



UGE INTERNATIONAL LTD.
(formerly Way Ventures Inc.)

Management's Discussion and Analysis

Three and nine months ended September 30, 2015

The following Management Discussion and Analysis ("MD&A") is prepared as of November 19, 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 nine months ended September 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, providing leading energy solutions and customer service to our clients. Project sizes typically range from 10kW to 2MW in rated peak capacity, and are with companies large and small (examples include Whole Foods Market, Inc., General Electric Company, and BMW AG).

UGE was formed in 2008 as an energy solutions company, packaging together renewable energy technologies to solve the needs of commercial and industrial clients. We first reached commercial success through 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 2015 (defined as projects with a firm commitment from our customer). Through the first nine months of 2015 we have recorded new confirmed orders totaling \$10.8 million, more than twice that of the entire year ended December 31, 2014 total of \$4.9 million.

Revenue recognition varies based on the method of deployment. When completing projects directly for our clients with a service component to it we generally recognize the same revenues as cost of sales and remaining revenue when commissioning 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 \$4.0 million and confirmed in the quarter ended June 30, 2015, will take up to twenty-four months to fully 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 have shifted from wind 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 wind products.

Overall Performance

The three months ended September 30, 2015 saw UGE's growth rate accelerate significantly in terms of revenue of 174% to \$2.7 million from \$1.0 million in the same prior year period. For the nine months ended September 30, 2015, our revenue grew by 90%, year over year, reaching \$4.8 million, already significantly larger than total 2014 revenue of \$3.8 million. Furthermore, the backlog of confirmed orders yet to be recognized as revenue as of September 30, 2015 is \$9.1 million. In addition, we have watched expenses closely, keeping SG&A spending flat versus the same period from 2014, with the exception of listing costs and 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 as discussed above, which provides the appearance in the short run of lower margins than on a completed project basis which includes revenues at their planned margin.

Selected Quarterly Financial Information

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	\$ 2,704,451	\$ 987,957	\$ 4,780,621	\$ 2,522,239
Cost of sales	2,564,828	627,152	4,268,018	1,585,469
	5%	37%	11%	37%
Gross profit	139,623	360,805	512,603	936,770
Expenses				
SG&A	1,307,712	1,401,723	4,332,588	3,848,370
SG&A - listing costs	-	1,715,719	-	1,805,039
Net finance costs	87,772	99,125	186,551	201,373
Income tax expense (recovery)	(54,300)	209,106	(48,300)	135,060
	1,341,184	3,425,673	4,470,839	5,989,842
Net loss	\$ (1,201,561)	\$ (3,064,868)	\$ (3,958,236)	\$ (5,053,072)
Loss per share - Basic and diluted	\$ (0.09)	\$ (0.32)	\$ (0.34)	\$ (0.71)

	September 30, 2015	December 31, 2014
Total assets	\$ 8,779,279	\$ 9,214,306
Total non-current financial liabilities	\$ 2,757,844	\$ 1,846,268

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

Revenue for the three months ended September 30, 2015 was \$2,704,451 compared with \$987,957 in same period of the prior year, an increase of 174%. The increase is due to the successful execution of the Company's growth plan as we continue to book confirmed orders, and convert those orders into revenue.

The gross profit margin for the three months ended September 30, 2015 was 5%, as compared with 37% in the same period of the prior year. The primary reasons for the decrease are that we have undergone strategic shifts from wind to solar in our business, and required revenue recognition of large solar projects as shown by Adjusted Gross Profit of \$417,143 and Adjusted Gross Profit Margin of 14% discussed below. These solar projects come at lower margin but as the Company grows this will result in higher overall gross profit. Furthermore, the Company is developing strategic relationships with new partners in various countries and to build these relationships and prove our capabilities we are engaging in projects and margins below what we anticipate to earn in future projects.

In particular, revenue includes \$2,229,612 which was recorded at zero margin. Adjusting our revenue to factor in the expected margin on these projects recorded at zero margin would result in an additional revenue of \$277,520, resulting in Adjusted Revenue of \$2,981,971 and Adjusted Gross Profit of \$417,143. The Adjusted Revenue when compared with Cost of sales of \$2,564,828 produces an Adjusted Gross Profit Margin of 14%. The Adjusted Gross Profit of \$417,143 is 16% higher than the prior period of \$360,805. As UGE continues growing and developing strategic relationships in key markets, this will result in higher overall gross profit.

Selling, general and administrative ("SG&A") expenses, excluding listing costs, for the three months ended September 30, 2015 was \$1,307,712 as compared with \$1,401,723 in the same period of the prior year. The decrease for the three months ended September 30, 2015 include professional fees decreasing by \$49,000 as the Company improved on its financial reporting efficiency, as well as further decreases of a combined \$64,000 in marketing, shipping, and office related expenses. The efficiencies obtained in SG&A shows the Company's ability to significantly scale revenue numbers without growth in expenses.

As a result of decreased gross profit, we had a net loss of \$1,201,561 in the three months ended September 30, 2015 as compared with \$1,349,149 in the same period of the prior year excluding listing costs.

Results of Operations for the nine months ended September 30, 2015 compared with 2014

Revenue for the nine months ended September 30, 2015 was \$4,780,621 compared with \$2,522,239 in the prior period, an increase of 90%. 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 nine months ended September 30, 2015 was 11% as compared with 37% in the same period of the prior year, the principal reasons of which are discussed above. Revenue includes \$2,987,898 which was recorded at zero margin. Adjusting our revenue to factor in the expected margin on the projects recorded at zero margin would result in an additional revenue of \$390,412, resulting in Adjusted Revenue of \$5,171,033 and Adjusted Gross Profit of \$903,015. The Adjusted Revenue when compared with Cost of sales of \$4,268,018 produces an Adjusted Gross Profit Margin of 17%. The Adjusted Gross Profit of \$903,015 is 4% lower than the prior period of \$936,770. .

SG&A expenses for the nine months ended September 30, 2015, excluding listing costs, was \$4,332,588 compared with \$3,848,370 in the same period of the prior year. The increase was primarily due to an increase in non-cash share based compensation of \$551,000 which was partially offset by lower professional fees which decreased by \$251,000. Factoring out non-cash share based compensation and 2014 listing costs, SG&A decreased by \$156,000, despite revenues almost doubling.

As a result of decreased gross profit, we had a net loss of \$3,958,236 in the nine months ended September 30, 2015 as compared with \$3,248,033 in the same period of the prior year excluding listing costs.

Summary of Quarterly Results

All amounts in 000's, except per share figures

	Dec 31 2013 Q4	Mar 31 2014 Q1	Jun 30 2014 Q2	Sep 30 2014 Q3	Trailing four quarters	Dec 31 2014 Q4	Mar 31 2015 Q1	Jun 30 2015 Q2	Sep 30 2015 Q3	Trailing four quarters
Revenue	\$ 1,230	\$ 848	\$ 686	\$ 988	\$ 3,752	\$ 1,316	\$ 658	\$ 1,419	\$ 2,704	\$ 6,097
Net loss	\$ (995)	\$ (814)	\$ (1,174)	\$ (3,065)	\$ (6,048)	\$ (1,979)	\$ (1,397)	\$ (1,359)	\$ (1,202)	\$ (5,937)
Basic and diluted loss per share	\$ (0.31)	\$ (0.22)	\$ (0.15)	\$ (0.32)	\$ (1.00)	\$ (0.20)	\$ (0.13)	\$ (0.12)	\$ (0.09)	\$ (0.54)

Quarter to quarter comparisons in the financial results are 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 due to a number of factors, including the timing of substantial orders, receipt of payments to recognize revenue and significant one-time expenses. For example, 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 and loans. Our primary uses of cash are operating expenses, including cost of sales.

During the nine months ended September 30, 2015, the Company incurred a net loss of \$3,958,236 and negative cash flow from operations of \$1,912,880. In addition, as of September 30, 2015 the Company has a working capital deficiency of \$3,014,524.

To date we have funded losses with cash from operations, private placements and 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 nine months ended September 30, 2015, the Company completed a non-brokered private placement of 1,189,834 units for net cash proceeds of \$1,398,639. 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 September 30, 2015, the Company issued 160,454 shares for net cash proceeds of \$131,300 (CAD \$175,935) pursuant to private placements. In addition, investors received warrants allowing the holders to purchase an additional 132,727 shares until October 5, 2016 at an exercise price of CAD \$1.50 per share.

Management are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 on a going concern basis. Accordingly, the condensed consolidated interim 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 September 30, 2015, the Company had cash of \$49,792 and restricted cash of \$17,592. 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"). Subsequent to September 30, 2015, the Company received a term loan of \$250,000 and completed a private placement with net proceeds of \$131,300.

As of September 30, 2015, the Company had a working capital deficit of \$3,014,524 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 September 30, 2015, the Company had loans with related parties as follows:

- A loan of \$1,493,855 (RMB 9,496,850) from Xiangrong Xie, a director, with a fixed annual interest rate of 6% beginning in January 1, 2018. The loan is unsecured and is to be repaid evenly over 10 years with monthly repayments commencing January 1, 2018. The loan is carried at amortized cost.
- A loan of \$555,000 with Qi Liu, a family member of the Chief Executive Officer ("CEO"), with a fixed annual interest rate of 5%, beginning in January 1, 2018. The loan is unsecured and is to be repaid evenly over five years with monthly repayments commencing January 1, 2018. The loan is carried at amortized cost.
- A loan of \$786,500 (RMB 5,000,000) from Yun Liu, a shareholder and family member of the CEO, with a fixed annual interest rate of 5.52%. Interest is payable monthly until the principal due date. The loan is unsecured and due September 18, 2016. .
- A loan of \$1,101,100 (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 \$1,076,910 (RMB 6,849,216) from Xiangrong Xie, a director. The loan is unsecured, non-interest bearing with no payments scheduled until January 1, 2018.

As of September 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+ years
Trade and other payables	\$ 3,575,281	\$ 3,575,281	\$ 3,437,673	\$ 137,608	\$ -	\$ -
Loans payable	4,503,265	6,126,474	1,965,617	-	2,115,798	2,045,059
Contractual commitments	-	83,500	83,500	-	-	-
Lease commitments	-	66,200	66,200	-	-	-
	\$ 8,078,546	\$ 9,851,455	\$ 5,552,990	\$ 137,608	\$ 2,115,798	\$ 2,045,059

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 do 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 \$6,496 (RMB 40,000) per month. For the nine months ended September 30, 2015, \$57,744 (RMB 360,000) (2014 - \$38,726; 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 September 30, 2015, accounts payable includes \$56,628 (December 31, 2014 - \$12,888) related to this lease.

During the three and nine months ended September 30, 2015, as a result of loans payable to related parties, the Company:

- Incurred accretion expense of \$20,709 and \$41,976, respectively (2014 - \$27,989 and \$73,467), with Xiangrong Xie, a director. The Company recorded interest accretion expense due to an extension in the interest free period by Xiangrong Xie;
- Incurred accretion expense of \$16,304 and \$28,209, respectively (2014 - \$5,953 and \$5,953), with Qi Liu, family member of the Chief Executive Officer ("CEO"). The Company recorded interest accretion expense due to an extension in the interest free period by Qi Liu;
- Incurred interest expense of \$13,192 and \$42,297, respectively (2014 - \$16,253 and \$42,329), with Yun Liu, a shareholder and family member of the CEO; and
- Incurred interest expense of \$35,094 and \$73,234, respectively (2014 - \$19,009 and \$32,151), with Beijing Zhongjihaotai Investment Ltd, a company controlled by Xiangrong Xie, a director of the Company; and
- Incurred accretion expense of \$17,566 and \$17,566, respectively (2014 - \$Nil and \$Nil), with Xiangrong Xie, a director. The Company recorded interest accretion expense due to an extension in the interest free period by Xiangrong Xie.

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 September 30, 2015, the Company had restricted cash of \$17,592 for use in the expansion and manufacturing capacity in the PRC and \$49,792 of cash to settle current liabilities of \$6,253,642.

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 nine months ended September 30, 2015, the Company incurred a net loss of \$3,958,236 and negative cash flow from operations of \$1,912,880. 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, 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 September 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 18,693,065 common shares issued and outstanding. In addition, there are 10,200,000 special warrants which may be converted to common shares for no additional consideration, 731,762 share purchase warrants which may be exercised for one common share each at the fixed exercise price, and stock options to purchase an additional 157,280 common shares. The Company also has restricted share units which allow employees and directors to acquire a total of 363,212 common shares over the next three 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.