Axios Mobile Assets Corp.

Interim Condensed Consolidated Financial Statements
As at and for the three and nine months ended September 30, 2013

September 30, 2013

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Axios Mobile Assets Corp.
Interim Condensed Consolidated Statements of Financial Position (Unaudited)
(expressed in Canadian Dollars)
As at September 30, 2013 and December 31, 2012

	September 30, 2013	December 31, 2012
ASSETS		
Current		
Cash	**$ 11,126**	$ 111,726
Funds held in trust	**-**	182,157
Accounts receivable and other receivables *[Note 13]*	**358,830**	272,044
Inventory	**40,807**	313,498
Total current assets	**410,763**	879,425
Non-current		
Property and equipment *[Note 4]*	**2,585,927**	2,203,586
Intangible assets *[Note 5]*	**3,966,565**	4,156,390
Total non-current assets	**6,552,492**	6,359,976
Total assets	**$ 6,963,255**	$ 7,239,401
LIABILITIES		
Current		
Bank indebtedness	**$ -**	$ -
Accounts payable and accrued liabilities *[Note 7]*	**2,233,834**	1,119,239
Deposits	**399,969**	716,793
Total current liabilities	**2,633,803**	1,836,032
Non-current		
Convertible debt *[Note 6]*	**527,247**	-
Total non-current liabilities	**527,247**	-
Total liabilities	**3,161,050**	1,836,032
EQUITY		
Capital stock *[Note 8]*	**12,927,615**	12,378,481
Contributed surplus *[Note 8]*	**1,268,136**	869,696
Deficit	**(10,393,546)**	(7,844,808)
Total equity	**3,802,205**	5,403,369
	$ 6,963,255	$ 7,239,401

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the Board:

"Richard MacDonald"
Director

"James Taylor"
Director

Axios Mobile Assets Corp.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
(expressed in Canadian Dollars)

	Three months Ended September 30, 2013	Three months Ended September 30, 2012	Nine months Ended September 30, 2013	Nine months Ended September 30, 2012
Revenue	$ 151,473	$ 35,621	$ 345,464	$ 35,621
Expenses				
Stock compensation expenses	26,071	59,507	127,157	116,611
Director fees	13,406	33,200	48,990	58,200
Depreciation	433,072	12,484	496,127	64,802
Administrative	355,915	359,984	843,936	726,404
Professional fees	425,786	248,575	863,094	456,294
Insurance	17,415	17,029	48,612	46,695
Telecommunications	3,272	15,381	28,031	31,112
Occupancy costs	6,000	15,977	18,000	42,045
Travel expenses	12,723	27,397	45,462	58,470
Interest and bank charges	41,397	1,027	46,990	2,698
Material cost	274,995	-	289,565	-
Foreign exchange (gain)	(69,722)	(15,834)	38,238	37,419
	1,540,330	774,727	2,894,202	1,640,750
Net loss and other comprehensive loss	$ (1,388,857)	$ (739,106)	$ (2,548,738)	$ (1,605,129)
Net loss per share, basic and diluted	$ (0.0148)	$ (0.0082)	$ (0.0273)	$ (0.0180)
Weighted average number of shares outstanding - basic and diluted	93,876,585	89,667,702	93,394,256	89,260,885

See accompanying notes to the interim condensed consolidated financial statements.

Axios Mobile Assets Corp.
Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)
(expressed in Canadian Dollars)

	Number of common shares	Share capital	Contributed surplus	Deficit	Total equity
Balance, December 31, 2011	**72,278,042**	**$ 9,634,673**	**$ 575,576**	**$ (5,860,525)**	**$ 4,349,724**
Issuance of common shares for cash	17,709,631	2,302,252	-	-	2,302,252
Issuance of common shares for cash	265,000	31,800	-	-	31,800
Allocation to warrants	-	(6,122)	6,122	-	-
Stock-based compensation [Note 9]	-	-	116,611	-	116,611
Issuance of common shares to exercise warrants	220,754	88,302	(88,302)	-	-
Net loss for the period ending September 30, 2012	-	-	-	(1,605,129)	(1,605,129)
Balance, September 30, 2012	**90,473,427**	**$ 12,050,905**	**$ 610,007**	**$ (7,465,654)**	**$ 5,195,258**

	Number of common shares	Share capital	Contributed surplus	Deficit	Total equity
Balance, December 31, 2012	**91,960,552**	**$ 12,378,481**	**$ 869,696**	**$ (7,844,808)**	**$ 5,403,369**
Issuance of common shares for cash *[Note 8]*	1,780,302	587,500	-	-	587,500
Issuance of common shares for exercise of warrants	200,000	50,000	-	-	50,000
Allocation to warrants *[Note 8]*	-	(88,366)	88,366	-	-
Stock-based compensation *[Note 9]*	-	-	127,157	-	127,157
Equity component of convertible debt *[Note 6]*	-	-	182,917	-	182,917
Net loss for the period ending September 30, 2013	-	-	-	(2,548,738)	(2,548,738)
Balance, September 30, 2013	**93,940,854**	**$ 12,927,615**	**$ 1,268,136**	**$ (10,393,546)**	**$ 3,802,205**

See accompanying notes to the interim condensed consolidated financial statements.

Axios Mobile Assets Corp.
Interim Condensed Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended September 30
(expressed in Canadian Dollars)

		Nine Months ended September 30, 2013		Nine Months ended September 30, 2012
OPERATING ACTIVITIES				
Net loss	**$**	**(2,548,738)**	$	(1,605,129)
Adjustments for non-cash items:				
Depreciation		**496,127**		64,802
Long term debt accretion		**14,201**		-
Stock compensation benefits		**127,157**		116,611
		(1,911,253)		(1,423,716)
Net change in non-cash working capital				
Accounts receivable		**(86,786)**		(3,023)
Accounts payable and accrued liabilities		**1,114,596**		597,671
Inventory		**272,691**		-
Deposits		**(316,824)**		336,749
Cash provided by operating activities		**(927,576)**		(492,319)
FINANCING ACTIVITIES				
Capital stock issued for cash		**637,500**		2,334,052
Convertible debt		**695,962**		-
Funds held in trust		**182,157**		-
Cash provided by financing activities		**1,515,619**		2,334,052
INVESTING ACTIVITIES				
Additions to intangible assets		**(19,363)**		-
Deferred research and development costs		**-**		(207,990)
Acquisition of property and equipment		**(669,280)**		(1,444,256)
Cash used in investing activities		**(688,643)**		(1,652,246)
Net (decrease) increase in cash during the period		**(100,600)**		189,487
Cash, beginning of period		**111,726**		91,356
Cash, end of period	**$**	**11,126**	$	280,843

See accompanying notes to the interim condensed consolidated financial statements.

1. Nature of operations and going concern

Nature of operations

Axios Mobile Assets Corp. (the "Company" or "Axios") is a logistics enabler featuring a next generation, bio-based pallet technology, which can be bundled with its proprietary cross-platform tracking and information system that helps improve the value chain in the logistics market. The Company's bundled offering is targeted at providing lower total cost, longer useful life, customized configurations and a revenue stream through carbon credit generation, monitoring and the monetizing of carbon emissions reductions. The Company's head office is located at 7000 Pine Valley Drive, Vaughan, Ontario, L4L 4Y8.

Going concern

These unaudited interim condensed consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company is at an early stage of development and its ability to continue as a going concern and realize the carrying value of its assets is dependent upon its ability to obtain additional financing and achieve sales levels adequate to support its cost structure and success of its investments. The Company has incurred losses in the current and prior periods, with a net loss for the period ended September 30, 2013 of $2,548,738 and has an accumulated deficit of $10,393,546. Results for the period ended September 30, 2013 are not necessarily indicative of future results. The Company has negative working capital of $2,223,040 at September 30, 2013 (December 31, 2012 – $(956,607)). During the period ended September 30, 2013, the Company completed private placements of 1,780,302 common shares for gross proceeds of $587,500. The funds from these private placements will be used to fund further product development and sales and marketing efforts. The Company expects that it will require further financing in order to carry through on its operating and investing plans and, while there is no assurance that additional funds can be raised, the Company believes financing will be available as required. As a result of the above, there is a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern.

The unaudited interim condensed consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these unaudited interim condensed consolidated statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used on the consolidated statements of financial position.

2. Basis of preparation

The unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2013 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting."

These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2012. These unaudited interim condensed consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012.

The unaudited interim condensed consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors on November 29, 2013.

3. Significant accounting policies

The accounting standards and amendments to standards adopted by the Company that had an impact on financial results or require further explanation are explained as follows:

IFRS 10, Consolidated Financial Statements
IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 Consolidated Financial Statements replaces SIC-12 Consolidation-Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. There was no impact to the unaudited interim condensed consolidated financial statements as a result of adopting this standard.

IFRS 11 Joint Arrangements
IFRS 11 Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case).The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Venturers. There was no impact to the unaudited interim condensed consolidated financial statements as a result of adopting this standard.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The effective date is annual periods beginning on or after January 1, 2013. There was no impact to the unaudited interim condensed consolidated financial statements as a result of adopting this standard.

IFRS 13, Fair Value Measurement.
IFRS 13, Fair Value Measurement ("IFRS 13") provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustment as at January 1, 2013.

Amendments to IAS 1 Presentation of Financial Statements
The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged. The Company adopted the amendments on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, there was no impact to the unaudited interim condensed consolidated financial statements as a result of adopting this standard.

3. Significant accounting policies - continued

The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company:

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, and is currently being developed in stages by the IASB. The IASB has decided to delay implementation until periods beginning on or after January 1, 2015, with early application permitted. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the unaudited interim condensed consolidated financial statements.

4. Property and equipment

Equipment consists of the following:

Cost	**Leasehold Improvement $**	**Computer Equipment $**	**Machinery $**	**Total $**
Balance, January 1, 2012	-	17,301	642,083	659,384
Additions	41,182	22,580	1,751,556	1,815,318
Balance, December 31, 2012	**41,182**	**39,881**	**2,393,639**	**2,474,702**
Additions	-	2,504	666,776	669,280
Balance, September 30, 2013	**41,182**	**42,385**	**3,060,415**	**3,143,982**

Accumulated Depreciation	**Leasehold Improvement $**	**Computer Equipment $**	**Machinery $**	**Total $**
Balance, January 1, 2012	-	12,380	133,886	146,266
Depreciation	8,236	6,779	109,835	124,850
Balance, December 31, 2012	**8,236**	**19,159**	**243,721**	**271,116**
Depreciation	8,237	4,288	274,414	286,939
Balance, September 30, 2013	**16,473**	**23,447**	**518,135**	**558,055**

Net Book Value	**Leasehold Improvement $**	**Computer Equipment $**	**Machinery $**	**Total $**
Balance, December 31, 2012	**32,946**	**20,722**	**2,149,918**	**2,203,586**
Balance, September 30, 2013	**24,709**	**18,938**	**2,542,280**	**2,585,927**

5. Intangible assets

Intangible assets consist of the following:

Cost	Software Unification Platform $	Intellectual Property $	Total $
Balance, January 1, 2012	1,253,840	2,688,403	3,942,243
Additions	-	214,147	214,147
Balance, December 31, 2012	**1,253,840**	**2,902,550**	**4,156,390**
Additions	-	19,363	19,363
Balance, September 30, 2013	**1,253,840**	**2,921,913**	**4,175,753**

Accumulated Depreciation	Software Unification Platform $	Intellectual Property $	Total $
Balance, January 1, 2012	-	-	-
Amortization	-	-	-
Balance, December 31, 2012	**-**	**-**	**-**
Amortization	62,812	146,376	209,188
Balance, September 30, 2013	**62,812**	**146,376**	**209,188**

Net Book Value	Software Unification Platform $	Intellectual Property $	Total $
Balance, December 31, 2012	**1,253,840**	**2,902,550**	**4,156,390**
Balance, September 30, 2013	**1,191,028**	**2,775,537**	**3,966,565**

6. Convertible debt

On May 1, 2013, the Company offered a convertible debenture to raise gross proceeds of up to $2,000,000 at 6% per annum interest, accrued and paid monthly, in arrears commencing with the first month of the second year. The debenture matures three years from the date of issuance. The holder has the option to convert the debt to stock at $0.10 per common share for conversion in the first year of the term, $0.40 for a conversion in the second year of the term, and $0.60 for a conversion in the third year of the term. Upon closing of the offering, the Company received gross proceeds of $450,000 and paid cash issuance costs of $4,039.

In September 2013, the Company offered a convertible debenture to raise gross proceeds of up to $1,000,000 at 8% per annum interest, accrued and paid monthly, in arrears commencing with the first month of the second year. The debenture matures three years from the date of issuance. The holder has the option to convert the debt to stock at $0.05 per common share at any time on or before the maturity date. As of September 30, 2013, the Company received gross proceeds of $250,000.

Values were allocated for theses private placements between the debentures and the conversion feature. The valuation approach involved determining a fair value for the debentures in the absence of a conversion feature and warrants and then using the residual method to allocate value to the equity component. The Company determined that an interest rate of 19% was fair value for debentures without additional features attached. The present value of the interest and principal payments of the debentures at this fair value resulted in a gross allocation of $513,046 to the debentures and $182,917 to the equity component..

Share issuance costs of $4,039 were allocated to each of the debenture and conversion feature on a pro-rata basis. $2,915 was allocated to the debenture and $1,123 was allocated to the conversion feature.

The difference between the fair value and face value of the debentures is being accreted over the repayment period using the effective interest method. During the three and nine month period ended September 30, 2013, $9,571 and $14,201 was recorded as accretion interest, respectively, with a corresponding increase to the debenture liability. The carrying value of the debenture liabilities as at September 30, 2013 was $527,247.

7. Related party transactions

Included in accounts payable and accrued liabilities as at September 30, 2013 is an amount due to a shareholder in the amount of $20,000 (December 31, 2012 - $51,275) and directors' fees payable of $53,232 (December 31, 2012 - $14,094). The amounts are non-interest bearing and due on demand.

Key management personnel includes the Company's Chief Executive Officer, Chief Financial Officer, Vice President of Sustainability and Technology, Vice President of Sales, Marketing and Branding and its outside chair and director. The compensation paid or payable to key management personnel during the nine months ended was comprised of the following:

	September 30, 2013 $	September 30, 2012 $
Directors' fees	**48,990**	58,200
Management salaries	**555,808**	-
Stock-based compensation	**127,157**	116,611
Total	**731,955**	174,811

8. Capital stock

Authorized: Unlimited number of common shares

Issued:

	Number of Shares		Amount
Balance December 31, 2011	**72,278,042**	**$**	**9,634,673**
Issuance of common shares for cash (a)	265,000		31,800
Issuance of common shares for cash (b)	17,709,631		2,302,252
Allocation to warrants	-		(114,065)
Issuance of common shares for cash (c)	1,487,879		418,657
Issuance of common shares to exercise warrants	220,000		105,164
Balance as at December 31, 2012	91,960,552		12,378,481
Issuance of common shares for cash (d)	1,780,302		587,500
Issuance of common shares to exercise warrants	200,000		50,000
Allocation to warrants	-		(88,366)
Balance as at September 30, 2013	**93,940,854**	**$**	**12,927,615**

(a) During the fiscal year ended December 31, 2012, the Company issued 265,000 units at a price of $0.12 per unit for cash in the amount of $31,800 via a private placement. Each unit is comprised of one fully paid and non-assessable common share for the Company and one-half share purchase warrant exercisable at a price of $0.25. Each full warrant entitles the holder to purchase one fully paid and non-assessable common share of the Company and the warrants expire two years after the date of issue

(b) During the fiscal year ended December 31, 2012, the Company issued 17,709,631 common shares for net proceeds of $2,302,252 via a private placement.

(c) During the fiscal year ended December 31, 2012, the Company issued 1,487,879 units via private placement, at a price of $0.33 per unit for gross proceeds of $491,000 and incurred issue costs of $72,343. Each unit is comprised of one fully paid and non-assessable common share for the Company and one-half share purchase warrant exercisable at a price of $0.55. Each full warrant entitles the holder to purchase one fully paid and non-assessable common share of the Company and the warrants expire two years after the date of issue. Funds from the share issuance were included in the Funds in trust account under the consolidated statements of financial position and were received subsequent to year end.

(d) During the period ended September 30, 2013, the Company issued 1,780,302 units via private placement, at a price of $0.33 per unit for gross proceeds of $587,500. Each unit is comprised of one fully paid and non-assessable common share for the Company and one-half share purchase warrant exercisable at a price of $0.55. Each full warrant entitles the holder to purchase one fully paid and non-assessable common share of the Company and the warrants expire two years after the date of issue. The offer is still open for the remaining 12,553,032 units.

8. Capital stock - continued

Warrants

During the year ended December 31, 2012, the Company granted 132,500 common share purchase warrants in connection with a private placement. Each whole warrant entitles the holder to acquire one common share of the Company at a price of $0.25 per common share until January 2, 2014. The fair value of the warrants was estimated at $5,419 using the Black-Scholes pricing model based on a forfeiture rate of 0%, a dividend yield of NIL, volatility of 146%, a risk-free interest rate of 1%, and a weighted average expected life of 2 years.

During the year ended December 31, 2012, the Company granted 743,940 common share purchase warrants in connection with a private placement. Each whole warrant entitles the holder to acquire one common share of the Company at a price of $0.55 per common share until December 28, 2014. The fair value of the warrants was estimated at $108,646 using the Black-Scholes pricing model based on a forfeiture rate of 0%, a dividend yield of NIL, volatility of 146%, a risk-free interest rate of 1%, and a weighted average expected life of 2 years.

During the period ended September 30, 2013, the Company granted 890,151 common share purchase warrants in connection with a private placement. Each whole warrant entitles the holder to acquire one common share of the Company at a price of $0.55 per common share for two years from the date of issue. The fair value of the warrants was estimated at $88,366 using the Black-Scholes pricing model based on a forfeiture rate of 0%, a dividend yield of NIL, volatility of 146%, a risk-free interest rate of 1%, and a weighted average expected life of 2 years.

9. Stock options

The Company has an employee stock option plan under which it is authorized to issue stock options to employees, officers, directors and other eligible participants up to 10% of the Company's share capital.

During period ended September 30, 2013, the Company recorded compensation expense of $127,157 (period ended September 30, 2012 - $116,611) related to stock options granted to employees and directors as a result of salary sacrificed and for the amendments of previously issued stock options.

There were no options granted during the period ended September 30, 2013.

	September 30, 2013		**December 31, 2012**	
	Options [Number]	**Weighted average exercise price [$]**	Options [Number]	Weighted average exercise price [$]
Outstanding, beginning of year	**6,224,688**	**0.23**	5,274,688	0.20
Granted	**-**	**-**	950,000	0.41
Outstanding, end of year	**6,224,688**	**0.23**	6,224,688	0.23

9. Stock options - continued

The following table summarizes information about options outstanding and exercisable:

		September 30, 2013			
		Options outstanding		**Options exercisable**	
Exercise price $	**Number outstanding at September 30, 2013 [number]**	**Weighted average remaining contractual life [years]**	**Weighted average price [$]**	**Number exercisable at September 30,2013 [number]**	**Weighted average Price [$]**
0.20	**6,224,688**	**2.13**	**0.23**	**3,474,802**	**0.20**

		December 31, 2012			
		Options outstanding		Options exercisable	
Exercise price $	Number outstanding at December 31, 2012 [number]	Weighted average remaining contractual life [years]	Weighted average exercise price [$]	Number exercisable at December 31, 2012 [number]	Weighted average exercise price [$]
0.23	6,224,688	2.88	0.23	3,474,802	0.20

10. Income taxes

The following table reconciles the expected income tax expense (recovery) at the combined Federal and Ontario statutory income tax rate of 26.5% (2012: 28.3%) to the amounts recognized in the unaudited interim condensed consolidated statements of loss and comprehensive loss.

	September 30, 2013	September 30, 2012
Loss before recovery of future income taxes	**$ (2,548,738)**	$ (1,605,129)
Expected recovery at statutory rate	**$ (675,415)**	$ (454,252)
Non-deductible expenses:		
Stock-based compensation	**33,696**	33,001
Value of losses not recognized	**641,719**	421,251
Income taxes	**$ -**	$ -

At September 30, 2013 the Company had federal and provincial non-capital losses of approximately $3,862,000 which are available to reduce future taxable income (December 31, 2012 - $2,984,000). The non-capital losses will expire as follows: 2029 - $226,000; 2030 - $408,000; 2031 - $563,000; 2032 - $1,787,000; 2033 - $548,000.

11. Capital risk management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of development and future growth opportunities; and
- To maximize shareholder return by enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, contributed surplus and deficit, which at September 30, 2013, totalled $3,802,205 (December 31, 2012 - $5,403,369).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures and other investing and financing activities. The forecast is updated based on activities related to its operations. Selected information is provided to the Board of Directors. The Company's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2013. The Company is not subject to any external capital requirements.

12. Segmented information

The Company manages its operations in one business segment, which is providing a logistics enabler featuring a next generation, bio-based pallet technology, which can be bundled with its proprietary cross-platform tracking and information system that helps improve the value chain in the logistics market. As at September 30, 2013 non-current assets located in Canada and the USA were $5,558,829 and $993,663, respectively (As at December 31, 2012 - $5,532,796 and $827,180, respectively).

13. Financial risk management

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximate carrying value due to their current nature.

Financial risk

The Company's activities expose it to a variety of financial risks: liquidity risk and market risk (including interest rate risk and foreign exchange risk).

Risk management is carried out by the Company's management team with guidance from the Board of Directors.

a. Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable and other receivables. All of the Company's cash is held with well known and established financial institutions. As such, management considers credit risk related to these financial assets to be minimal. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable and other receivables is remote. As at September 30, 2013, accounts receivable and other receivables are not considered impaired or past due. Accounts receivable and other receivables consist primarily of Harmonized Sales Tax credits, which are expected to be fully recoverable by the Company.

b. Liquidity risk

Liquidity risk is the risk that the Company will not have sufficent cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2013, the Company has cash of $11,126 (December 31, 2012 – $111,726) to settle current liabilities of $2,633,803 (December 31, 2012 – $1,836,032). All of the Company's financial liabilities, except loans payable, have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

c. 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.

i. Interest rate risk

The Company has cash balances and no interest bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

ii. Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As of September 30, 2013, the Company funds certain operations and administrative expenses in United States on a cash call basis using US Dollar currency converted from its Canadian Dollar bank accounts held in Canada. The Company maintains US bank accounts and is subject to gains and losses from fluctuations in the Canadian Dollar and United States Dollar.

13. Financial risk management - continued

d. Market risk - continued

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

i. Cash is subject to fixed interest rates. Management believes interest rate risk is minimal.

ii. The Company holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. Management believes a plus or minus 10% change in foreign exchange rate against the US Dollar would have a minimal effect on reported (loss) income and comprehensive (loss) income as minimal balances are held in foreign currencies.

14. Subsequent events

- On December 1, 2012, the Company offered a private placement, to raise gross proceeds of up to $4,600,000 for 13,939,394 units at a price of $0.33 CAD. Each unit consists of one common share of the Company and one-half of one non-transferable share purchase warrant. Each full Warrant entitles the holder to acquire an additional Common Share of the Company at a price of $0.55 at any time within the earlier of 24 months from issue and the day the closing market price for the Company's shares on the CNSX (or on such other exchange in North America upon which such shares shall be listed or quoted for trading) shall have been $0.55 CAD or higher for sixty (60) consecutive trading days. This financing remains open due to the challenging fundraising environment of the current capital markets.

- On May 1, 2013, the Company offered a convertible debenture, to raise gross proceeds of up to $2,000,000 $2,000,000 at 6% per annum interest, accrued and paid monthly, in arrears commencing with the first month of the second year. The holder has the option to convert the debt to stock at $0.10 per common share for conversion in the first year of the term, $0.40 for a conversion in the second year of the term, and $0.60 for a conversion in the third year of the term. This financing remains open due to the challenging fundraising environment of the current capital markets.

- In September 2013, the Company offered a convertible debenture to raise gross proceeds of up to $1,000,000 at 8% per annum interest, accrued and paid monthly, in arrears commencing with the first month of the second year. The debenture matures three years from the date of issuance. The holder has the option to convert the debt to stock at $0.05 per common share at any time on or before the maturity date. As of September 30, 2013, the Company received gross proceeds of $250,000. This financing remains open due to the challenging fundraising environment of the current capital markets.