MANAGEMENT DISCUSSION & ANALYSIS

BCSC British Columbia Securities Commission FORM 51-102F1

ISSUER DETAILS

FOR YEAR ENDED	**September 30, 2013**
DATE OF REPORT	**December 10, 2013**
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FORM 51-102F1

ACT360 Solutions Ltd.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2013

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 internet-based testing, training, and marketing services for higher education customers.

ADVISORY

The following Management's Discussion and Analysis ("MD&A") of the annual financial condition and results of operations of the Company for the year ended September 30, 2013 and should be read together with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2013. The Company's financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") required for the audited financial statements. All amounts are expressed in Canadian dollars.

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, e-learning software development, and student recruitment services, 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 higher education clients, continuation of support from existing higher education clients, 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, student recruitment, and marketing services to the higher education industry. Effective this MD&A, the Company has re-categorized its revenue segments as follows:

Student Marketing Service revenue consists of international student recruiting revenues derived primarily from the Company's flagship website www.testden.com. Clients include campus-based and online universities seeking to increase international student enrollments.

Internet Application revenue consists of sales of the Company's online testing and test preparation software. TestDEN.com branded versions of the software are sold directly to consumers through the website. Custom branded versions are sold through channel partners and language schools.

Other Revenue consists of custom software development, licensing, and associated hosting and maintenance fees. The Company is no longer pursuing new clients for custom software development and all revenue in this category is derived from legacy projects.

TRENDS AND OPPORTUNITIES FOR 2014

2013 was a milestone year for the Company as it executed its business plan and achieved profitability and positive cash flow. 2013 business highlights include:

- 61% year-over-year revenue growth attributed to a 184% increase in Student Marketing Service revenue;
- Net profit growth of 231% to $78,456 (2012: $23,702);
- Operating cash flow of $40,551 (2012: negative $13,833);
- Strategic partnership with a US-based education agency with more than 40 universities and language schools under contract;
- Investment in global call center and associated customer relationship management software tools to guide students through the university application process;
- The appointment of Mr. Howard Louie to the Company's Board of Directors to provide the Company with additional capital markets expertise.

The Company's investments in advertising and digital marketing helped solidify the Company's flagship website TestDEN.com as a global brand. The Company's reach, as measured by its user base, now extends to over 2 million international students in South America, Europe, Africa, the Middle East, South Asia, and East Asia.

The Company's strategy for 2014 is to scale its business through a combination of mergers, acquisitions, and strategic partnerships that expand the Company's technology portfolio as well as its catalog of university clients. Social media and mobile technologies represent new digital channels for the Company to engage international students wherever they reside.

With an expanded directory of colleges and English as-a Second Language schools from the United States, Canada, the UK, and Australia on the Company's marketing platform, the Company expects to achieve improved monetization of its user base and expansion of operating profit margins.

OVERALL PERFORMANCE

For the 12 months ended September 30, 2013, the Company's revenue increased by 61% to $1,153,853 compared to revenue of $715,575 in the prior year.

Student Marketing Service revenue grew 184% to $654,425 (2012: $230,753) compared to the prior year. Beginning in the fiscal first quarter of 2013, the Company invested in improvements to its student recruiting platform to enhance the quality of the student inquiries delivered to its higher education customers. As student application and enrollment rates improved, higher education clients allocated a larger share of their recruiting budget towards the Company's Student Marketing Services. During 2013, the Company also signed its first UK higher education clients as part of its effort to diversify its course offerings outside of North America.

Internet Application revenue grew 8% to $303,301 (2012: $280,261). All of the increase is attributed to increased B2C sales of the Company's Internet-based test preparation courses.

Other Revenue was $196,127, a decline of 4% from the prior year (2012: $204,561). During fiscal 2013, the Company signed one new strategic customer in the higher education publishing. All other custom development and application hosting revenue was derived from legacy customers.

On a consolidated basis for the 12 months ended September 30, 2013, the Company had a net profit of $78,456 on sales of $1,153,853 compared to a profit of $23,702 on sales of $715,575 during the previous year.

Excluding non-cash share based compensation expense of $30,441 for stock options granted during the year, the Company had an operating profit $108,897 for the 12 months ended September 30, 2013. This represented a gain of 245% over the prior year (2012: $31,531).

On a consolidated basis, expenses were $1,076,540 in 2013 compared to $691,881 in 2012, an increase of 56%. Selling, office, and general expenses were higher as the Company allocated greater resources towards advertising and business development activities to support TestDEN

Higher Education revenue. Employee wage and benefit expenses were higher due to salary increases for permanent staff.

The following is a discussion of certain major expense categories for the year ended September 30, 2013:

Selling, office, and general
Selling, office, and general expenses increased by 56% to $735,762 (2012: $472,240). The Company increased advertising and promotion expenditures by $246,760 to promote its TestDEN.com brand and attract international students to the website. The Company's marketing investment led to record user registrations on TestDEN.com.

Share-based payments
Share-based compensation in 2013 was $30,441 (2012: $7,829). During the year ended September 30, 2013, the Company granted 470,000 options (2012: 240,000) to directors and officers of the Company.

Wages and benefits
Wages and employee benefits in 2013 totaled $215,101, an increase of $85,615 over the prior year (2012: $129,486). Key personnel with below-market salaries were given increases during 2013.

SELECTED ANNUAL INFORMATION TO SEPTEMBER 30

	2013	2012	2011
Revenue	$1,153,853	$715,575	$545,620
Net Income (Loss)	$78,456	$23,702	($55,495)
Total Assets	$401,921	$275,979	$86,784
Total Long Term Liabilities	$nil	$nil	$nil
Cash Dividends Declared	-	-	-
Earnings (Loss) per Share - Basic	$0.00	$0.00	($0.00)

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.

2012 financial performance
For the 12 months ended September 30, 2012, the Company's revenue increased by 31% to $715,575 compared to revenue of $545,620 for 2011.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, grew 107% in 2012 compared to 2011. During the first quarter of 2012, the Company re-designed its education marketing technology platform to support higher volumes of inquiries and a greater number of university clients. Revenue growth was primarily achieved by the addition of new post-secondary education clients purchasing the Company's student recruitment service. The Company delivered a higher volume of inquiries by significantly increasing the number of Internet users of the Company's flagship website at www.testden.com.

Custom development revenue decreased by 56% as the Company no longer pursued new clients for custom software development. All revenue in this category was from the maintenance of existing client projects.

On a consolidated basis for the 12 months ended September 30, 2012, the Company had a net profit of $23,702 on sales of $715,575 compared to a loss of $55,495 on sales of $545,620 during 2011.

On a consolidated basis, expenses were $691,881 in 2012 compared to $601,261 in 2011, an increase of 15%. Selling, office, and general expenses were higher as the Company allocated greater resources towards advertising and business development activities to support TestDEN Higher Education revenue.

SUMMARY OF QUARTERLY RESULTS

To September 30, 2013

	Q1	Q2	Q3	Q4	TOTAL
Revenue	$226,110	$285,920	$286,891	$354,932	$1,153,853
Net Income (Loss)	$15,047	($6,487)	$34,576	$35,320	$78,456
Earnings (Loss) per Share – Basic	$0.00	($0.00)	$0.00	$0.00	$0.00

To September 30, 2012

	Q1	Q2	Q3	Q4	TOTAL
Revenue	$191,826	$169,325	$170,839	$183,585	$715,575
Net Income (Loss)	$2,907	$14,913	$8,113	($2,231)	$23,702
Earnings (Loss) per Share – Basic	$0.00	$0.00	$0.00	($0.00)	$0.00

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 2013

For the three months ended September 30, 2013, the Company's revenue increased by 93% to $354,932 compared to revenue of $183,585 for the same period in the previous year.

Student Marketing Service revenue was $221,458 during the quarter, a gain of 143% over the prior year quarter. The Company benefited from increased student recruiting budget allocations from existing higher education clients, as well as new customers signing up for the Company's marketing services.

Internet Application revenue during the fourth quarter increased 31% year over year to $81,220. The Company sold a greater volume of course licenses through both the direct-to-consumer and reseller channels.

Other Revenue increased by 74% to $52,254 in the fourth quarter compared to $30,021 in the prior year quarter. All of the gain was attributed to the completion of various software upgrades for existing client applications.

On a consolidated basis for the three months ended September 30, 2013, the Company achieved a net profit of $35,320 on sales of $354,932 compared to a loss of $2,231 on sales of $183,585 in the prior year quarter.

On a consolidated basis, expenses were $319,918 in the fourth quarter ended September 30, 2013 compared to $185,820 in the fourth quarter ended September 30, 2012. Higher selling, office and general expenses were attributed to an increase of $87,463 in advertising and promotion expenses as part of the Company's marketing strategy for TestDEN.com. Wages and benefits increased by $19,435 due to salary adjustments for key personnel. Consulting expenses increased by $27,665 as the Company hired external contractors to operate its global student recruiting call center.

Third Quarter 2013

For the three months ended June 30, 2013, the Company's revenue increased by 68% to $286,891 compared to revenue of $170,839 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 79% compared to the prior year quarter. The Company's international student marketing service continued to gain traction during the quarter with sales rising 181% year over year. Revenue growth resulted from increasing budget allocation from existing higher education clients, as well as the acquisition of new university clients. Consumer e-commerce sales grew 7% year over year, while TestDEN B2B sales declined 17% on lower corporate sales in Europe.

On a consolidated basis for the three months ended June 30, 2013, the Company had a net profit of $34,576 on sales of $286,891 compared to a profit of $8,113 on sales of $170,839 during the same period in the previous year.

Excluding non-cash stock-based compensation expense of $8,926 for stock options granted during the quarter, the Company had an operating profit $43,502 for the three months ended June 30, 2013.

On a consolidated basis, expenses were $252,623 in the third quarter ended June 30, 2013 compared to $162,727 in the third quarter ended June 30, 2012. Selling, office and general expenses rose 61% compared to the prior year quarter.

Second Quarter 2013

For the three months ended March 31, 2013, the Company's revenue increased by 69% to $285,920 compared to revenue of $169,325 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 77% compared to the prior year quarter. The Company's international student marketing service showed continued growth during the quarter with sales rising 190% year over year. Increased marketing budget allocation from the Company's existing higher education clients drove the increase in sales. Consumer e-commerce sales were steady during the quarter, while TestDEN B2B sales grew 38% year over year with new orders from channel partners.

On a consolidated basis for the three months ended March 31, 2013, the Company had a net loss of $6,487 on sales of $285,920 compared to a profit of $14,913 on sales of $169,325 during the same period in the previous year.

Excluding non-cash stock based compensation expense of $21,515 for stock options granted during the quarter, the Company had an operating profit $15,028 for the three months ended March 31, 2013.

On a consolidated basis, expenses were $292,704 in the second quarter ended March 31, 2013 compared to $154,413 in the second quarter ended March 31, 2012. Consulting expenses were higher because the Company invested a portion of its cash flow into developing global call center capabilities to augment its international student marketing service. The Company's management team intends to conduct a cost-benefit analysis in the subsequent quarter to evaluate the growth potential of this new line of business.

First Quarter 2013

For the three months ended December 31, 2012, the Company's revenue increased by 18% to $226,110 compared to revenue of $191,826 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 92% compared to the prior year quarter. The Company's international student marketing service performed strongly during the quarter with sales rising 296% year over year. Revenue growth resulted from greater international student traffic on the Company's test preparation portal www.testden.com and an increase in the number of high education clients.

Custom development revenue decreased by 80% compared to the first quarter of 2012 as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended December 31, 2012, the Company had a net profit of $15,047 on sales of $226,110 compared to a profit of $2,907 on sales of $191,826 during the same period in the previous year.

On a consolidated basis, expenses were $211,294 in the first quarter ended December 31, 2012 compared to $188,919 in the first quarter ended December 31, 2011. Consulting expenses were lower during the current quarter as the Company relied on fewer external contractors for delivery of software development services. Promotion and marketing expenses were higher as the Company continued to invest resources in sales and marketing.

Fourth Quarter 2012

For the three months ended September 30, 2012, the Company's revenue increased by 62% to $183,585 compared to revenue of $113,101 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 125% compared to the same quarter in 2011. The Company added new clients for its student recruiting service and sold a higher volume of inquiries to existing clients.

Custom development revenue decreased by 81% as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended September 30, 2012, the Company had a net loss of $2,231 on sales of $183,585 compared to a loss of $41,613 on sales of $113,101 during the same period in the previous year.

On a consolidated basis, expenses were $185,820 in the fourth quarter ended September 30, 2012 compared to $154,714 in the fourth quarter ended September 30, 2011.

Consulting expenses were lower as the Company took on fewer custom development projects and consequently used fewer external software developers. Promotion, travel, and advertising expenses were significantly higher as the Company increased its online marketing activities to bring more international students to its education portal www.testden.com.

Share-based compensation increased during the quarter. The Company issued new stock options to consultants serving on the Company's CEO Advisory Board established in September 2012.

Bad debt increased during the quarter as the Company took a charge for doubtful collection of certain accounts receivables related to custom development and application hosting.

Third Quarter 2012

For the three months ended June 30, 2012, the Company's revenue increased by 74% to $170,839 compared to revenue of $98,158 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 113% compared to the prior year quarter. Revenue growth was driven by new post-secondary customers purchasing the Company's student recruitment service and higher consumer sales resulting from improvements to the Company's online sales process.

Custom development revenue decreased by 62% compared to the third quarter of 2011 as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended June 30, 2012, the Company had a net profit of $8,113 on sales of $170,839 compared to a loss of $27,145 on sales of $98,158 during the same period in the previous year.

On a consolidated basis, expenses were $162,727 in the third quarter ended June 30, 2012 compared to $125,321 in the third quarter ended June 30, 2011. Consulting expenses were lower during the current quarter as the Company relied on fewer external contractors for delivery of software development services. Promotion and marketing expenses were higher as the Company continued to invest resources in sales and marketing.

Second Quarter 2012

For the three months ended March 31, 2012, the Company's revenue increased by 27% to $169,325 compared to revenue of $132,886 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 180% compared to the prior year quarter. Revenue growth was driven by new institutional customers signing on to the Company's student recruitment service, higher consumer sales resulting from improvements to the Company's online sales process, and higher corporate sales in Europe and Japan.

Custom development revenue decreased by 67% compared to the second quarter of 2011 as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended March 31, 2012, the Company had a net profit of $14,913 on sales of $169,325 compared to a loss of $33,646 on sales of $132,886 during the same period in the previous year.

On a consolidated basis, expenses were $154,413 in the second quarter ended March 31, 2012 compared to $166,567 in the second quarter ended March 31, 2011. Consulting expenses were lower during the current quarter as the Company relied on fewer external contractors for delivery of software development services. Promotion and marketing expenses were also higher as the Company continued to invest resources in sales and marketing.

First Quarter 2012

For the three months ended December 31, 2011, the Company's revenue decreased by 5% to $191,826 compared to revenue of $201,475 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 47% compared to the same quarter in 2011. Revenue growth was driven by new institutional customers signing on to the Company's student recruitment service, as well as higher consumer sales resulting from improvements to the Company's e-commerce process. The sole area of weakness was in corporate training sales where fewer orders were placed by customers in Europe and Japan.

Custom development revenue decreased by 43% as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended December 31, 2011, the Company had a net profit of $2,907 on sales of $191,826 compared to a profit of $46,909 on sales of $201,475 during the same period in the previous year.

On a consolidated basis, expenses were $188,919 in the first quarter ended December 31, 2011 compared to $154,658 in the first quarter ended December 31, 2010. Consulting expenses were higher and wages and benefits lower as the Company had fewer permanent staff. During the current quarter, the Company relied on external contractors for delivery of software development and business development services. Promotion and marketing expenses were also higher as the Company continued to invest resources in sales and marketing.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2013, the Company had total assets of $401,921, current assets of $397,699 and working capital of $289,266, compared to total assets of $275,979, current assets of $274,500 and working capital of $183,112 as at September 30, 2012.

The Company's cash flow from operations in 2013 was $40,551 compared to negative $13,833 in 2012.

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 fiscal year 2014. 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, 2013, the Company's net equipment was $4,222 (2012: $1,479) which includes computer equipment, software and office furniture and equipment. During 2013, the Company spent $4,344 on new equipment and software (2012: $nil).

Capital lease obligations
As of September 30, 2013 and 2012 the outstanding capital lease obligations totaled $nil.

Shareholders' equity
Shareholders' equity was $293,488 as at September 30, 2013 compared to $184,591 as at September 30, 2012.

Outstanding share data
The Company's common shares outstanding at December 10, 2013 were 20,089,467 compared to 20,089,467 as at September 30, 2012.

Stock options
During the year ended September 30, 2013, the Company granted 470,000 (2012: 240,000) stock options to directors and officers of the Company. All of these stock options are exercisable at $0.10, vest immediately upon grant and expire on January 21, 2018. On the grant dates the fair value of 470,000 options was $30,441 (2012: $7,829). The options had a weighted average fair value of $0.06 (2012: $0.03).

The following table summarizes the information about stock options outstanding and exercisable at September 30, 2013:

Number Outstanding and Exercisable	Exercise Price Per Share	Expiry Date
470,000	$ 0.10	January 21, 2018
240,000	$ 0.10	August 30, 2015
100,000	$ 0.10	February 28, 2016
525,000	$ 0.10	August 24, 2015
1,335,000		

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, 2013.

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 1, 2011	-	-
Issued	4,000,000	0.10
Outstanding, September 30, 2013 and 2012	4,000,000	$0.10

TRANSACTIONS WITH RELATED PARTIES

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	**2012**
Management salary	$ 87,300	$ 66,000

As at September 30, 2013, the Company owed $7,030 (2012: $2,276) to the CEO of the Company, which is included in accounts payable and is non-interest bearing, unsecured and due on demand.

During the year stock options valued at $30,441 (2012: $7,829) were granted to certain directors and officers as described above in the Stock Options section.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying value of cash, accounts receivable due from related parties, accounts payable and accrued liabilities, and loans payable, approximate their fair values. For more detailed information please refer to Note 11 in the audited consolidated financial statements for the year ended September 30, 2013.

SUMMARY OF INVESTOR RELATIONS ACTIVITIES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Company's significant accounting policies are disclosed in Note 3 of the consolidated financial statements for the year ended September 30, 2013. The following accounting policies are of particular importance in the presentation of the Company's financial position, financial performance and cash flows.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, 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 financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates relate to estimated useful lives of equipment subject to depreciation, the recognition of deferred income tax assets and liabilities, and valuation of share-based payments expense. Actual results could differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are revenue recognition under the percentage of completion method and the recoverability of tax losses carried.

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.

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 accepts the marketing information and collection is probable.

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 compensation.

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, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

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.

New accounting standards effective October 1, 2014

IAS 32 ***Financial Instruments: Presentation*** - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 ***Impairment of Assets*** – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 ***Financial Instruments: Recognition and Measurement*** – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

IFRIC 21 *Levies* – IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

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 or October 1, 2014 with early adoption permitted. Management does not believe that the adoption of the new or amended standards have a significant impact on the Company's financial statements other than additional disclosures.

New accounting standards effective October 1, 2017

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 annual periods beginning on or after October 1, 2017 with early adoption permitted.

The Company has not yet begun the process of assessing the impact that the new standard will have on its condensed interim consolidated financial statements or whether to early adopt the new requirements.

DISCLOSURE CONTROLS AND INTERNAL REPORTING

The Company has evaluated its internal controls over financial reporting and believes that as at September 30, 2013, its system of internal controls over financial reporting as defined under NI 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 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

New business model

The Company operates in an immature industry and has a relatively new business model, which makes it difficult to evaluate the Company’s business and prospects. The Company derives nearly all of its revenue from the sale of online testing, marketing and media services, which is an immature industry that has undergone rapid and dramatic changes in its short history. The industry in which the Company operates is characterized by rapidly-changing Internet media, evolving industry standards, and changing user and client demands. The Company’s business model is also evolving and it may not be successful. As a result of these factors, the future revenue and income potential of the Company is uncertain. Any evaluation of the Company’s business and its prospects must be considered in light of these factors and the risks and uncertainties often encountered by companies in an immature industry with an evolving business model such as the Company's.

Some of these risks and uncertainties relate to the Company's ability to maintain and expand client relationships, sustain and increase the number of visitors to the Company's websites, respond effectively to competition and potential negative effects of competition on profit margins, and respond to government regulations relating to the Internet and personal data protection. If the Company is unable to address these risks, its business, results of operations and prospects could suffer.

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. The Company 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 and Great Britain Pounds. 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 on 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 also in the provision of higher education marketing services. 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 who 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 the Company'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 Internet-based testing, training, and international student recruitment. There is no guarantee that higher education customers and partners will accept these new products and services. Although there is a growing acceptance of Internet-based student recruitment methods among higher education organizations, the use of such methods is still relatively undeveloped in international markets. The success of the Company's new products and services will depend on the continued growth and acceptance of online international student recruitment services by higher education customers 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 online products and student recruitment services may be subject to various laws relating to internet access, usage, and privacy. New regulations affecting copyright, content, privacy, and the quality and nature of online products and services may negatively affect the Company's planned expansion of its student recruitment services into countries outside of Canada. Changes in the regulatory environment may decrease future demand for its products and services, 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.

Dependence on Internet search

The Company depends upon Internet search companies to attract a significant portion of the visitors to its websites, and any change in the search companies' search algorithms or perception of the Company could result in its websites being listed less prominently in either paid or algorithmic search result listings, in which case the number of visitors to the Company's websites and our revenue could decline.

The Company depends in significant part on various Internet search companies, such as Google, Microsoft, and Yahoo!, and other search websites to direct a significant number of visitors to its websites so that the Company can provide its online marketing services to its clients. Search websites typically provide two types of search results, algorithmic and paid listings. Algorithmic, or organic, listings are determined and displayed solely by a set of formulas designed by search companies. Paid listings can be purchased and then are displayed if particular words are included in a user's Internet search. Placement in paid listings is generally not determined solely on the bid price, but also takes into account the search engines' assessment of the quality of the website featured in the paid listing and other factors. The Company relies on both algorithmic and paid search results, as well as advertising on other websites, to direct a substantial share of the visitors to its websites.

The Company's ability to maintain the number of visitors to its websites from search websites and other websites is not entirely within its control. For example, Internet search websites frequently revise their algorithms in an attempt to optimize their search result listings or to maintain their internal standards and strategies. Changes in the algorithms could cause the Company's websites to receive less favorable placements, which could reduce the number of users who visit its websites.

In addition, the Company's business model may be deemed similar to those of its competitors and others in the industry that Internet search websites may consider to be unsuitable or unattractive. Internet search websites could deem the Company's content to be unsuitable or below standards or less attractive or worthy than those of other or competing websites. In either such case, the Company's websites may receive less favorable placement in algorithmic or paid listings, or both.

Additionally, the Company may make decisions that are suboptimal regarding the purchase of paid listings which could reduce the number of visitors to its websites or cause the Company to incur additional costs. The Company may also make decisions that are suboptimal regarding the placement of advertisements on other websites and pricing, which could increase its costs to attract such visitors or cause the Company to incur unnecessary costs. A reduction in the number of visitors to the Company's websites could negatively affect the Company's ability to earn revenue. If visits to the Company's websites decrease, the Company may need to resort to more costly sources to replace lost visitors, and such increased expense could adversely affect the Company's business and profitability.

Dependence on limited number of clients

A substantial portion of the Company's revenue is generated from a limited number of clients and, if the Company loses a major client, its revenue will decrease and its business and prospects would be adversely impacted. The Company's top two clients accounted for 50% of its revenue for the fiscal year 2013. The Company's clients can generally terminate their contracts at any time, with limited prior notice or penalty. The Company's clients may also reduce their level of business with the Company, leading to lower revenue. The Company expects that a limited number of clients will continue to account for a significant percentage of the Company's revenue, and the loss of, or material reduction in, their marketing spending with the Company could decrease the Company's revenue and adversely affect the Company's business.

Dependence on data center providers

The Company relies on Internet bandwidth and data center providers and other third parties for key aspects of the process of providing services to its clients, and any failure or interruption in the services and products provided by these third parties could harm the Company's business. Any financial or other difficulties the Company's providers' face may have negative effects on the Company's business, the nature and extent of which the Company cannot predict. The Company exercises little control over these third-party vendors, which increases the Company's vulnerability to problems with the services they provide. The Company licenses technology and related databases from third parties to facilitate analysis and storage of data and delivery of offerings. The Company has experienced interruptions and delays in service and availability for data centers, bandwidth and other technologies in the past. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and services could adversely affect the Company's business and could expose it to liabilities to third parties.

ADDITIONAL INFORMATION

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