2,564,169
Net loss	$ (1,359,347)	$ (1,173,859)	$ (2,756,675)	$ (1,988,204)
Loss per share - Basic and diluted	$ (0.12)	$ (0.15)	$ (0.25)	$ (0.34)

	June 30, 2015	December 31, 2014
Total assets	$ 9,095,394	$ 9,214,306
Total non-current financial liabilities	$ 1,786,845	$ 1,846,268

Results of Operations for the three months ended June 30, 2015 compared with 2014

Revenue for the three months ended June 30, 2015 was $1,418,643 compared with $685,794 in same period of the prior year, an increase of 107%. The increase is due to the successful execution of the Company's growth plan as we continue to book record confirmed orders, and convert those orders into revenue.

As mentioned above, a key aspect of our business is that revenue recognition is at times delayed on a portion of some projects, based on contract terms with our customers as well as timing of customer payments. The above revenue numbers do not include three projects for which we expect to recognize revenue of approximately $428,000. For these projects, we have delivered products and recognized the full cost of sales as well as a portion of revenue in prior quarters, and expect to receive payment and recognize this remaining revenue in 2015.

The gross profit margin for the three months ended June 30, 2015 was 11%, as compared with 42% in the same period of the prior year. The decrease is a result of delayed revenue recognition on orders for which we have already recognized cost of sales, the shift in our sales mix as we sell more solar projects, as well as an abnormally high gross profit margin in the three months ended June 30, 2014 due to several wind projects. In particular, revenue includes $782,672 from one project where substantially all of our gross margin will be represented by future payments from our customer. Factoring out this project, our

gross profit margin would have been 24% for the three months ended June 30, 2015, in line with our expectations.

Selling, general and administrative ("SG&A") expenses remained fairly constant for the three months ended June 30, 2015 at $1,460,956 as compared with $1,450,272 in the same period of the prior year. Overall employee compensation increased by approximately $245,000, of which $218,000 was non-cash share based compensation. The increase in employee compensation was primarily offset by a decrease in professional fees of $196,000 as the Company improved on its financial reporting efficiency and did not incur any expenses in preparation for a public listing, as we did in 2014.

As a result of decreased gross profit and increased SG&A, we had a net loss of $1,359,347 in the three months ended June 30, 2015 as compared with $1,173,859 in the same period of the prior year.

Results of Operations for the six months ended June 30, 2015 compared with 2014

Revenue for the six months ended June 30, 2015 was $2,076,170 compared with $1,534,282 in the prior period, an increase of 35%. Similarly, the increase is due to the successful execution of the Company's growth plan as we continue to convert confirmed orders into revenue.

The gross profit margin for the six months ended June 30, 2015 was 18% as compared with 38% in the same period of the prior year. The decrease is a result of the aforementioned shift in our sales mix and abnormally high margins in the first half of 2014, as well as how we recognized revenues on a project, as described above. Factoring out this project, gross profit margin would have been 29%, above management's goals.

SG&A expenses for the six months ended June 30, 2015 was $3,024,876 compared with $2,535,967 in the same period of the prior year. The increase was due primarily to an increase in non-cash share based compensation of approximately $500,000, partially offset by lower professional fees. Factoring out non-cash share based compensation shows a small decrease in SG&A expenses despite the Company achieving strong growth.

As a result of decreased gross profit and increased SG&A, we had a net loss of $2,756,675 in the six months ended June 30, 2015 as compared with $1,988,204 in the same period of the prior year.

Summary of Quarterly Results

All amounts in 000's, except per share figures

	Sep 30 2013 Q3	Dec 31 2013 Q4	Mar 31 2014 Q1	Jun 30 2014 Q2	Trailing four quarters	Sep 30 2014 Q3	Dec 31 2014 Q4	Mar 31 2015 Q1	Jun 30 2015 Q2	Trailing four quarters
Revenue	$ 2,120	$ 1,230	$ 848	$ 686	$ 4,884	$ 988	$ 1,316	$ 658	$ 1,419	$ 4,381
Net loss	$ (339)	$ (995)	$ (814)	$ (1,174)	$ (3,322)	$ (3,065)	$ (1,979)	$ (1,397)	$ (1,359)	$ (7,800)
Basic and diluted loss per share	$ (0.13)	$ (0.31)	$ (0.22)	$ (0.15)	$ (0.81)	$ (0.32)	$ (0.20)	$ (0.13)	$ (0.12)	$ (0.77)

Quarter to quarter comparisons in the financial results is not necessarily meaningful and should not be relied upon as an indication of future performance. The quarterly information is unaudited, but reflects all adjustments of a normal recurring nature, which are, in the opinion of management, necessary to present a fair statement of results of operations for the periods presented. Our revenues and earnings may

fluctuate from quarter to quarter. A number of factors could cause such fluctuations, including the timing of substantial orders. Because our operating expenses are determined based on anticipated sales, are generally fixed, and are incurred throughout each fiscal quarter, any of the factors listed above could cause significant variations in our revenues and earnings in any given quarter. Listing costs of $1,715,719 related to the corporate reorganization discussed in the Completed Transactions section and incurred in the three months ended September 30, 2014 significantly contributed to the net loss during the period.

Liquidity and Capital Resources

Cash flow from operations

In this period of expansion, cash from operations has not been sufficient to meet our obligations. We are incurring losses as we expand our operations and revenues have not been sufficient to cover all costs, and may not be sufficient for several quarters. We anticipate that we will incur further losses in the development of the business. The Company has generated additional cash through private placements, as well as loans primarily from related parties. Our primary uses of cash are operating expenses, including cost of sales.

During the six months ended June 30, 2015, the Company incurred a net loss of $2,756,675 and negative cash flow from operations of $1,588,718. In addition, as of June 30, 2015 the Company has a working capital deficiency of $3,384,235.

To date we have funded losses with cash from operations, private placements and related party debt. To the extent that the Company does not achieve positive cash flows from operations in the future, or financing is not available or not available on reasonable terms, reductions in expenditures will be required or the Company may not be able to continue as a going concern. Certain conditions discussed above raise substantial doubt about the ability of the Company to continue as a going concern.

Management believes that there will be significant growth in revenues as we continue to execute on our growth strategy. However, we require additional funding to continue growth of the Company. During the six months ended June 30, 2015, the Company completed a non-brokered private placement of 1,189,834 units for net cash proceeds of $1,398,639, net of issuance costs of $28,268. In addition, the Company issued warrants to investors to purchase an additional 594,915 shares, and warrants to a broker to purchase 4,120 shares, at $1.80 Canadian Dollars (“CAD”) per share until March 16, 2016. Subsequent to June 30, 2015, the Company is pursuing additional financing options.

Management are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements for the three and six months ended June 30, 2015 on a going concern basis. Accordingly, the financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If we are unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the consolidated financial statements.

As of June 30, 2015, the Company had cash of $86,606 and restricted cash of $43,845. The restricted cash relates to a government grant for the continued investment in property, plant and equipment in The People’s Republic of China (PRC).

As of June 30, 2015, the Company had a working capital deficit of $3,384,235 as compared with $2,448,655 at December 31, 2014. Losses from operations contributed to the majority of the decrease in working capital.

As of June 30, 2015, the Company had loans with related parties as follows:

- A loan of $1,475,387 (RMB 9,146,850) from Xiangrong Xie, a director, with a fixed annual interest rate of 6% beginning in July 2015. The loan is unsecured and is to be repaid evenly over 10 years with monthly repayments commencing July 1, 2015. The loan has subsequently been extended to begin monthly repayments commencing January 1, 2016.

- A loan of $500,000 with Qi Liu, a family member of the Chief Executive Officer ("CEO"), with a fixed annual interest rate of 5%, beginning in July, 2015. The loan is unsecured and is to be repaid evenly over five years with monthly repayments commencing July 1, 2015. The loan has subsequently been extended to begin monthly repayments commencing January 1, 2016.

- A loan of $806,500 (RMB 5,000,000) from Yun Liu, a shareholder and family member of the CEO, with a fixed annual interest rate of 7.4%. Interest is payable monthly until the principal due date. The loan is unsecured and due September 19, 2015. Management expects this loan to be renewed for an additional year.

- A loan of $1,129,100 (RMB 7,000,000) from Beijing Zhongjihaotai Investment Ltd., a company controlled by Xiangrong Xie, a director, with a fixed annual interest rate of 7.49%. Interest is payable monthly until the principal due date of March 2, 2016. The loan is secured by the Company's manufacturing assets in the PRC.

- A loan of $1,104,295 (RMB 6,849,216) from Xiangrong Xie, a director. The loan is unsecured, non-interest bearing, and is due on demand after July 1, 2015.

As of June 30, 2015, UGE has contractual commitments as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5 to 10 years
Trade and other payables	$ 2,758,262	$ 2,758,262	$ 2,752,327	$ 5,935	$ -	$ -
Loans payable	5,008,426	5,640,938	3,419,007	309,786	929,356	982,789
Contractual commitments	-	107,000	107,000	-	-	-
Lease commitments	-	107,000	107,000	-	-	-
	$ 7,766,688	$ 8,613,200	$ 6,385,334	$ 315,721	$ 929,356	$ 982,789

Our objective in managing capital is to safeguard our ability to continue as a going concern and to sustain future development of the business. In the management of capital, we include shareholders' equity, excluding accumulated other comprehensive income. Our objective is met by retaining adequate equity to provide for the possibility that cash flows from operations will not be sufficient to meet future cash flow requirements. In order to maintain or adjust our capital structure, we may issue shares. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements and our overall strategy with respect to capital management remains unchanged from the year ended December 31, 2014.

Transactions with Related Parties

In April 2014, the Company entered into a lease for its office in Beijing from Xiangrong Xie, a director of the Company, for approximately $6,500 (RMB 40,000) per month. For the six months ended June 30, 2015, $38,592 (RMB 240,000) has been recorded for this transaction in SG&A in the condensed consolidated interim financial statements. The lease expires on December 31, 2015. As at June 30, 2015, accounts payable includes $38,712 (December 31, 2014 - $12,888) related to this lease.

As of June 30, 2015, the Company has a receivable of $25,409 (December 31, 2014 - $25,409) due from an officer of the Company.

During the three and six months ended June 30, 2015 the Company:

- Incurred accretion expense of $10,748 and $21,267, respectively (2014 - $22,362 and $45,478), with a director, Xiangrong Xie, or companies controlled by the director. The Company recorded interest accretion expense due to an extension in the interest free period by Xiangrong Xie;

- Incurred accretion expense of $5,952 and $11,905, respectively (2014 - $Nil and $Nil), with Qi Liu, a family member of the CEO. The Company recorded interest accretion expense due to an extension in the interest free period by Qi Liu;

- Incurred interest expense of $14,686 and $29,105, respectively (2014 - $18,531 and $26,075), with Yun Liu a shareholder and family member of the CEO;

- Incurred interest expense of $16,899 and $38,140, respectively (2014 - $12,964 and $13,143), with Beijing Zhongjihaotai Investment Ltd, a company controlled by Xiangrong Xie, a director of the Company;

- Accrued interest expense of $Nil and $Nil, respectively (2014 - $7,020 and $11,700), with Nathun Venture Advisors Inc. a company controlled by Matthew Watson, a director of the Company.

All existing loans with related parties are discussed in the Liquidity and Capital Resources section.

Completed Transactions: Corporate Reorganization

On July 28, 2014, UGE International Ltd. completed the acquisition (the “Transaction”) of UGE Holdings Limited (“UGE Holdings”). The Transaction constitutes a reverse-takeover and is accounted for with UGE Holdings being identified as the accounting acquirer and the net assets of UGE International Ltd. being recorded at fair value at the date of the transaction.

While the decision to complete this transaction was central to our long term strategic and capital plans, this resulted in $1,805,039 in listing expenses for the year ended December 31, 2014. Of this amount, a one-time non-cash expense of $1,568,229 was due to an excess of fair value of the consideration paid over the fair value of net assets of UGE International, in accordance with IFRS accounting for reverse take-over transactions. Further, due to our operations in the PRC, the Transaction was subject to the Emerging Market Policy which necessitated extensive additional costs beyond what was initially expected in respect of due diligence, legal and accounting to complete the transaction. Management believes that our strategic plan will deliver significant value going forward that will justify these one-time costs.

Financial Instruments and other instruments

The Company's risk exposures and the impact on our financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill our payment obligations. The Company manages credit risk by requiring payment from customers prior to shipment, where possible. However, the Company does have trade receivables outstanding with several customers.

Liquidity risk

The Company's objective in managing liquidity risk is to ensure that we will have sufficient liquidity to meet our financial obligations when due by maintaining sufficient cash and cash equivalents to settle current liabilities and meet our anticipated working capital requirements. As of June 30, 2015, the Company had restricted cash of $43,845 for use in the expansion and manufacturing capacity in the PRC and $86,606 of cash to settle current liabilities of $6,915,277.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and debt with fixed interest rates and therefore is not significantly exposed to fluctuating interest rates. Our current policy is to invest excess cash in a savings account at our banking institution.

(b) Foreign currency risk

The Company enters into transactions denominated in US dollars, Canadian dollars, and Renminbi for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. The Company does not hedge our exposure to foreign currency risk using financial instruments.

Changes in Accounting Policies including Initial Adoption

The Company's unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the consolidated financial statements of the Company for the year ended December 31, 2014. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. The International Accounting Standards Board (IASB) has published new standards and amendments or interpretations to existing standards which are mandatory for periods beginning after December 31, 2014, or later as outlined below.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected credit loss' impairment model and a substantially reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier adoption is permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

Amendments to IAS 1 - Presentation of Financial Statements

In December 2014, the IASB issued Amendments to IAS 1 - Presentation of Financial Statements. The objective of the amendments was to facilitate improved financial statement disclosures and should not require any significant change to current practices. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2016. The Company is currently evaluating the impact of Amendments to IAS 1 on its financial statements.

Business Risks

Going concern risk

These consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the six months ended June 30, 2015, the Company incurred a net loss of $2,756,675 and negative cash flow from operations of $1,588,718. The Company has incurred significant losses as it develops and expands its operations. Revenues have not been sufficient to cover all costs and may not be sufficient for several quarters, if at all. The Company anticipates that it will incur further losses in the development of its business.

To date the Company has funded the losses with private placements and loans from related parties. To the extent that the Company does not achieve positive cash flows from operations in the future or financing is not available or not available on reasonable terms, reductions in expenditures will be required or the Company may not be able to continue as a going concern. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in these financial statements.

Operations in PRC

The Company has two operating subsidiaries located in the PRC, and as such the repatriation of cash to the United States and Canada may be restricted by government policies.

Customer concentration risk

We derive a significant portion of our revenue from sales to a relatively limited number of customers. If any of our more significant prospective customers fail to purchase our solutions or our existing customers discontinue their relationship with us for any reason, our revenue may be substantially reduced. To mitigate this risk, we have implemented customer retention programs to emphasize both quality of product and superior customer service. Our sales programs also address a large base of potential customers and at any given time, we are pursuing a significant number of sales opportunities.

Sales risk

Our sales efforts target medium and large sized corporations and we spend significant time and resources educating prospective customers about the features and benefits of our solutions. Our sales cycle usually ranges from 3 to 12 months and sales delays could cause our operating results to vary. The Company balances this risk by continuously assessing the condition of our sales “pipeline” and making the appropriate adjustments as far in advance as possible. Our strategy also includes a comprehensive program to build and improve relationships with our customers to better understand their needs and proactively manage incoming business levels effectively.

Product acceptance risk

Our revenue and profit potential depends substantially upon market acceptance of our products. To mitigate the risk of non-acceptance by the market, our strategy involves ongoing significant investments in product development to enhance our product line and to develop new applications and features to satisfy the increasingly sophisticated demands of our customers. We also ensure our investments in this area are based on a thorough understanding of the market and customer demands through a comprehensive program of market research and customer interaction. Our success depends on the ability of our products to interface with host computer systems and to respond to changes in these

systems. In many cases the needs of our customers require us to make significant custom modifications to our products. Our success will depend upon our ability to efficiently undertake and complete such customization, in most cases, under a fixed price arrangement.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the consolidated financial statements.

Other

As of the date of this MD&A, the Company has 11,684,205 common shares issued and outstanding. In addition there are 17,000,000 special warrants which may converted to common shares for no additional consideration, 599,035 warrants which may be converted to one common share each, and stock options to purchase an additional 218,480 common shares. The Company also has restricted share units which allow employees and directors to acquire a total of 469,236 common shares over the next four years for no additional consideration.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.