

MANAGEMENT DISCUSSION & ANALYSIS

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ISSUER DETAILS

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FORM 51-102F1

**ACT360 Solutions Ltd.
MANAGEMENT DISCUSSION AND ANALYSIS**

FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2010

ACT360 Solutions Ltd (the “Company”) is incorporated in British Columbia and is a public company listed on the TSX Venture Exchange, symbol “AKM”. The Company, through its wholly owned subsidiary ACT360 Media Ltd (“ACT360 Media”), provides hosted software, training content, and internet-based services for corporate and higher education customers.

ADVISORY

This discussion and analysis should be read in conjunction with the consolidated financial statements and the auditor’s report for 2010.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A constitute forward-looking statements that involve risks and uncertainties. These forward-looking statements are based on the following material assumptions: a continuing or increased need for language training and e-learning software development in difficult economic times, the attainment of certain sales targets and company performance, the ability of channel partners and distributors to sell licenses of the Company’s online testing software, the ability of the Company to successfully execute on its growth and new business strategies, including attracting new distribution partners, continuation of support from existing distribution partners, the demand for its products continuing to increase, stable currency valuations and a sufficiently stable and healthy global economic environment, and other expectations, intentions and plans contained in this MD&A that are not historical fact.

When used in this MD&A, the words “plan,” “expect,” “believe,” and similar expressions generally identify forward looking statements. These statements reflect current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in technology and general market conditions. In light of the many risks and uncertainties, readers should understand that the Company cannot offer assurance that the forward-looking statements contained in this analysis will be realized.

SEGEMENTED INFORMATION

The Company’s product development, sales, and marketing operations are conducted from its offices in Vancouver, B.C., Canada. Worldwide sales of the Company’s products and services are made directly to end customers, both consumers and businesses, and also through a network of channel partners. The Company’s operations are limited to a single industry segment, being the development, customization, and sale of Internet-based testing and marketing services for the higher education industry.

TRENDS AND OPPORTUNITIES FOR 2011

2010 was a year of challenges and opportunities for the Company. The continuing global recession and the loss of a major e-learning customer due to offshore outsourcing led to declines in Custom Development service revenue and web hosting revenue of 32% and 20% respectively relative to the prior year. TestDEN.com online testing and training sales rebounded in 2010 and grew by 71% relative to the prior year. Growth in TestDEN sales was directly the result of re-branding www.testden.com in the first quarter and increased investment in online marketing through all four quarters of fiscal 2010.

In the face of these challenges, the Company conducted a strategic review of its operations and executed a major restructuring of its business beginning in the third quarter of fiscal 2010. Development costs of legacy products and services such as mobile applications for the Asian market were fully expensed in the Company's financial statements and product marketing contracts were terminated. The Company eliminated 80% of its software engineering team and diverted resources away from the Custom Development services group.

As part of the re-focusing of its business, the Company canvassed higher education customers and business partners for new opportunities. These discussions led to the Company concluding it believes there is a significant demand for online student recruitment services by North American institutions, particularly in regard to foreign students who have not been the principal focus of existing companies in this business. Led by for-profit higher education providers such as the Apollo Group (NASDAQ: APOL) and Kaplan Higher Education (NYSE: WA) with enrollments of 440,000 and 112,000 students respectively¹, the online education marketing business generated over US\$1 billion in revenue in 2010.²

By the fourth quarter of fiscal 2010, the Company emerged from the strategic review process with a new business plan focused on qualifying and recruiting international students for North American universities and colleges. Going forward in 2011, the Company intends to monetize the Company's core strengths:

- The extensive library of online test prep content targeting international students;
- The www.testden.com website and its large and growing international traffic; and
- The Company's network of international education customers and contacts.

The Company expects to grow organically in 2011 by finding qualified international students and charging higher education clients on a pay-for-performance basis. With the continuing support of its shareholders, the Company is also exploring various acquisition opportunities with respect to opportunity, strategic fit, and valuation.

¹ Apollo Group and Washington Post Annual Reports

² Tom Ferrara, www.FORPROFITEDU.COM

OVERALL PERFORMANCE

For the 12 months ended September 30, 2010, the Company's revenue decreased by 14% to \$376,613 compared to revenue of \$439,142 for the previous year.

TestDEN testing and training sales increased 71% as the Company expanded its online marketing targeting international students.

Custom Development service revenue fell 32% as the Company lost a maintenance contract for a major client. By the third quarter of fiscal 2010, management made the decision to divert resources away from the Custom Development group and to exit the business entirely.

Application Hosting revenue declined 20% in the year compared to the previous year as the Company developed and maintained fewer custom testing applications.

On a consolidated basis for the 12 months ended September 30, 2010, the Company had a net loss of \$174,789 on sales of \$376,613 compared to a loss of \$134,316 on sales of \$439,142 during the previous year.

On a consolidated basis, expenses were \$551,914 in 2010 compared to \$576,290 in 2009, a reduction of 4.2%. Amortization of deferred costs was lower as the Company completed the expensing of legacy products and services. Wages and benefits were also lower because the Company eliminated four full-time positions in the third quarter of the year. Stock-based compensation was higher due to the issuance of new stock options to directors and management following the expiry of a majority of the options previously outstanding.

The following is a discussion of certain major expense categories for the year ended September 30, 2010:

Accounting and legal

Accounting and legal fees were \$52,673 in fiscal 2010 (2009: \$49,315). The Company incurred higher accounting expenses for audit services and the preparation of financial statements.

Amortization of deferred costs

Amortization of deferred costs decreased to \$29,551 in 2010 (2009: \$59,300). The decrease in 2010 was due to the completion of amortization schedules from legacy products launched in 2008.

Bad debt

Bad debt expense in 2010 was positive \$503 (2009: \$6,833) as the Company was able to collect certain receivables that were previously written off.

Commissions

Commission expenses were \$1,983 in 2010 (2009: \$nil). Commission is payable to select channel partners on the sale of Company products.

Consulting

Consulting fees totaled \$11,704 in 2010 (2009: \$25,516). Consulting fees are paid when the Company hires outside personnel to work on custom training contracts and marketing projects. The Company hired fewer outside contractors in 2010 because of an overall decline in its Custom Development service business.

Equipment rental

Equipment rental expenses totaled \$1,033 in 2010 (2009: \$6,712). The decrease was the result of the Company cancelling web hosting infrastructure agreements for equipment that was no longer required to fulfill certain contracts.

Foreign exchange loss

Foreign exchange loss for 2010 was \$7,899 (2009: \$650 gain). This loss was the result of higher volatility in the exchange rate between the Canadian dollar and the US dollar.

Promotion and travel

Promotion and travel increased in 2010 as the Company expanded its business development effort in search of new opportunities. Expenses in this category increased to \$45,822 compared to \$37,976 in 2009.

Regulatory and filing fees

Regulatory and filing fees increased slightly to \$14,405 in 2010 compared to \$14,121 for the prior year.

Rent

Rent expense in 2010 was \$ 25,273 (2009: \$ 25,402). The Company's office lease terminated on December 31, 2010 and new, less expensive, premises have been occupied.

Stock-based compensation

Stock-based compensation in 2010 was \$30,900 (2009: \$nil). The Company issued new stock options to directors and management to replace expired stock options. No stock options were issued in 2009.

Telephone and internet

Telephone and internet expense 2010 totaled \$34,569 (2009: \$30,003). Equipment upgrades were made to the Internet hosting contract for the Company's computer servers in October 2009.

Wages and employee benefits

Wages and employee benefits in 2010 totaled \$263,181 (2009: \$287,122). The Company eliminated several full-time positions in the third quarter in response to lower sales.

SELECTED ANNUAL INFORMATION TO SEPTEMBER 30

	2010	2009	2008
Revenue	376,613	439,142	698,055
Net Income (Loss)	(\$174,789)	(\$134,316)	\$169,104
Total Assets	\$152,122	\$259,638	\$392,948
Total Long Term Liabilities	\$nil	\$3,233	\$5,406
Cash Dividends Declared	-	-	-
Earnings (Loss) per Share - Basic	(\$0.01)	(\$0.01)	\$0.01

Notes:

1. Fully diluted earnings per share have not been provided because they are anti-dilutive.
2. Weighted average number of shares outstanding was used for the calculation of earnings per share.

2009 financial performance

For the 12 months ended September 30, 2009, the Company's revenue decreased by 37% to \$439,132 compared to revenue of \$698,055 for the previous year.

TestDEN E-learning sales fell 50% because corporate clients reduced purchases of training and testing programs through the Company's channel partners in Europe and Asia.

Custom Development service revenue fell 32% as the Company's major clients reduced maintenance of their existing applications and there was limited uptake of new applications.

Application Hosting revenue declined 58% in the year compared to the previous year as a large hosting contract with a U.K.-based training client expired in October 2008.

On a consolidated basis for the 12 months ended September 30, 2009, the Company had a net loss of \$134,316 on sales of \$439,142 compared to a profit of \$169,104 on sales of \$698,055 during the previous year.

On a consolidated basis, expenses were \$576,290 in 2009 compared to \$680,076 in 2008, a reduction of 15.3%. In response to lower sales, the Company reduced promotion and travel expenses. Equipment rental expense was lower because server facilities were no longer required to support a major hosting contract that expired in October 2008. Amortization of deferred costs was higher as the Company launched two new projects in March 2008 with development costs amortized over the subsequent 24 months.

2008 financial performance

The Company ended the 2008 fiscal year with sales of \$698,055, a 26% increase over 2007 sales of \$552,561.

During 2008, the Company made steady progress over 2007 by growing sales of training products and increasing service revenue from corporate clients. Custom Development service revenue rose 18% as the Company completed several large professional training systems for corporate clients. Application Hosting revenue climbed 51% as the Company upgraded existing clients to new service plans with higher performance equipment and monitoring. TestDEN E-learning revenues increased 24% as the Company saw growth in corporate orders in Europe and Asia.

On a consolidated basis for the 12 months ended September 30, 2008, the Company had a net profit of \$169,104 on sales of \$698,055 compared to a net loss of \$13,099 on sales of \$552,561 in 2007. 2008 results include a one-time gain of \$146,340 on settlement of certain liabilities in the fourth quarter.

On a consolidated basis, expenses in the 12 months ended September 30, 2008 were \$680,076 compared to \$559,748 in 2007. The increase in expenses was the result of higher consulting, equipment rental, promotion, and amortization expenses. These were offset by lower commission and legal expenses.

Consulting expenses rose as the Company hired external contractors to assist with the greater volume of Custom Development business. Equipment rental expenses were higher in fiscal 2008 because the Company required additional server equipment to fulfill certain Application Hosting contracts. Sales and promotion expenses rose as the Company invested additional resources to market its products in Asia. Finally, amortization expenses were higher as the Company completed and launched several strategic products in the spring of 2008.

SUMMARY OF QUARTERLY RESULTS

To September 30, 2010

	Q1	Q2	Q3	Q4	TOTAL
Revenue	\$120,221	\$88,063	\$94,002	\$74,327	\$376,613
Net Income (Loss)	(\$45,081)	(\$61,376)	(\$13,900)	(\$54,432)	(\$174,789)
Earnings (Loss) per Share – Basic	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

To September 30, 2009

	Q1	Q2	Q3	Q4	TOTAL
Revenue	\$63,560	\$151,766	\$147,359	\$76,457	\$439,142
Net Income (Loss)	(\$46,479)	(\$14,537)	(\$12,129)	(\$61,171)	(\$134,316)
Earnings (Loss) per Share – Basic	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

Notes:

1. Fully diluted earnings per share have not been provided for because they are anti-dilutive.
2. Weighted average number of shares outstanding was used for the calculation of earnings per share.

Fourth Quarter 2010

For the three months ended September 30, 2010, the Company's revenue decreased by 2.7% to \$74,327 compared to revenue of \$76,457 in the prior year quarter.

TestDEN training and testing sales, increased by 68% compared to the same quarter in 2009. The Company's increased investment in online marketing and promotion led to higher sales.

Custom Development revenue declined by 75% as the Company allocated resources away from this business to focus on student recruitment opportunities through its www.testden.com website. Nevertheless, at the end of the quarter, the Company did sign a new significant higher education partner for a custom testing system.

Application Hosting revenue declined 25% in the quarter compared to the previous year. The decline was reported in the first quarter of fiscal 2010 as the Company hosted fewer customer applications.

On a consolidated basis for the three months ended September 30, 2010, the Company had a net loss of \$54,432 on sales of \$74,327 compared to a net loss of \$61,171 on sales of \$76,457 for the prior year period.

On a consolidated basis, expenses were \$128,759 for the fourth quarter ended September 30, 2010 compared to \$136,217 for the prior year period. Among major expense categories, product amortization and employee wages were significantly lower. Promotion expenses were higher as the Company continued to expand its online marketing presence. The Company also recorded a \$30,900 stock-based compensation expense relating to the issuance of new stock options to directors and management. These stock options replaced stock options that had previously expired.

Third Quarter 2010

For the three months ended June 30, 2010, the Company's revenue decreased by 36% to \$94,002 compared to revenue of \$147,359 for the same period in the previous year.

TestDEN English revenues, derived from the Company's proprietary language training products, increased by 54% compared to the same quarter in 2009. The Company's increased investment in online marketing and promotion drove TestDEN English sales higher. For the first nine months of 2010, TestDEN English sales were 16% higher than the comparable period in 2009. The Company is continuing to develop new revenue streams from the TestDEN platform.

Custom development revenue declined by 69% as fewer e-learning projects were completed during the quarter. Several large customer maintenance contracts were not renewed during the quarter. Going forward, the Company will transition away from Custom Development services and focus resources on developing or acquiring new online education services.

Application hosting revenue declined 18% in the quarter compared to the previous year. The decline was reported in the first quarter of fiscal 2010 as the Company hosted fewer customer applications.

On a consolidated basis for the three months ended June 30, 2010, the Company had a net loss of \$13,900 on sales of \$94,002 compared to a loss of \$12,129 on sales of \$147,359 during the same period in the previous year.

On a consolidated basis, expenses were \$109,472 in the third quarter ended June 30, 2010 compared to \$161,734 in the third quarter ended June 30, 2009. With the decline in Custom Development revenue, the Company reduced software engineering staffing levels and consulting expenses. Accounting, amortization, and foreign exchange were other expense categories that were significantly lower in the third quarter of 2010.

Second Quarter 2010

For the three months ended March 31, 2010, the Company's revenue decreased by 42% to \$88,063 compared to revenue of \$151,766 for the same period in the previous year.

Application hosting revenue declined 17% in the quarter compared to the previous year as the Company hosted fewer customer applications.

TestDEN English revenues, derived from the Company's proprietary language training products, increased by 3% compared to the same quarter in 2009. The increase in sales resulted from the Company's online marketing and customer acquisition campaign launched in October 2009. The Company expects continued growth in this revenue segment through the rest of 2010 as it signs up additional language schools and universities.

Custom development revenue decreased by 55% as fewer e-learning projects were completed during the quarter. With fewer projects in the pipeline because of increased competition from outsourcing vendors, the Company expects its Custom Development business to decline in the third quarter.

On a consolidated basis for the three months ended March 31, 2010, the Company had a net loss of \$61,376 on sales of \$88,063 compared to a loss of \$14,537 on sales of \$151,766 during the same period in the previous year.

On a consolidated basis, expenses were \$151,642 in the second quarter ended March 31, 2010 compared to \$167,187 in the second quarter ended March 31, 2009. The majority of the decrease consisted of higher wage expenses booked in the year-ago quarter but incurred during the first quarter of 2009 from work in progress.

First Quarter 2010

For the three months ended December 31, 2009, the Company's revenue increased by 57% to \$120,221 compared to revenue of \$76,457 for previous quarter ended September 30, 2009.

Application hosting revenue declined 19% in the quarter compared to the previous quarter as the Company hosted fewer customer applications.

TestDEN English revenues, derived from the Company's proprietary language training products, declined by 3% compared to the fourth quarter in 2009. Corporate and institutional sales of TestDEN products remained soft during the quarter. The Company launched its online marketing and customer acquisition campaign during the quarter as part of its effort to grow TestDEN revenue organically.

Custom development revenue increased by 188% as several customer e-learning projects were completed in the quarter ended December 31, 2009. Custom development revenue gains more than offset declines in Application Hosting and TestDEN English revenues.

On a consolidated basis for the three months ended December 31, 2009, the Company had a net loss of \$45,081 on sales of \$120,221 compared to a loss of \$61,171 on sales of \$76,457 during the previous quarter.

On a consolidated basis, expenses were \$167,407 in the first quarter ended December 31, 2009 compared to \$136,217 in the quarter ended September 30, 2009. Wage and benefit expenses increased because several Custom Development projects were carried over from the previous quarter. These projects were completed and the wage expenses booked in the quarter ended December 31, 2009.

Fourth Quarter 2009

For the three months ended September 30, 2009, revenue decreased by 48% to \$76,457 and net loss increased by \$49,042 to \$61,171 compared to the previous quarter ended June 30, 2009. TestDEN E-learning sales fell 11% reflecting a seasonal decline in training revenue during the summer months. Custom Development service revenue fell 68% as several large maintenance projects scheduled for completion in the quarter were delayed. Application Hosting revenue was flat compared to the previous quarter.

On a consolidated basis, expenses were \$136,217 in the fourth quarter ended September 30, 2009 compared to \$161,734 in the previous quarter. Expenses were lower primarily because wage expenses allocated to Custom Development projects in progress were deferred to a subsequent quarter. Bad debt climbed to \$6,462 as certain account receivables related to a contract dispute with a client were deemed uncollectible.

For the same period in 2008, the Company had sales of \$238,487, expenses of \$189,378 and net profit of \$194,956. Custom Development service revenue was substantially higher in the year-ago quarter reflecting the higher volume of business in 2008. A one-time gain of \$146,340 on settlement of certain liabilities with a legacy distributor in the fourth quarter of 2008 significantly increased net income.

Compared to the fourth quarter of 2008, the Company incurred lower wage expenses because a portion was deferred to a subsequent quarter pending completion of Custom Development projects.

Third Quarter 2009

For the three months ended June 30, 2009, revenue decreased by \$4,407 (3%) and net loss decreased by \$2,408 compared to the previous quarter ended March 31, 2009. The Company's sales of TestDEN E-learning training applications, Custom Development revenue, and web hosting revenue were flat compared to the previous quarter. Despite the difficult sales environment for the Company's language training products that was first reported in the first quarter of 2009, the Company's Custom Development revenue held steady throughout the year. Once a custom training project has been developed, the Company will typically continue to develop the projects as part of a series of maintenance releases. Because maintenance releases vary between projects, Custom Development revenue usually varies from quarter to quarter.

On a consolidated basis, expenses were \$161,734 in the third quarter ended June 30, 2009 compared to \$167,187 in the previous quarter. The Company continued to manage its expenses conservatively, with no significant variation in all major expense categories.

Second Quarter 2009

For the three months ended March 31, 2009, the Company's revenue increased by 138% to \$151,766 and net loss decreased by \$31,942 compared to the previous quarter ended December 31, 2008. TestDEN E-learning sales remained flat during the quarter. The quarter-to-quarter increase in revenue was the result of several large Custom Development projects completed and booked during the second quarter.

Expenses were \$167,187 in the second quarter ended March 31, 2009 compared to \$111,151 in the previous quarter ended December 31, 2008. The strengthening Canadian dollar versus the US dollar contributed to a foreign exchange loss compared a significant gain in the first quarter. Regulatory and filing fees were higher in the second quarter as the Company paid its annual filing fees. Wage expenses were higher as the Company booked wage expenses related to the completion of a Custom Development project deferred from the first quarter.

First Quarter 2009

For the three months ended December 31, 2008, revenues decreased by 73% and net income fell by \$241,435 compared to the previous quarter ended September 30, 2008. Deteriorating economic conditions significantly affected corporate language training sales and caused TestDEN E-learning revenues to fall. In addition, the Company completed three major E-learning projects in the previous quarter with no new projects scheduled for completion in the current quarter. Finally, web hosting revenue was lower as a major corporate client ended its premium hosting contract with the Company.

Expenses were \$111,151 in the first quarter ended December 31, 2008 compared to \$189,378 in the previous quarter ended September 30, 2008. A decrease in equipment rental expenses was the result of the Company cancelling certain web hosting infrastructure agreements for equipment that was no longer required to fulfill its contracts. A weaker Canadian dollar resulted in a foreign exchange gain compared to a foreign exchange loss in the previous quarter. The Company also reduced its budget for promotion and travel in response to challenging economic conditions during the quarter. Finally, a portion of wage expenses in relation to a Custom Development project were deferred as the project was still in progress at the end of this first quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2010, the Company had total assets of \$152,122, current assets of \$143,588 and working capital of \$11,963, compared to total assets of \$259,638, current assets of \$213,632 and working capital of \$121,613 as at September 30, 2009.

The Company's cash flow from operations in 2010 was negative \$3,941 compared to negative \$54,713 in 2009.

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon generating revenues sufficient to cover its operating costs, obtaining additional financing, and the continued support of its shareholders.

The Company believes that existing cash balances and cash generated from operations will be sufficient to meet its anticipated cash needs for working capital and capital expenditures for calendar year 2011. However, the Company may be dependent on future equity or debt financings to take advantage of any growth-related opportunities that require cash, should they occur.

Equipment

As of September 30, 2010, the Company's net equipment was \$8,534 (2009: \$16,455) which includes computer equipment, software and office furniture and equipment. During 2010, the Company spent \$2,249 on new equipment and software (2009: \$11,386).

Deferred development costs

Net deferred development costs as of September 30, 2010 were \$nil (2009: \$29,551). During 2010, the Company did not capitalize any deferred development costs (2009: \$3,242).

Capital lease obligations

The Company has leased certain computer equipment under capital leases. As of September 30, 2010 the outstanding capital lease obligations totaled \$2,766 (including \$53 in imputed interest). For more detailed information please refer to Note 6 in the consolidated annual financial statements for the year ended September 30, 2010.

Shareholders' equity

Shareholders' equity was \$20,497 as at September 30, 2010 compared to \$164,386 as of September 30, 2009. Please refer to Note 7 in the consolidated annual financial statements for the year ended September 30, 2010.

Outstanding share data

The Company's common shares outstanding at January 5, 2011 were 16,089,467 compared to 16,089,467 as at September 30, 2009.

TRANSACTIONS WITH RELATED PARTIES

The Company made the following payments to a corporation controlled by a director of the Company:

	2010	2009
Sales and marketing agreement	\$9,000	\$18,000
Computer server rental	\$1,033	\$5,612

The sales and marketing agreement was terminated in March 2010, and accordingly no payments have been made to the related corporation since that time.

Included in revenue is \$3,600 (2009 - \$7,200) charged to the related corporation for web hosting services and \$1,567 (2009 - \$2,008) was received as reimbursement for office expenses incurred.

The above transactions have been recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable is \$1,001 (2009 - \$2,067 in accounts receivable) owing to the above mentioned corporation.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying value of cash, accounts receivable due from related parties, accounts payable and accrued liabilities, and loans payable, approximates their fair values. For more detailed information please refer to Note 14 in the consolidated annual financial statements for the year ended September 30, 2010.

SUMMARY OF INVESTOR RELATIONS ACTIVITIES

No investor relations activities were undertaken by or on behalf of the Company during the period.

CHANGES TO ACCOUNTING POLICIES

In June 2009, the CICA amended Section 3862, *Financial Instruments - Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. These disclosures are reflected in Note 14 in the consolidated annual financial statements for the year ended September 30, 2010.

The recent accounting pronouncements that have been issued as new sources of GAAP but are not yet effective are described below:

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*. The AcSB also issued Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, which replace Section 1600, *Consolidated Financial Statements*. These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, *Business Combinations*. These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests.

The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards.

The *Non-Controlling Interests* standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of these standards will have a material impact on its financial statements.

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its affect on the Company’s financial statements.

DISCLOSURE CONTROLS AND INTERNAL REPORTING

The Company has evaluated its internal controls over financial reporting and believes that as at September 30, 2010, its system of internal controls over financial reporting as defined under MI 52-109 is sufficiently designed and maintained to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

Certain weaknesses in its system are apparent. These weaknesses arise primarily from language fluency, the limited number of personnel employed in the accounting and financial reporting areas, a situation that is common in many smaller companies. As a consequence of this situation:

- it is not feasible to achieve the complete segregation of duties; and
- the Company does not yet have full in house expertise in complex areas of financial accounting and taxation.

The Company believes these weaknesses are mitigated by the nature and present levels of activities and transactions within the Company being readily transparent; the active involvement of senior management and the Board of Directors in the affairs of the Company; open lines of communication within the Company and the thorough review of the Company's financial statements by senior management, the Audit Committee of the Board of Directors and the Company's auditors.

The senior officers will continue to monitor very closely all financial activities of the Company until the Company's budgets and workload will enable the hiring of additional staff for greater segregation. Nevertheless, these mitigating factors cannot eliminate the possibility that a material misstatement will occur as a result of the aforesaid weaknesses in the Company's

internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

RISK AND UNCERTAINTY FACTORS

Dependence on key personnel

The future success of the Company will be dependent on its ability to hire and retain skilled management and product development staff. ACT360 Solutions relies on Vincent Wong to manage daily operations, including business development, product development, and customer support. The Company will face competition for such personnel from other companies and there can be no assurance that the company will be successful in hiring or retaining qualified personnel. The loss of key staff or the inability to attract and retain qualified personnel or consultants may adversely affect the Company's business.

Exchange rate

The reporting currency of the Company is Canadian dollars. A significant portion of the Company's revenues, however, are remitted in United States dollars, Great Britain Pounds, and Euros. Future fluctuations in the value of the Canadian dollar relative to these currencies will likely have a material impact on the Company's overall financial results. Appreciation of the Canadian dollar will decrease revenues and increase expenses.

Marketing partners

The Company relies heavily on local marketing partners to distribute and sell its products and services in international markets. There is a risk that partners may terminate their contracts and replace the Company with another vendor. To mitigate this risk, the Company customizes its software to meet the needs of its international partners and integrates its applications with partner systems.

Competition

A number of large companies are involved in the publishing and distribution of English language training courses and materials. These are global companies with established distribution channels and greater financial resources than the Company. There is no guarantee that competitors will not launch products and services that compete directly with the Company's offerings.

The Company's competitors, some of whom have greater financial, technical and human resources, may be able to respond more quickly to new technologies and changes in customer requirements or devote greater resources to the development, promotion and sale of new products or services. It is possible that competition in the form of new competitors or alliances, joint ventures or consolidation among existing competitors may decrease the Company's market share and affect revenues. To reduce this risk, the Company is working to establish strategic alliances as a supplier of online courses and content to multinational companies.

Failure to manage growth effectively

As the Company strives to increase revenues and develop new lines of business, it will be exposed to a number of risks associated with the management of such growth. Such risks include added responsibilities for existing staff, hiring new employees, and higher operating and administrative expenses. In order to manage its future growth effectively, the Company will be required to improve its operational systems and hire, train, and manage qualified employees. There can be no assurance that the Company will be able to manage its projected growth effectively or that its internal management systems will be adequate to support this growth.

Technological changes may reduce ACT360's sale of its products and services

The online software applications market continues to experience rapid technological change. The Company's products and services rely heavily on Microsoft Windows, Linux, and Macromedia Flash platforms. There is a risk that new technologies and standards may render the Company's software applications obsolete. The Company may be required to invest significant capital in new technology and software development to remain competitive. Failure to do so may adversely affect demand for the Company's products and services.

Market acceptance

As part of its growth strategy, the Company will be launching new products and services associated with training and knowledge management and internet services. There is no guarantee that customers and partners will accept these new products and services. Although there is a growing acceptance of software provided as a monthly application service in North America, the Asian market is still relatively undeveloped. The success of the Company's new products and services will depend on the continued growth and acceptance of the application service provider model by customers in Asia and of new customers and partners to accept and compensate the Company for its efforts in providing new internet services.

Government regulation of the internet

The Company's new online products and services for China and other countries may be subject to various laws relating to internet access and usage. New regulations affecting copyright, content, privacy, and the quality and nature of online products and services may negatively affect the Company's planned expansion into China and its operations in other countries. Changes in the regulatory environment may decrease future demand for its products and increase the cost of doing business. The extent and applicability of laws with respect to the internet are uncertain and may in the future expose the Company to significant liabilities.

ADDITIONAL INFORMATION

Additional information relating to ACT360 Solutions Ltd. can be found on SEDAR at www.sedar.com.