ACT360 SOLUTIONS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2012 AND 2011

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver BC, Canada V6E 3S7
Phone: 604.714.3600 Fax: 604.714.3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ACT360 Solutions Ltd.

We have audited the accompanying consolidated financial statements of ACT360 Solutions Ltd. which comprise the consolidated statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended September 30, 2012 and September 30, 2011, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ACT360 Solutions Ltd. as at September 30, 2012, September 30, 2011 and October 1, 2010, and its financial performance and cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2b to these consolidated financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of ACT360 Solutions Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

January 14, 2013

ACT360 SOLUTIONS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012, SEPTEMBER 30, 2011 AND OCTOBER 1, 2010

(Expressed in Canadian dollars)

	September 30, 2012 $	September 30, 2011 $ (Note 13)	October 1, 2010 $ (Note 13)
ASSETS			
Current			
Cash and cash equivalents	196,483	26,925	90,475
Accounts receivable	71,217	47,711	32,533
Prepaid expenses and other assets	6,800	5,632	8,836
	274,500	80,268	131,844
EQUIPMENT (Note 4)	1,479	6,516	8,534
	275,979	86,784	140,378
LIABILITIES			
Current			
Accounts payable and accrued liabilities	89,396	85,889	58,057
Unearned revenue	1,992	31,226	58,591
Current portion of finance lease obligation	–	–	2,713
Current portion of deferred rent inducement	–	–	520
	91,388	117,115	119,881
SHAREHOLDERS' (DEFICIENCY) EQUITY			
Share capital (Note 5)	1,292,412	1,109,021	1,109,021
Contributed surplus	43,396	35,567	35,173
Deficit	(1,151,217)	(1,174,919)	(1,123,697)
	184,591	(30,331)	20,497
	275,979	86,784	140,378

Nature of operations and continuance of business (Notes 1 and 2b)
Commitments (Note 9)

APPROVED ON BEHALF OF THE BOARD ON JANUARY 14, 2013:

/s/ "Ronald Erdman"
Ronald Erdman, Director

/s/ "Vincent Wong"
Vincent Wong, Director

ACT360 SOLUTIONS LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

(Expressed in Canadian dollars)

	2012 $	2011 $ (Note 13)
SALES	715,575	545,620
EXPENSES		
Accounting and legal	65,446	66,180
Depreciation	5,037	8,274
Selling, office and general	601,726	508,722
Regulatory and filing fees	11,843	13,418
Share-based payments (Note 6)	7,829	4,667
	(691,881)	(601,261)
INCOME (LOSS) BEFORE OTHER ITEMS	23,694	(55,641)
OTHER ITEMS		
Interest income	8	146
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	23,702	(55,495)
EARNINGS (LOSS) PER COMMON SHARE BASIC AND DILUTED	0.00	(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	16,210,045	16,089,467

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

ACT360 SOLUTIONS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

(Expressed in Canadian dollars)

	2012 $	2011 $
OPERATING ACTIVITIES		
Net income (loss)	23,702	(55,495)
Items not affecting cash:		
Bad debts	5,960	707
Depreciation	5,038	8,274
Deferred rent inducement	–	(520)
Share-based payments	7,829	4,667
	42,529	(42,367)
Changes in non-cash working capital items:		
Accounts payable	3,506	27,832
Accounts receivable	(29,466)	(15,885)
Prepaid expenses and other assets	(1,168)	3,204
Unearned revenue	(29,234)	(27,365)
CASH USED IN OPERATING ACTIVITIES	(13,833)	(54,581)
FINANCING ACTIVITIES		
Proceeds on issuance of common shares - net of share issue costs	183,391	–
Finance lease obligations	–	(2,713)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	183,391	(2,713)
INVESTING ACTIVITIES		
Acquisition of equipment	–	(6,256)
CASH USED IN INVESTING ACTIVITIES	–	(6,256)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	169,558	(63,550)
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	26,925	90,475
CASH AND CASH EQUIVALENTS – ENDING OF THE YEAR	196,483	26,925
SUPPLEMENTAL INFORMATION		
Interest paid	–	53
Income taxes paid	–	–

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

ACT360 SOLUTIONS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

(Expressed in Canadian dollars)

	Number of Common Shares	Amount	Contributed Surplus	Deficit	Total
As at October 1, 2010 (Note 13)	16,089,467	$ 1,109,021	$ 35,173	$ (1,123,697)	$ 20,497
Share-based payments	–	–	4,667	–	4,667
Stock options expired and reclassified to deficit (Note 13)	–	–	(4,273)	4,273	–
Net loss for the year (Note 13)	–	–	–	(55,495)	(55,495)
As at September 30, 2011 (Note 13)	16,089,467	$ 1,109,021	$ 35,567	$ (1,174,919)	$ (30,331)
As at October 1, 2011 (Note 13)	16,089,467	$ 1,109,021	$ 35,567	$ (1,174,919)	$ (30,331)
Common shares issued, net of share issuance costs	4,000,000	183,391	–	–	183,391
Share-based payments	–	–	7,829	–	7,829
Net income for the year	–	–	–	23,702	23,702
As at September 30, 2012	20,089,467	$ 1,292,412	$ 43,396	$ (1,151,217)	$ 184,591

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

ACT360 Solutions Ltd. (the "Company") is incorporated under the provisions of the Company Act of British Columbia and is listed on the TSX Venture Exchange ("TSX-V"). The Company's principal business activity consists of providing internet-based training applications and services. The address of the Company's corporate office and its principal place of business is 1116-207 West Hastings Street, Vancouver, BC, V6B 1H7.

These consolidated financial statements have been prepared on a going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has a history of significant losses, sizeable accumulated deficits and limited working capital. The Company's ability to continue as a going concern may therefore be dependent on completing equity financing, obtaining support from related parties or generating consistent profitable operations in the future.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Company's first IFRS annual consolidated financial statements for year the ending September 30, 2012. The explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 13. Subject to certain IFRS transition elections the Company has consistently applied the same accounting policies throughout all years presented, as if the policies have always been in effect.

b) Going concern

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $1,151,217 at September 30, 2012. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. These factors may raise substantial doubt regarding the Company's ability to continue as a going concern.

c) Consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiary, ACT360 Media Ltd. which was incorporated in Canada. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

d) Presentation and Functional Currency

These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Company and its wholly-owned subsidiary – ACT360 Media Ltd.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement basis - These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

Use of estimates - The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates relate to depreciation, recognition of deferred income tax assets and liabilities, and share-based payments. Actual results could differ from these estimates.

Foreign currency translation - The Company's consolidated financial statements are expressed in Canadian dollars. Monetary assets and liabilities in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Revenues and expenses are translated at the rates of exchange in effect on the dates of the related transactions. Non-monetary assets and liabilities are translated at the historical rates in effect when the assets were acquired or liabilities incurred. Exchange gains and losses arising on translation are included in determining current earnings.

Cash and cash equivalents - The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

Equipment - Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Furniture and fixtures	20%
Computer equipment	33%
Computer software	50%

Leases - Leases are classified as either finance or operating leases. Leases that transfer substantially all of the benefits and risks incidental to the ownership of equipment are classified as finance leases. At the inception of a finance lease, the equipment and respective obligation are recorded at their fair value. Equipment under finance leases are amortized on a straight-line basis over the term of the lease, which approximates the equipment's estimated useful life. All other leases are classified as operating leases.

Long-lived assets and impairment - The Company evaluates, on an ongoing basis, the carrying value of equipment and other assets, for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-lived assets and impairment (continued) - The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Share issuance costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

Income taxes - The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Revenue recognition

a) Internet applications

Revenues for internet applications are recorded when a reseller/partner or direct user requests activation of a user account for one or more of the Company's products and collection is probable.

b) Custom software development

The Company develops and hosts software products for customers. Revenues from the development of custom software products is recognized by the stage of completion of the arrangement determined using the percentage of completion method or as such services are performed as appropriate in the circumstances. The revenue and profit of contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably, the amount of revenue recognized is limited to the cost incurred in the period. Losses on contracts are recognized as soon as a loss is foreseen by reference to the estimated costs of completion. Hosting revenues are recorded on a monthly basis if collection is probable.

c) Student marketing services

The Company sells marketing information to higher education institutions. Revenues are recorded when the customer is satisfied with the marketing information and collection is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments - The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Earnings (Loss) per share - The Company uses the treasury stock method in computing earnings (loss) per share. Under this method, basic earnings (loss) per share is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of in-the-money stock options and warrants. For the years presented, the existence of stock options affects the calculation of loss per share on a fully diluted basis.

Development costs – Development costs are expensed as incurred, except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any product development costs during the year.

Financial instruments - All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable and finance lease obligations. At initial recognition management has classified financial assets and liabilities as follows:

a) Financial assets

The Company has recognized its cash and cash equivalents at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. The Company has classified its accounts receivable as loans and receivables. Loans and receivable are measured at amortized cost using the effective interest method. The Company has not classified any financial assets as held to maturity or as available for sale.

b) Financial liabilities

The Company has recognized its accounts payable and finance lease obligations as other financial liabilities. Accounts payable are recognized at the amount required to be paid, less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

New accounting standards issued but not yet effective - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after October 1, 2012, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards effective October 1, 2013

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

The IASB has amended IAS 1 *Presentation of Financial Statements* to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for the Company beginning on October 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards effective October 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for the Company beginning on October 1, 2015 with early adoption permitted.

The Company has not yet begun the process of assessing the impact that the new standards will have on its consolidated financial statements.

4. EQUIPMENT

Cost	Computer Equipment	Computer Software	Furniture and Fixtures	Total
As at October 1, 2010	$ 127,375	$ 50,540	$ 14,930	$192,845
Additions	899	4,605	752	6,256
As at September 30, 2011	$ 128,274	$ 55,145	$ 15,682	$ 199,101
Additions	–	–	–	–
As at September 30, 2012	$ 128,274	$ 55,145	$ 15,682	$ 199,101
Accumulated Depreciation				
As at October 1, 2010	$ 120,257	$ 49,461	$ 14,593	$ 184,311
Depreciation	4,864	2,962	448	8,274
As at September 30, 2011	$ 125,121	$ 52,423	$ 15,041	$ 192,585
Depreciation	2,300	2,544	193	5,037
As at September 30, 2012	$ 127,421	$ 54,967	$ 15,234	$ 197,622
Carrying Amounts				
Balance, October 1, 2010	$ 7,118	$ 1,079	$ 337	$ 8,534
Balance, September 30, 2011	$ 3,153	$ 2,722	$ 641	$ 6,516
Balance, September 30, 2012	$ 853	$ 178	$ 448	$ 1,479

5. SHARE CAPITAL

The Company has authorized share capital of 100,000,000 common shares without par value and 100,000,000 preferred shares without par value. The issued share capital consists only of common shares. Disclosures on any common shares issued are provided in the Statements of Changes in Equity.

6. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has a stock option plan for directors, employees, and consultants. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued and outstanding shares at the time the options are granted. The exercise price of each option is determined by the Board, subject to the pricing policies of the TSX Venture Exchange.

During the year ended September 30, 2012, the Company granted 240,000 stock options exercisable at $0.10 to three consultants of the company, vesting immediately upon grant. The stock options expire on August 30, 2015. On grant date the fair value of the options was determined to be $7,829 with a weighted average fair value of $0.03 per option.

The fair values of the options granted in 2012 were determined using the Black-Scholes pricing model, using the following weighted average assumptions:

Share price at grant date	$0.05
Risk free interest rate	1.21%
Expected dividend yield	0%
Expected stock price volatility	131%
Expected life of options	3 years

Stock options transactions are summarized as follows:

	Number of shares	Weighted Average Exercise Price $
Outstanding, October 1, 2010	900,000	0.10
Granted	100,000	0.10
Cancelled or expired	(75,000)	0.10
Outstanding, September 30, 2011	925,000	0.10
Granted	240,000	0.10
Outstanding, September 30, 2012	1,165,000	0.10

The following table summarizes the information about stock options outstanding and exercisable at September 30, 2012:

Number Outstanding and Exercisable	Exercise Price Per Share	Expiry Date
240,000	$ 0.10	August 30, 2015
100,000	$ 0.10	February 28, 2016
825,000	$ 0.10	August 24, 2015
1,165,000		

6. STOCK OPTIONS AND WARRANTS (Continued)

Warrants

During the year ended September 30, 2012, the Company completed a private placement of 4,000,000 units of the Company at a price of $0.05 per unit. Each unit consisted of one common share of the Company and one non-transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.10 until March 19, 2014. The Company has an option to accelerate the expiry of the warrants if the company's shares trade at $0.20 or higher for a period of 10 consecutive trading days, in which case the warrants will expire on the earlier of the 30th day after the date of notice and 18 months from the issue of the warrants.

The following table summarizes the warrant transactions to September 30, 2012:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 1, 2010 and September 30, 2011	–	–
Issued	4,000,000	0.10
Outstanding, September 30, 2012	4,000,000	$ 0.10

7. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

The remuneration of the Company's directors and other key management was as follows:

	2012	2011
Management salary	$ 66,000	$ 63,500

As at September 30, 2012, the Company owed $2,276 to the CEO of the Company, which is included in accounts payable and is non-interest bearing, unsecured and due on demand.

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2012	2011
Canadian statutory income tax rate	25.38%	27.00%
Expected income tax expense (recovery)	$ 6,015	$ (14,986)
Non-deductible expenses and others	(1,731)	1,017
Other differences	(81)	1,037
Change in unrecognized deferred income tax assets	(4,203)	12,932
Income tax recovery	$ –	$ –

8. INCOME TAXES (Continued)

Significant components of the Company's potential deferred income tax assets are as follows:

	2012	2011
Non-capital losses	$ 205,947	$ 214,437
Share issuance costs and others	3,322	–
Equipment	25,052	24,084
	234,321	238,521
Unrecognized deferred income tax assets	(234,321)	(238,521)
Net deferred income tax assets	$ –	$ –

Based upon the level of historical taxable income and projections for future taxable income over the years in which the potential deferred tax assets are deductible, management has not recognized any deferred income tax assets.

Subject to certain restrictions, the Company has non-capital losses of $823,000 (2011 - $857,000) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year	
2014	$ 191,000
2015	100,000
2026	136,000
2027	97,000
2028	71,000
2029	77,000
2030	108,000
2031	43,000
	$ 823,000

The application of non-capital losses against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

9. COMMITMENTS

The Company is committed to buying e-mail hosting services during the next fiscal year totalling $6,900.

The Company is also committed to the following minimum lease payments during the next two fiscal years including estimated operating costs under operating leases for its premises:

2013	$ 19,900
2014	$ 1,660

10. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares and stock options. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern which is dependent on its raising additional financing, developing and bringing its technology to market, obtaining the necessary regulatory approvals and achieving and maintaining profitable operations to provide returns for shareholders and benefits for other stakeholders.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification

The Company has classified its cash and cash equivalents as fair value through profit or loss and its accounts receivable as loans and receivable. Accounts payable and finance lease obligations are classified as other financial liabilities.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2012	2011
Fair value through profit or loss (i)	$ 196,483	$ 26,925
Loans and receivables (ii)	71,217	47,711
Other financial liabilities (iii)	89,396	85,889

(i) Cash and cash equivalents
(ii) Accounts receivable
(iii) Accounts payable

Fair value

As at September 30, 2012 the Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 *Financial Instruments – Disclosures*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The fair values of the Company's financial assets and liabilities as of September 30, 2012 were calculated as follows:

	Balance at September 30, 2012 $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Financial Assets:				
Cash and cash equivalents	196,483	196,483	–	–

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. To minimize its credit risk, the Company maintains substantially all of its cash with high quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts. The Company's four (2011 - two) largest customer accounts comprise 69% (2011 - 39%) of accounts receivable.

The following table provides information regarding the ageing of accounts receivable that are past due but which are not impaired as at September 30, 2012.

	Neither past due nor impaired	31-60 days	61-90 days	91 days +	Carrying value at September 30, 2012
Trade accounts receivable	$ 63,407	$ 4,880	$ 34	$ 2,895	$ 71,217

Of the 61 days and over balance outstanding at September 30, 2012, 89% has been subsequently collected as at January 11, 2013. Management believes the remaining balance is fully collectible.

Liquidity Risk - The Company manages liquidity risk through ongoing review of accounts receivable balances and by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand.

Foreign Exchange Risk - As the Company operates on an international basis, currency risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the United States dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 93% of the Company's revenues are denominated in United States dollars (2011 - 95%), while substantially all of the Company's expenses are denominated in Canadian dollars. At September 30, 2012, a fluctuation of 10% in the currency exchange rate could result in a fluctuation of approximately $66,516 on our consolidated results of operations, based on US dollar account balances. The Company does not engage in any hedging activity.

The Company has completed a sensitivity analysis to estimate the impact on net loss for the year which a change in foreign exchange rates during the year ended September 30, 2012 would have had.

This sensitivity analysis includes the following assumptions:

- Changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Foreign Exchange Risk (continued)

The results of the foreign exchange rate sensitivity analysis can be seen in the following table:

	Impact on net loss
Change of +/- 10% in US$ foreign exchange rate	+/- $9,231

The above results arise primarily as a result of the Company having US$ denominated trade accounts receivable balances and bank account balances.

The financial position of the Company may vary at the time that a change in the factor above occurs, causing the impact on the Company's results to differ from that shown above.

Interest Rate Risk - The Company's cash and cash equivalents are subject to interest rate price risk. The Company's interest rate risk management policy is to place any amounts which are considered in excess of day-to-day requirements in interest bearing highly liquid investments with a term to maturity of three months or less on the date of purchase. The Company does not engage in any hedging activity.

Market risk - Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company's ability to raise capital to fund development is subject to risks associated with fluctuations in the market. Management closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. ECONOMIC DEPENDENCE

During the year ended September 30, 2012, approximately 47% (2011 - 69%) of the Company's sales are made to three (2011 - three) customers. The loss of a material amount of sales to any of these customers could have a material adverse effect on operations.

13. FIRST TIME ADOPTION OF IFRS

a) Transition to IFRS

The Company has adopted IFRS effective October 1, 2011 with a transition date of October 1, 2010. Prior to the adoption of IFRS the Company prepared its consolidated financial statements in accordance with Canadian GAAP.

The comparative information presented in these first annual consolidated financial statements for the year ended September 30, 2011 and the opening financial position as at October 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

13. FIRST TIME ADOPTION OF IFRS (Continued)

b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

(i) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

(ii) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to all business combinations that have occurred prior to its Transition Date and such business combinations have not been restated.

(iii) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively separate the liability and equity components of any compound instruments for which the liability component is no longer outstanding at the Transition Date.

c) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

d) Reconciliation between Canadian GAAP and IFRS

(i) In preparing the Company's IFRS Transition Date consolidated statement of financial position management noted that adjustments related to revenues from custom software development were necessary to be made by the Company previously in its consolidated financial statements prepared in accordance with previous Canadian GAAP. Additionally, upon adoption of IFRS, the Company adopted the policy of reclassifying amounts for expired stock options from contributed surplus to deficit.

Under Canadian GAAP, the Company accounted for certain long-term contracts using the completed contract method of accounting. Completed contract method of accounting is generally not permitted under IFRS. If the outcome of a contract is not known, then revenue is recognized only to the extent of the costs incurred that are probable of recovery and is limited to the amount of costs recognized during the period.

As a result of retrospective application of this policy, $11,744 of work in progress assets and $11,744 of deferred revenue liabilities from custom software development have been de-recognized with a zero net effect on retained earnings in the opening IFRS statement of financial position and $14,352 of work in progress assets and $14,352 of deferred revenue liabilities have been de-recognized with a net zero effect on retained earnings in the September 30, 2011 statement of financial position.

(ii) IFRS also permits a transfer of reserves arising from share-based transactions, within equity. At October 1, 2010 $83,406 of total reserves related to stock options no longer outstanding was transferred to deficit, in order that the balance of equity reserve reflect only the fair value of stock options outstanding on that date. During the year ended September 30, 2011, additional options outstanding expired, and therefore a further transfer, of the fair value attributed to these cancelled options, of $4,273 was made to deficit.

13. FIRST TIME ADOPTION OF IFRS (Continued)

d) Reconciliation between Canadian GAAP and IFRS (continued)

The October 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

Consolidated Statement of Financial Position	October 1, 2010 Canadian GAAP	Effect of IFRS Transition	October 1, 2010 IFRS
Total Assets (Note 13d(i))	$ 152,122	$ (11,744)	$ 140,378
Total Liabilities (Note 13d(i))	$ 131,625	$ (11,744)	$ 119,881
Shareholders' Equity			
Share capital	1,109,021	–	1,109,021
Contributed surplus (Note 13d(ii))	118,579	(83,406)	35,173
Deficit (Note 13d(i))	(1,207,103)	83,406	(1,123,697)
Total Shareholders' Equity	20,497	–	20,497
Total Liabilities and Shareholders' Equity	$ 152,122	$ (11,744)	$ 140,378

The September 30, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

Consolidated Statement of Financial Position	September 30, 2011 Canadian GAAP	Effect of IFRS Transition	September 30, 2011 IFRS
Total Assets (Note 13d(i))	$ 101,136	$ (14,352)	$ 86,784
Total Liabilities (Note 13d(i))	$ 131,467	$ (14,352)	$ 117,115
Shareholders' Deficiency			
Share capital	1,109,021	–	1,109,021
Contributed surplus (Note 13d(ii))	123,246	(87,679)	35,567
Deficit (Note 13d(ii))	(1,262,598)	87,679	(1,174,919)
Total Shareholders' Deficiency	(30,331)	–	(30,331)
Total Liabilities and Shareholders' Deficiency	$ 101,136	$ (14,352)	$ 86,784

13. FIRST TIME ADOPTION OF IFRS (Continued)

d) Reconciliation between Canadian GAAP and IFRS (continued)

IFRS 1 also requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported comprehensive income (loss) for the year ended September 30, 2011.

As a result of retrospective application of the revenue recognition policy for long-term contracts described in Note 13d(i), an additional $2,608 of revenue and costs have been recognized during the year ended September 30, 2011.

Consolidated Statement of Operations and Comprehensive Loss		Year Ended September 30, 2011 Canadian GAAP		Effect of IFRS Transition		Year Ended September 30, 2011 IFRS
Revenue	$	543,012	$	2,608	$	545,620
Total expenses	$	(598,653)	$	(2,608)	$	(601,261)
Total other items		146		–		146
Net loss and comprehensive loss	$	(55,495)	$	–	$	(55,495)

There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under previous Canadian GAAP.