

**ACT360 SOLUTIONS LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**DECEMBER 31, 2011**

## **Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements**

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditors.

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**ACT360 SOLUTIONS LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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	As At December 2011 \$	As At September 30 2011 \$	As At October 1 2010 \$ (Note 12)
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	60,240	26,925	90,475
Accounts receivable	33,550	47,711	32,533
Prepaid expenses and other assets	3,058	5,632	8,836
	96,848	80,268	131,844
<b>EQUIPMENT (Note 4)</b>	<b>5,253</b>	<b>6,516</b>	<b>8,534</b>
	102,101	86,784	140,378
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	111,928	85,889	58,057
Unearned revenue	17,597	31,226	58,591
Current portion of finance lease obligation	–	–	2,713
Current portion of deferred rent inducement	–	–	520
	129,525	117,115	119,881
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>			
Share capital (Note 5)	1,109,021	1,109,021	1,109,021
Contributed surplus	35,567	35,567	35,173
Deficit	(1,172,012)	(1,174,919)	(1,123,697)
	(27,424)	(30,331)	20,497
	102,101	86,784	140,378

Nature of operations and continuance of business (Note 1)

Commitments (Note 8)

APPROVED ON BEHALF OF THE BOARD ON MARCH 30, 2012

/s/ "Ronald Erdman"  
\_\_\_\_\_  
Ronald Erdman, Director

/s/ "Vincent Wong"  
\_\_\_\_\_  
Vincent Wong, Director

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

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**ACT360 SOLUTIONS LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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	2011	2010
	\$	\$
<b>SALES</b>	191,826	201,475
<b>EXPENSES</b>		
Accounting and legal	17,953	11,850
Depreciation	1,263	1,802
Regulatory and filing fees	3,112	2,489
Selling, office and general	166,591	138,517
	188,919	154,658
<b>INCOME BEFORE OTHER ITEMS</b>	2,907	46,817
<b>OTHER ITEMS</b>		
Interest income	-	92
<b>NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD</b>	2,907	46,909
<b>WEIGHTED AVERAGE EARNINGS PER SHARE BASIC AND DILUTED</b>	0.00	0.00
<b>WEIGHTED AVERAGE NUMBER OF SHARES</b>	16,089,467	16,089,467

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

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**ACT360 SOLUTIONS LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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	2011 \$	2010 \$
<b>OPERATING ACTIVITIES</b>		
Net income	2,907	46,909
Items not affecting cash:		
Depreciation	1,263	1,802
Deferred rent inducement	-	(520)
	4,170	48,191
Changes in non-cash working capital items:		
Accounts receivable	14,161	(70,685)
Prepaid expenses and other assets	2,574	(138)
Accounts payable and accrued liabilities	26,039	15,743
Deferred revenue	(13,629)	(37,335)
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>33,315</b>	<b>(44,224)</b>
<b>FINANCING ACTIVITIES</b>		
Finance lease obligations	-	(1,063)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>-</b>	<b>(1,063)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of equipment	-	(5,397)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>-</b>	<b>(5,397)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>33,315</b>	<b>(50,684)</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF THE PERIOD</b>	<b>26,925</b>	<b>90,475</b>
<b>CASH AND CASH EQUIVALENTS – ENDING OF THE PERIOD</b>	<b>60,240</b>	<b>39,791</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	1,037	497
Income tax paid	-	-

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**ACT360 SOLUTIONS LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'  
(DEFICIENCY) EQUITY****FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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	<b>Number of Common Shares</b>	<b>Amount</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
As at October 1, 2010	16,089,467	\$ 1,109,021	\$	35,173	\$ (1,123,697)	\$ 20,497
Common shares issued	–	–		–	–	–
Stock options expired and reclassified to deficit	–	–		(4,273)	4,273	–
Net income for the period	–	–		–	46,909	46,909
<b>As at December 31, 2010</b>	<b>16,089,467</b>	<b>\$ 1,109,021</b>	<b>\$</b>	<b>30,900</b>	<b>\$ (1,072,515)</b>	<b>\$ 67,406</b>
As at October 1, 2011	16,089,467	\$ 1,109,021	\$	35,567	\$ (1,174,919)	\$ (30,331)
Common shares issued	–	–		–	–	–
Net income for the period	–	–		–	2,907	2,907
<b>As at December 31, 2011</b>	<b>16,089,467</b>	<b>\$ 1,109,021</b>	<b>\$</b>	<b>35,567</b>	<b>\$ (1,172,012)</b>	<b>\$ (27,424)</b>

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

**ACT360 SOLUTIONS LTD.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

(Expressed in Canadian dollars)

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**1. CORPORATE INFORMATION AND NATURE OF OPERATIONS**

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

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

**2. BASIS OF PREPARATION**

a) Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. These are the Company’s first IFRS condensed interim financial statements for a portion of the period covered by the Company’s first IFRS annual financial statements for year ending September 30, 2012. Subject to certain IFRS transition elections disclosed in Note 12, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at October 1, 2010 and throughout all periods presented, as if the policies have always been in effect. These condensed interim financial statements do not contain all of the information required for full annual financial statements. The Company prepared its previous 2011 annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) and these condensed interim financial statements should be read in conjunction with the Company’s 2011 annual financial statements considering the IFRS transition disclosures included in Note 12.

b) Going concern

These interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of \$1,172,012 at December 31, 2011. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

c) Consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiary, ACT360 Media Ltd. ACT360 Media Ltd. was incorporated in Canada and as at December 31, 2011 is 100% owned by ACT360 Solutions Ltd. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

**ACT360 SOLUTIONS LTD.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

(Expressed in Canadian dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**Income taxes** - The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset to the extent that it is not probable the asset will be realized.

#### **Revenue recognition**

##### **a) Internet applications**

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

##### **b) Custom software development**

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

##### **c) Student marketing services**

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

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FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

a) Financial assets

The Company has recognized its cash at FVTPL and classifies its accounts receivable as loans and receivable. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. The Company's loans and receivable are measured at amortized cost using the effective interest method.

b) Financial liabilities

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

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FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2010, 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.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim consolidated financial statements or whether to early adopt any of the new requirements.

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FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****New accounting standards effective October 1, 2015**

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

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

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 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.

**4. EQUIPMENT**

<b>Cost</b>	<b>Computer Equipment</b>	<b>Computer Software</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
As at October 1, 2010	\$ 127,375	\$ 50,540	\$ 14,930	\$ 192,845
Additions	899	4,605	752	6,256
As at September 30, 2011	\$ 128,274	\$ 55,145	\$ 15,682	\$ 199,101
Additions	–	–	–	–
As at December 31, 2011	\$ 128,274	\$ 55,145	\$ 15,682	\$ 199,101
<b>Accumulated Depreciation</b>				
As at October 1, 2010	\$ 120,257	\$ 49,461	\$ 14,593	\$ 184,311
Depreciation	4,864	2,962	448	8,274
As at September 30, 2011	\$ 125,121	\$ 52,423	\$ 15,041	\$ 192,585
Depreciation	579	636	48	1,263
As at December 31, 2011	\$ 125,700	\$ 53,059	\$ 15,089	\$ 193,848
<b>Carrying Amounts</b>				
Balance, October 1, 2010	\$ 7,118	\$ 1,079	\$ 337	\$ 8,534
Balance, September 30, 2011	\$ 3,153	\$ 2,722	\$ 641	\$ 6,516
Balance, December 31, 2011	\$ 2,574	\$ 2,086	\$ 593	\$ 5,253

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**5. SHARE CAPITAL**

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

**6. STOCK OPTIONS**

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

Stock options transactions are summarized as follows:

	Number of shares	Weighted Average Exercise Price \$
Outstanding, September 30, 2010	900,000	0.10
Granted	100,000	0.10
Cancelled or expired	(75,000)	0.10
Outstanding, September 30, 2011	925,000	0.10
Granted	—	—
Outstanding, December 31, 2011	925,000	0.10

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2011:

Number Outstanding and Exercisable	Exercise Price Per Share	Expiry Date
100,000	\$ 0.10	February 28, 2016
825,000	\$ 0.10	August 24, 2015
925,000		

**7. RELATED PARTY TRANSACTIONS**

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties. There were no related party transactions in 2011 and 2012.

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FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

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**8. COMMITMENTS**

The Company is committed to contractual phone and internet connectivity services during the current fiscal year totalling \$16,605.

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

2012	\$ 14,910
2013	1,660

**9. CAPITAL MANAGEMENT**

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

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Credit Risk** - Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. To minimize its credit risk, the Company maintains substantially all of its cash with high quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts. The Company's two (2010 - two) largest customer accounts comprise 49% (2010 - 81%) of accounts receivable.

Of the 61 days and over balance outstanding at December 31, 2011, 23% has been subsequently collected as at March 6, 2012. Management believes the remaining balance is fully collectible.

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

**Foreign Exchange Risk** - As the Company operates on an international basis, currency risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the United States dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 98% of the Company's revenues are denominated in United States dollars (2010 - 97%), while substantially all of the Company's expenses are denominated in Canadian dollars. At December 31, 2011, a fluctuation of 10% in the currency exchange rate could result in a fluctuation of approximately \$14,670 on our consolidated results of operations, based on US dollar account balances. The Company does not engage in any hedging activity.

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

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

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

**11. ECONOMIC DEPENDENCE**

During the three months ended December 31, 2011, approximately 60% (2010 - 75%) of the Company's sales are made to two (2010 - two) customers. The loss of a material amount of sales to any of these customers could have a material adverse effect on operations.

**12. FIRST TIME ADOPTION OF IFRS**

a) Transition to IFRS

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

The comparative information presented in these first condensed interim financial statements for the three months ended December 31, 2011, year ended September 30, 2011 and the opening financial position as at October 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

b) Initial elections upon adoption

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

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

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

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

**ACT360 SOLUTIONS LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

**12. FIRST TIME ADOPTION OF IFRS (Continued)**

## c) Estimates

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

## d) Reconciliation between Canadian GAAP and IFRS

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

## Revenues from Custom Software Development

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

As a result of retrospective application of this policy, \$11,744 of revenue and costs have been recognized through retained earnings in the opening IFRS balance sheet, \$725 of revenue and costs have been recognized through retained earnings in the December 31, 2010 balance sheet, and \$14,352 of revenue and costs have been recognized through retained earnings in the September 30, 2011 balance sheet.

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

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

**ACT360 SOLUTIONS LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

**12. FIRST TIME ADOPTION OF IFRS (Continued)**

## d) Reconciliation between Canadian GAAP and IFRS (continued)

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

<b>Statement of Financial Position</b>	<b>December 31, 2010 Canadian GAAP</b>	<b>Effect of IFRS Transition</b>	<b>December 31, 2010 IFRS</b>
Total Assets	\$ 164,837	\$ (725)	\$ 164,112
Total Liabilities	\$ 97,431	\$ (725)	\$ 96,706
Shareholders' Equity			
Share capital	1,109,021	–	1,109,021
Contributed surplus	118,579	(87,679)	30,900
Deficit	(1,160,194)	87,679	(1,072,515)
Total Shareholders' Equity	67,406	–	67,406
Total Liabilities and Shareholders' Equity	\$ 164,837	\$ (725)	\$ 164,112

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

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

**ACT360 SOLUTIONS LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDING DECEMBER 31, 2011 AND 2010**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

**12. FIRST TIME ADOPTION OF IFRS (Continued)**

## d) Reconciliation between Canadian GAAP and IFRS (continued)

IFRS 1 also requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported comprehensive income (loss) for the year ended September 30, 2011 and three months ended December 31, 2010.

As a result of retrospective application of the revenue recognition policy noted above, \$2,608 of revenue and costs have been recognized during the year ended September 30, 2011 and \$11,019 of revenue and costs have been recognized during the three months ended December 31, 2010.

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

<b>Statement of Operations and Comprehensive Loss</b>	<b>3 months ended December 31, 2010 Canadian GAAP</b>	<b>Effect of IFRS Transition</b>	<b>3 months ended December 31, 2010 IFRS</b>
Revenue	\$ 212,494	\$ (11,019)	\$ 201,475
Total expenses	\$ (165,677)	\$ 11,019	\$ (154,658)
Total other items	92	–	92
Net income and comprehensive income	\$ 46,909	\$ –	\$ 46,909

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