

MOSEDA TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED SEPTEMBER 30, 2015

(Unaudited)

MOSEDA TECHNOLOGIES INC.CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

AS AT	September 30, 2015	June 30, 2015
ASSETS		
Current		
Cash	\$ 1,284,662	\$ 464,885
Trade and other receivables	98,297	93,142
Prepaid expenses	193,371	366,871
Inventory (Note 8)	44,421	-
	<u>1,620,751</u>	<u>924,898</u>
Property, plant and equipment (Note 6)	6,674	8,216
Intangible assets	<u>1,521</u>	<u>1,521</u>
	<u>\$ 1,628,946</u>	<u>\$ 934,635</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 492,899	\$ 487,144
Deferred revenue (Note 7)	4,431	6,443
Due to related parties (Note 10)	<u>171,137</u>	<u>165,324</u>
	<u>668,467</u>	<u>658,911</u>
Shareholders' equity		
Share capital (Note 9)	7,326,895	6,274,852
Reserves (Note 9)	998,886	841,902
Accumulated Deficit	<u>(7,365,302)</u>	<u>(6,841,030)</u>
	<u>960,479</u>	<u>275,724</u>
	<u>\$ 1,628,946</u>	<u>\$ 934,635</u>

Nature of operations and ability to continue as a going concern (Note 1)

Approved on Behalf of the Board of Directors on November 26, 2015:

Signed: "*Aman Thindal*"Signed: "*Eugene Beukman*"

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

MOSEDA TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

For the	Three month period ended September 30, 2015	Three month period ended September 30, 2014
REVENUE		
Royalty revenue	3,524	10,069
EXPENSES		
Amortization and depreciation	1,542	1,710
Advertising and promotion	122,374	1,256
Cost of sales	-	1,850
Hosting and web fees	30,758	11,992
Management and consulting fees	117,108	28,000
Office and administration	15,934	36,384
Professional fees	23,551	107,131
Research and development	110,801	70,205
Share-based payments	86,055	77,423
Transfer agent	10,164	-
Travel	9,509	17,494
	(527,796)	(353,445)
	(524,272)	(343,376)
OTHER		
Interest expense	-	(8,311)
Other income	-	25,000
Loss and comprehensive loss for the period	\$ (524,272)	\$ (326,687)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	43,136,891	12,426,325

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

MOSEDA TECHNOLOGIES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian Dollars)

For the three month period ended

	September 30, 2015	September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (524,272)	\$ (326,687)
Items not affecting cash:		
Amortization	1,542	1,710
Share-based payments	86,055	77,423
	<u>(430,675)</u>	<u>(247,544)</u>
Changes in non-cash working capital items:		
Receivables	(5,155)	(10,490)
Deferred revenue	(2,012)	(1,195)
Due to related parties	5,813	-
Prepaid expenses	173,500	-
Accounts payable and accrued liabilities	5,755	86,779
	<u>(258,774)</u>	<u>(172,460)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of inventory (Note 8)	<u>(44,421)</u>	<u>-</u>
	<u>(44,421)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	1,200,000	202,501
Proceeds from stock option exercise	7,870	-
Share issuance costs	(84,898)	-
Shareholder advance	-	5,975
Proceeds from borrowings	-	13,000
	<u>1,122,972</u>	<u>221,476</u>
Change in cash during the period	819,777	49,016
Cash, beginning of period	464,885	12,469
Cash, end of period	\$ 1,284,662	\$ 61,485

Supplemental disclosure with respect to cash flows (Note 13)

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

MOSEDA TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited - Expressed in Canadian Dollars)

	Share Capital					Total
	Number	Amount	Reserves	Accumulated Deficit		
Balance June 30, 2014	12,221,610	\$ 1,505,858	\$ 293,793	\$ (2,284,572)	\$	(484,921)
Private placement	1,730,773	225,001	-	-		225,001
Share issuance costs - cash	-	(22,500)	-	-		(22,500)
Share-based payments	-	-	77,423	-		77,423
Net Loss for the period	-	-	-	(326,687)		(326,687)
Balance September 30, 2014	13,952,383	\$ 1,708,359	\$ 371,216	\$ (2,611,259)	\$	(531,684)
Shares issued on exercise of options	886,750	4,225				4,225
<i>Recapitalization transactions</i>						
Pursuant to the acquisition of Mobsafety Inc.	(14,839,133)	(1,712,584)	-	-		(1,712,584)
Exchange of shares	25,943,168	3,689,138	-	-		3,689,138
Private placement	16,497,216	3,106,400	-	-		3,106,400
Share issuance costs – cash	-	(343,292)	-	-		(343,292)
Share issuance costs – warrants	-	(177,394)	177,394	-		-
Share-based payments	-	-	293,292			293,292
Net loss for the period	-	-	-	(4,229,771)		(4,229,771)
Balance June 30, 2015	42,440,384	6,274,852	841,902	(6,841,030)		275,724
Private placement	8,000,000	1,200,000	-	-		1,200,000
Shares issued on exercise of options	39,350	5,903	1,967	-		7,870
Share issuance costs – cash	-	(84,898)	-	-		(84,898)
Share issuance costs – warrants	-	(68,962)	68,962	-		-
Share-based payments	-	-	86,055	-		86,055
Net loss for the period				(524,272)		(524,272)
Balance, September 30, 2015	50,479,734	\$ 7,326,895	\$ 998,886	\$ (7,365,302)	\$	960,479

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

MOSEDA TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2015

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Mosedata Technologies Inc. (formerly Golden Virtue Resources Inc.) (the "Company") is a publicly-listed company incorporated in British Columbia with limited liability under the legislation of the province of British Columbia and its shares are listed on the TSX Venture Exchange (the "Exchange"). The Company's principal business is to develop and operate Mobile Device Management ("MDM") software systems that allow the management and tracking of assets using mobile devices.

The head office, principal address and the registered records address of the Company is situated at 1055 West Hastings Street, Vancouver, British Columbia.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2015, the Company had not achieved profitable operations, had accumulated a deficit of \$7,365,302 (June 30, 2015 - \$6,841,030) since inception and expects to incur further operating losses in the development of its business. The Company's ability to continue as a going concern is dependent upon the ability to find, acquire and develop various businesses with growth potential, its ability to obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. This indicates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

REVERSE TAKEOVER

On September 30, 2014, the Company and MobSafety, Inc. ("MobSafety") entered in to a Share Exchange Agreement ("SEA") whereby the Company would acquire all of the issued and outstanding shares of MobSafety, being 14,839,133 shares, in consideration for securities of the Company on a 1 for 1.0819 basis. After completion of the SEA, the shareholders of MobSafety held approximately 62% of the Company. Accordingly, MobSafety is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by MobSafety shareholders (the "RTO").

As MobSafety is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on July 27, 2011 are included in the condensed consolidated interim financial statements at their historical carrying value. The condensed consolidated interim financial statements are a continuation of MobSafety in accordance with IFRS 3, Business Combinations. The Company's results of operations are included from March 27, 2015 onwards, the closing date.

Concurrent with the RTO, the Company completed a \$3,106,400 private placement (the "Financing") (Note 8) as required by the SEA.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, the financial statements are prepared using the accrual basis of accounting except for cash flow information. These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

MOSEDA TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2015

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Cont'd...)

Use of Estimates

The preparation of these condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Critical accounting estimates

- i. Share-based payments is subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.
- ii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.
- iii. The Company uses historical warranty claim information, as well as recent trends that might suggest that post cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labour costs. Actual claims costs may differ from management's estimates depending upon whether the actual claims costs were significantly different than the estimates.
- iv. Management reviews the useful lives of depreciable assets including property, plant and equipment and customer contracts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence.
- v. Moseda Technologies Inc. completed an RTO with Mobsaftey Inc. on March 27, 2015 and concluded that the transaction did not qualify as a business combination as significant inputs and processes that constitute a business were missing. Refer to Note 4 for additional details.

Critical accounting judgments

- i. The determination that the Company will continue as a going concern for the next year.

Comparative Information

These condensed consolidated interim financial statements have been prepared as a continuation of Mobsafety, Inc.'s financial statements and the comparative figures presented represent the financial statements of Mobsafety, Inc. The results of Moseda Technologies Inc. have been included in the Company's condensed consolidated interim financial statements subsequent to close of the RTO on March 27, 2015 (Note 4).

MOSEDA TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES

New standard not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.

The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2017 and allows early adoption. On July 22, 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15 to periods beginning after January 1, 2018. Earlier application of IFRS 15 continues to be permitted. The Company does not intend to early adopt this standard and is currently evaluating the impact of adopting this standard on the condensed consolidated interim financial statements.

4. ACQUISITION OF MOBSAFETY

On March 27, 2015, the Company and MobSafety completed a Share Exchange Agreement (“SEA”) whereby the Company would acquire all of the issued and outstanding shares of MobSafety, being 14,839,133 shares, in consideration for securities of the Company on a 1 for 1.0819 basis. After completion of the SEA, the shareholders of MobSafety held approximately 62% of the Company. Accordingly, MobSafety is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by MobSafety shareholders (the “RTO”).

The legal acquisition of MobSafety by the Company constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combinations. As a result of the RTO, statements of financial position have been adjusted for the elimination of the Company's share capital, reserves and accumulated deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of \$2,060,370 has been recorded. This reflects the difference between the estimated fair value of the MobSafety shares to the Company's shareholders less the net fair value of the assets of the Company acquired.

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of MobSafety are included in the statement of financial position at their carrying values;
- ii) The net assets of the Company are included at their fair value of \$(82,628).

MOSEDA TECHNOLOGIES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Unaudited - Expressed in Canadian Dollars)

4. ACQUISITION OF MOBSAFETY (Cont'd...)

- iii) The net assets of the Company have been allocated as follows:

Cash	\$	28,231
Prepaid		116,288
Receivables		32,999
Accounts payable and accrued liabilities		(350,146)
Fair value of net liabilities	\$	(172,628)

- iv) The listing expense of \$2,060,370 was determined as follows:

- Number of Company common shares held by former MobSafety shareholders outstanding prior to the Financing is 16,054,458 or 61.88% of the combined entity.
- The fair value of MobSafety is \$3,210,892, which is based on the Financing price of \$0.20 per common share.
- Number of outstanding shares of the Company prior to the Financing is 9,888,710 or 38.12% of the combined entity.
- The fair value of the shares issued to acquire the Company under reverse takeover accounting is \$1,977,742 calculated as 9,888,710 shares at \$0.20 per share.
- The difference between the fair value of \$1,977,742 being the consideration paid, and the estimated fair value of the net liabilities of the Company of \$82,628 amounts to a listing expense of \$2,060,370.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2015	September 30, 2014
Accounts payable	\$ 426,221	\$ 192,795
Other payables	-	64,152
Accruals	66,678	83,694
	<u>\$ 492,899</u>	<u>\$ 340,641</u>

MOSEDA TECHNOLOGIES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

September 30, 2015

(Unaudited - Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment
Cost	
Balance, September 30, 2014	\$ 20,543
Additions	-
Balance, June 30, 2015 and September 30, 2015	20,543
Accumulated depreciation	
Balance, September 30, 2014	7,872
Additions	4,455
Balance, June 30, 2015	12,327
Additions	1,542
Balance, September 30, 2015	13,869
As at September 30, 2014	\$ 12,671
As at September 30, 2015	\$ 6,674

7. DEFERRED REVENUE

The Company's deferred revenue at September 30, 2014 and 2015 are as follows:

	Total
Balance September 30, 2014	\$ 17,398
Deferred during the period	16,773
Released to the statement of loss and comprehensive loss	(27,728)
Balance, June 30, 2015	\$ 6,443
Deferred during the period	1,512
Released to the statement of loss and comprehensive loss	(3,524)
Balance September 30, 2015	\$ 4,431

8. INVENTORY

Inventory consists of medical devices purchased by the Company for resale.

9. SHARE CAPITAL AND RESERVES**Authorized share capital**

Unlimited number of common and preferred shares without par value.

Issued share capital

During the period ended September 30, 2014, the Company completed a non-brokered private placement by issuing 1,730,774 units at \$0.13 per unit, for gross proceeds of \$225,001. The Company paid \$22,500 in share issuance costs.

MOSEDA TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd...)

Issued share capital (cont'd...)

During the period ended September 30, 2015, the Company completed a brokered private placement by issuing 8,000,000 units at \$0.15 per unit, for gross proceeds of \$1,200,000. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a period of one year from issuance at an exercise price of \$0.25. The Company recorded cash share issue costs of \$84,898 and issued 586,867 agent options with a fair value of \$68,962 in conjunction with the placement. The agent options were valued using the Black-Scholes pricing model with a volatility of 100%, discount rate of 0.50%, expected life of 1 year, and an exercise price of \$0.25.

Stock options and warrants

Share purchase warrants and stock option transactions are summarized as follows:

	Share Purchase Warrants		Stock Options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, June 30, 2014	-	\$ -	2,015,332	\$ 0.14
Granted	-	-	420,000	0.06
Outstanding, September 30, 2014	-	\$ 0.37	2,435,332	\$ 0.12
Exercised	-	-	(886,750)	0.005
Cancelled	-	-	(1,128,582)	0.25
Acquired from RTO	-	-	100,900	1.00
Granted	13,139,767	-	1,598,822	0.22
Outstanding, June 30, 2015	13,139,767	0.33	2,119,722	0.23
Exercised	-	-	(39,350)	0.20
Expired	-	-	(75,900)	1.00
Granted	4,586,867	0.25	1,000,000	0.15
Exercisable, September 30, 2015	17,726,634	0.29	3,004,472	0.19

As at September 30, 2015, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry Date
Stock options	25,000	\$ 1.000	March 19, 2017
	1,203,210	0.200	March 27, 2017
	850,000	0.150	August 18, 2017
	150,000	0.150	August 25, 2017
	175,809	0.001	September 16, 2024
	129,828	0.200	September 16, 2024
	129,828	0.200	June 25, 2024
	340,797	0.250	June 30, 2022
	3,004,472		

MOSEDA TECHNOLOGIES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

September 30, 2015

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd...)**Stock options and warrants (cont'd...)**

As at September 30, 2015, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry Date
Share Purchase Warrants	2,875,000	\$ 0.35	June 16, 2016
	780,000	0.35 / 0.50*	July 31, 2016
	4,586,867	0.25	September 21, 2016
	8,248,608	0.30	March 27, 2017
	378,665	0.10	June 30, 2023
	304,284	0.13	March 29, 2022
	205,920	0.23	April 23, 2022
	293,195	0.25	June 30, 2022
	54,095	0.10	June 30, 2024
	17,726,634		

* Exercise price in 1st year is \$0.35 / 2nd & 3rd years are \$0.50

Share-based payments

The Company's stock option plan reserves for issuance a maximum number of common shares equal to 10% of the number of issued and outstanding common shares of the Company. The exercise price of each option is to be determined by the Board of Directors, but shall not be less than the discounted market price as defined by the Exchange. The expiry date for each option should be for a maximum term of five years. All options granted vest immediately with the exception of those granted to investor relations consultants, which vest according to Exchange policy.

During the period ended September 30, 2015 the Company granted 1,000,000 options and recorded a share-based payment expense of \$86,055 (2014 - \$77,423).

Performance shares

On June 27, 2013, the Company received disinterested shareholder approval to amend the milestone dates as below for the allotment of 3,000,000 common shares (the "Performance Shares"), which will become issuable to certain officers, employees and consultants on the achievement by the Company of certain milestone events.

These shares are not considered earned unless the milestones are achieved. The details for amounts and the requisite milestones are as follows:

Number of common shares allotted	Milestone for issuance
1,000,000	Upon the Company generating total revenues of not less than \$680,000 on or before twelve (12) months following the RTO
1,000,000	Upon the Company generating total revenues of not less than \$5,200,000 on or before twenty-four (24) months following the RTO
1,000,000	Upon the Company generating total revenues of not less than \$9,760,000 on or before thirty-six (36) months following the RTO
3,000,000	

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9. SHARE CAPITAL AND RESERVES (cont'd...)

Performance shares (cont'd...)

To date, no milestones have been reached; therefore no shares have been issued. The progress of the Company's revenue to date has been insufficient to indicate that there is any likelihood of these milestones being achieved. The Company has not recorded any related expense or obligation as of September 30, 2015.

10. RELATED PARTY TRANSACTIONS

The remuneration of the key management personnel, comprised of the directors and officers is as follows:

Paid or accrued management and consulting fees of \$25,304 (2014 - \$28,000) to a director and CEO of the Company.

Paid or accrued management and consulting fees of \$Nil (2014 - \$21,000) to the former CFO of the Company.

Paid or accrued management and consulting fees of \$10,000 (2014 - \$Nil) to the CFO and director of the Company.

Paid or accrued management and consulting fees of \$6,343 (2014 - \$Nil) to the former interim CFO of the Company

As at September 30, 2015, included in accounts payable and accrued liabilities is \$171,137 (June 30, 2015 - \$165,324) due to related parties. These amounts are unsecured, non-interest bearing and payable on demand.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks, including credit risk liquidity risk, and currency risk.

The Company's exposure to these risks and its methods of managing the risks remain consistent. The Company is exposed to the following risks related to financial assets and liabilities:

(a) Currency risk

Currency risk is the risk that variations in exchange rates between U.S. and Canadian currencies will affect the Company's operating and financial results. The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers in foreign currencies and the purchases of hardware from suppliers invoiced in foreign currencies. The Company does not use derivative instruments to reduce its exposure. The company is not currently exposed to currency risk. (2014: none)

(b) Credit risk

Credit risk refers to the potential that a customer or counterparty to a financial instrument will fail to discharge its contractual obligations, and arises principally from the Company's receivables from customers and its cash. The maximum credit risk exposure for these balances is the carrying values of these items.

The Company attempts to mitigate its credit risk over cash by dealing only with large financial institutions with good credit ratings. All of the financial institutions that the Company deals with meet these qualifications.

The Company is exposed to credit risk from customers. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade accounts receivable in order to mitigate any possible credit losses.

Allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd...)*

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At September 30, 2015 the Company's accounts payable and accrued liabilities were \$492,899 (June 30, 2015 - \$487,144).

12. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There have been no changes to the Company's approach to capital management during the period.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended September 30, 2015 the Company issued 586,867 agent warrants with a fair value of \$68,962.

There were no non-cash transactions during the period ended September 30, 2014.

14. SUBSEQUENT EVENTS

On October 7, 2015, the Company completed a non-brokered private placement of 1,500,000 units (the "Units") at a price of \$0.20 per unit for gross proceeds of \$300,000. Each Unit consists of one common share and one half transferable share purchase warrant exercisable at \$0.26 for one year.

On October 7, 2015, the Company granted 700,000 options to certain directors, management and consultants to purchase shares of the Company at a price of \$0.25 for a period of five years.