NXA Inc.

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Three and Six Month Periods Ended June 30, 2015 and 2014

NXA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the financial condition of NXA Inc. ("NXA" or the "Company") as at June 30, 2015 compared to December 31, 2014 and the results of operations for the three and six month periods ended June 30, 2015 and 2014. This MD&A should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes as at and for the three and six month periods ended June 30, 2015 and with our audited financial statements and accompanying notes for the year ended December 31, 2014. The condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and comply with IAS 34 Interim Financial Reporting.

The effective date of this management's discussion and analysis is August 31, 2015, the date on which the financial statements were approved and authorized for issuance by the Audit Committee of the Board of Directors.

.All dollar amounts are expressed in Canadian dollars, the functional currency of the Company, unless otherwise specified. Additional information relating to NXA can be obtained from SEDAR at www.sedar.com.

The forward-looking statements in this discussion regarding our expectations of our future performance, liquidity and capital resources and other non-historical statements in this discussion include numerous risks and uncertainties. The words "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Our actual results may differ materially from those contained in any forward-looking statements.

OVERVIEW

NXA Inc. was engaged in the exploration of base materials and precious metals. The Company determined not to continue under the option agreements with respect to certain mining claims and had decided to carry the mineral properties as at December 31, 2009 at $NIL to reflect the board's decision not to continue with the option agreements and to reflect the net recoverable value of the properties.

In 2010, the Company initiated the process of transferring all of its mining claims to the original claimholder of the properties which the Company had held under option from such claimholder, which process was completed during the third quarter of 2010.

The Company is inactive and the management is exploring a transaction that, if successful, will result in a reverse take-over of NXA by the shareholders of Ellipsiz Communications Ltd. ("ECBVI"), the parent company of Ellipsiz Communications Taiwan Ltd. ("ECTW"). The Company's ability to continue operations and meet its obligations is dependent on continued support from investors and related parties.

For the six months ended June 30, 2015, the Company had a net loss of $53,807 (2014 – $94,063) and, as of that date, had an accumulated deficit of $25,575,890 (December 31, 2014 - $25,522,083) and a working capital deficiency of $206,106 (December 31, 2014 – $152,299).

The Company's continuing ability to meet its obligations as they come due is dependent upon its ability to raise additional funds through the issuance of shares, or by other means, the completion of an appropriate business investment and the support of creditors. Management of the Company is of the view that these objectives can be met and that the going concern assumption is appropriate.

The condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments may be material.

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

(a) Statement of compliance

The condensed interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and comply with IAS 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2014, as they follow the same accounting policies and methods of application, unless otherwise indicated.

(b) Basis of presentation

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the Company applied judgement with respect to its ability to continue as a going concern; and
- the $NIL provision for income taxes which is included in the condensed interim statements of loss and comprehensive loss and recognition of deferred income tax assets and liabilities included in the condensed interim statements of financial position as at June 30, 2015 and December 31, 2014.

There have been no judgments made by management in the application of IFRS that have a significant effect on the condensed interim financial statements.

NXA INC. OPERATIONS

On March 16, 2010, the Company issued and sold, on a private placement basis, 720 units (the "Units") at a price of $1,000 per Unit for gross proceeds of $720,000. Each Unit was comprised of one $1,000 principal amount 10% per annum compounded semi-annually unsecured convertible debenture (the "Debentures") and 5,000 warrants (the "Warrants"). The Debentures were to mature on the second anniversary of the date of closing (March 16, 2012) and were convertible at the holder's option into common shares of the Company (the "Common Shares") at any time prior to the maturity date at a conversion price of $0.10 per Common Share (the "Conversion Price"). In any event, the Debentures automatically convert into Common Shares at the Conversion Price upon the consolidation by the Company of all of its Common Shares on the basis of one new Common Share for a minimum of every 10 old Common Shares (the "Consolidation"). Each Warrant entitles the holder to acquire Common Shares at any time up to the maturity date at an exercise price of $0.15 per Common Share. There will be no adjustment to the Conversion Price, the exercise price of the Warrants and the number of Common Shares to be received on exercise of the Warrants as a result of the Consolidation, but the Debentures and the Warrants will otherwise be subject to standard anti-dilution provisions.

On February 28, 2011, the Company issued and sold, on a private placement basis, the second tranche of 366 units (the "Units") at a price of $1,000 per Unit for gross proceeds of $366,000. Each Unit was comprised of one $1,000 principal amount 10% per annum compounded semi-annually unsecured convertible debenture (the "Debentures") and 5,000 warrants (the "Warrants"). The Debentures were to mature on the second anniversary of the date of closing (February 28, 2013) and were convertible at the holder's option into common shares of NXA (the "Common Shares") at any time prior to the maturity date at a conversion price of $0.10 per Common Share (the "Conversion Price"). In any event, the Debentures automatically convert into Common Shares at the Conversion Price upon the consolidation by the Company of all of its Common Shares on the basis of one new Common Share for a minimum of every 10 old Common Shares (the "Consolidation"). Each Warrant entitles the holder to acquire one Common Share at any time up to the maturity date at an exercise price of $0.15 per Common Share. There will be no adjustment to the Conversion Price, the exercise price of the Warrants or the number of Common Shares to be received on exercise of the Warrants as a result of the Consolidation, but the Debentures and the Warrants will otherwise be subject to standard anti-dilution provisions.

On June 11, 2012, the Company consolidated its outstanding common shares on the basis of one new common share for every 15 old common shares (the "Consolidation"). On June 12, 2012, the Company converted (the "Conversion") the 10% unsecured convertible debentures issued on March 16, 2010 and February 28, 2011 (collectively, the "Debentures") into common shares of the Company (the "Common Shares").

Prior to the Consolidation, the Company had 70,151,003 Common Shares issued and outstanding. Immediately after giving effect to the Consolidation, it had 4,676,685 Common Shares issued and outstanding. The Company then issued 10,860,000 Common Shares to the holders of the Debentures on account of the principal amount outstanding, which resulted in 15,536,685 Common Shares issued and outstanding. In accordance with the terms of the Debentures, NXA also converted the $158,299 of accrued and unpaid interest into 1,055,316 Common Shares of the Company at a conversion price of $0.15 per Common Share pursuant to the "shares for debt" policies (the "Shares for Debt Transaction") of the TSX Venture Exchange (the "TSXVE"). The Company then had 16,592,001 Common Shares issued and outstanding.

On September 30, 2014, the Company completed a shares for debt transaction (the "Transaction") pursuant to which the Company issued 5,814,000 common shares at a deemed price of $0.05 per share in full satisfaction of an aggregate of $290,700 in accounts payable and accrued liabilities. The Company now has 22,406,001 Common Shares issued and outstanding.

The Company continues to incur general and administrative expenses related to administrative functions and expenses related to the ongoing business investigation process.

Revenue

Revenue for the six months ended June 30, 2015 and 2014 was $NIL, as the Company has no revenue stream.

General and Administrative

General and administrative (G&A) expenses of $121,000 for the three months ended June 30, 2015 consisted of professional and consulting fees of $112,000, public company and statutory fees of $2,000 and directors' fees and other G&A of $6,000. In connection with the proposed reverse take-over of NXA by the shareholders of ECBVI, Wildeboer Dellelce LLP ("WD") received $100,000 in trust for NXA in May 2015 from certain shareholders of ECBVI to cover the legal expenses and disbursements and other financial advisory fees to be incurred by NXA. WD invoiced legal fees and related disbursements of $94,454 in the three months ended June 30, 2015. This amount has been offset against legal fees and disbursements in the Statements of Loss and Comprehensive Loss in the quarter and the balance remaining of $5,546 is included in cash (in trust) with an offset to accounts payable and accrued liabilities.

G&A expenses for the three months ended June 30, 2014 were $47,000 and consisted of professional and consulting fees of $41,000, public company and statutory fees of $1,000 and directors' fees and other G&A of $6,000.

G&A expenses for the six months ended June 30, 2015 were $148,000 and consisted of professional and consulting fees of $132,000, public company and statutory fees of $4,000 and directors' fees and other G&A of $12,000. The legal fees and related disbursements of $94,454 above have been offset against legal fees and disbursements in the Statements of Loss and Comprehensive Loss in the year to date period.

G&A expenses for the six months ended June 30, 2014 were $94,000 and consisted of professional and consulting fees of $79,000, public company and statutory fees of $5,000 and directors' fees and other G&A of $10,000.

SUMMARY OF QUARTERLY RESULTS

	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
Revenue	$0	$0	$0	$0	$0	$0	$0	$0
Net Loss	(35,043)	(26,506)	(46,135)	(47,928)	(187,366)	(40,818)	(27,667)	(26,140)
Net Loss Per Share	(0.002)	(0.002)	(0.003)	(0.003)	(0.011)	(0.002)	(0.001)	(0.001)

SECOND QUARTER RESULTS

The revenue reported in the second quarter of 2015 was $NIL, as the Company does not have revenue generating assets ($NIL for the first quarter of 2015).

Total expenses were higher in the second quarter of 2015 compared with the first quarter of 2015 primarily because legal fees increased to $81,000 in the second quarter of 2015 from $2,000 in the first quarter of 2014 due to significantly increased work on the reverse takeover transaction with ECBVI. This amount was reimbursed by certain shareholders of ECBVI resulting in a $1,500 reduction in net expenses between the two quarters.

LIQUIDITY AND CAPITAL RESOURCES

Net cash from operating activities for the six months ended June 30, 2015 was $2,000 compared to $4,000 used in operations in 2014. Net cash from operating activities for the current period consisted of the $67,000 increase in accounts payable and accrued liabilities partially offset by the $54,000 net loss and the $11,000 increase in amounts receivable. The net cash used in operating activities for the prior-year period consisted mainly of the $94,000 net loss and the $91,000 increase in accounts payable and accrued liabilities.

The $39,000 of cash as at June 30, 2015 is not restricted and is available for use in the Company's operations. Included is cash is $5,546 held in trust at WD.

FINANCIAL INSTRUMENTS

The Company's financial instruments as at June 30, 2015 consisted of cash and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term to maturity.

OTHER MD&A REQUIREMENTS

The Company had 22,406,001 common shares issued and outstanding as at June 30, 2015 and at the effective date of this MD&A.

The Company had no options or warrants outstanding as at June 30, 2015 and at the effective date of this MD&A.

RELATED PARTY TRANSACTIONS

Related party transactions for the six months ended June 30, 2015 have been listed below, unless they have been disclosed elsewhere in the financial statements.

Legal fees (excluding disbursements and HST) of $80,998 (2014 - $43,000) were incurred during the six months ended June 30, 2015 to Wildeboer Dellelce LLP ("WD"), a law firm in which a former director of the Company was a partner. A balance of $150,338 was payable to this firm as at June 30, 2015 (December 31, 2014 - $109,195).

In connection with the Proposed Transaction described in note 13, WD received $100,000 in trust for NXA in May 2015 from certain shareholders of ECBVI to cover the legal expenses and disbursements and other financial advisory fees to be incurred by NXA. WD invoiced legal fees and related disbursements of $94,454 in the three months ended June 30, 2015. This amount has been offset against legal fees and disbursements in the Statements of Loss and Comprehensive Loss in the quarter and the balance remaining of $5,546 is included in cash (in trust).

The Company expensed management fees to an exempt market dealer firm for financial and administrative services during the six months ended June 30, 2015 in the amount of $30,000 (2014 - $30,000), which are included in general and administrative expenses. A balance of $65,000 was payable to the firm as at June 30, 2015 (December 31, 2014 - $35,000).

On September 30, 2014, the Company completed a shares for debt transaction with directors and officers of the Company and a company with a common director, (the "Transaction") pursuant to which the Company issued 5,814,000 common shares at a deemed price of $0.05 per share in full satisfaction of an aggregate of $290,700 in accounts payable and accrued liabilities.

The Transaction constitutes a related party transaction pursuant to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101").

As a result of the Transaction, WD acquired ownership and control of 2,938,000 common shares of NXA. The 2,938,000 Common Shares represent 13.1% of the post-acquisition issued and outstanding common shares of the Company. Following the acquisition, WD holds an aggregate of 4,465,110 common shares, representing approximately 19.9% of the issued and outstanding common shares of the Company.

Directors' fees for the six months ended June 30, 2015 were $12,000 (2014 - $10,000). $25,239 is unpaid and included in accounts payable and accrued liabilities as at June 30, 2015 (December 31, 2014 - $12,905).

Robert Doyle resigned from the Board of Directors in February 2014. Artur Agivaev was appointed in March 2014.

COMMITMENTS

Financial and Administrative Services

The Company signed an agreement with Wildlaw Capital Markets Inc. ("WCM") to receive financial and administrative services commencing September 21, 2011 and expiring December 31, 2012. The Company is committed to monthly payments of $5,000. The agreement has been renewed and expires on December 31, 2015.

Financial Advisory Services

On January 21, 2013, the Company entered into an agreement with WCM as its exclusive financial advisor (i) in respect of any potential business transactions, including a merger, acquisition or reverse takeover; (ii) to complete a review of the Company's current capital market strategy; and (iii) to provide advice with respect to the financing of any transaction. The agreement expired on July 17, 2015 and has been renewed for an additional twelve months.

As consideration for WCM providing the services hereunder, the Company agrees to pay to WCM in cash, a fee equal to:

(a) if the gross value of the transaction is $100 million or less, an amount that is 3% of the gross value of such transaction; or

(b) if the gross value of the transaction is greater than $100 million but not in excess of $200 million, an amount that is equal to 2% of the gross value of the transaction; or

(c) if the gross value of the transaction is greater than $200 million, an amount that is equal to 1% of the gross value of the transaction.

If the transaction is not completed because an alternative transaction is entered into by the Company, the Company shall pay to WCM, in cash, a fee equal to $100,000, together with all of WCM's expenses and disbursements incurred to the date of such agreement or transaction.

TERMINATION OF BUSINESS COMBINATION

Ontario Graphite Ltd.

On April 17, 2014, the Company announced that it had entered into a letter of intent (the "LOI") dated April 16, 2014 to complete a business combination with Ontario Graphite Ltd. ("OGL"). OGL is a privately owned Canadian mining company incorporated under the Business Corporations Act (Ontario) and committed to the responsible re-commissioning and operation of the Kearney Mine in Kearney, Ontario.

It was contemplated that NXA, OGL and OGL's parent company, Ontario Graphite, Ltd., a corporation existing under the laws of Cayman Islands ("OGL Parent"), would complete a business combination by way of share exchange, merger, amalgamation, arrangement or other similar form of transaction (the "Proposed Transaction"), which will result in OGL or OGL Parent amalgamating with or becoming a wholly-owned subsidiary of NXA (or such other entity that may be created for the purposes of completing the Proposed Transaction), or otherwise combining its corporate existence with a wholly-owned subsidiary of NXA. As part of the Second Proposed Transaction, it was intended that common shares in the capital of NXA ("Common Shares") will be issued to holders of securities of OGL Parent at an exchange ratio based on the relative values of NXA and OGL Parent, which was to be determined.

In anticipation of the Proposed Transaction, the Company issued Common Shares in settlement of certain existing debts of the Company, as disclosed in Note 10 to the financial statements.

Trading of the Common Shares of the Company was halted at the request of the Company on April 17, 2014 pending this announcement. During the period of such halt in trading of its common shares, the Company and its representatives were engaged in negotiations in connection with the Proposed Transaction. Such negotiations have ended by mutual consent of the parties without having reached an agreement.

PROPOSED TRANSACTION

On May 22, 2015, the Company announced that it had entered into a non-binding letter of intent dated April 8, 2015 (the "LOI") with Ellipsiz Communications Taiwan Ltd. ("ECTW"), a privately owned company incorporated under the laws of Taiwan, which outlines the general terms and conditions pursuant to which NXA and ECTW would be willing to complete a transaction that will result in a reverse take-over of NXA by the shareholders of ECTW (the "Proposed Transaction"). The LOI was negotiated at arm's length and was effective as of April 8, 2015. The LOI is to be superseded by a Definitive Agreement (as hereafter defined) which is expected to be signed in September 2015; however, there can be no assurances that this will occur on the anticipated schedule, or at all.

Upon completion of the Proposed Transaction, it is proposed that NXA will become a Technology Issuer listed on Tier 2 of the TSX Venture Exchange (the "Exchange") and will be renamed to a name to be determined (the "Resulting Issuer"). The Resulting Issuer will carry on the business of ECTW as currently constituted.

Trading of the common shares of NXA has been halted and the common shares will remain halted in accordance with Exchange policies until all required documentation with respect to the Proposed Transaction has been received and the Exchange is otherwise satisfied that the halt should be lifted.

About ECTW

ECTW was incorporated on November 21, 2007 as a company limited by shares and registered under the Ministry of Economic Affairs, Republic of China (R.O.C.). The address of the ECTW's registered office is 8F, No.96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan, R.O.C. ECTW is primarily involved in setting up the operational support systems, being systems which control and monitor network activities, for many telecommunication service providers in Taiwan.

Proposed Transaction

In order to facilitate the Proposed Transaction, in July 2015, ECTW completed a re-organization whereby Ellipsiz Communications Ltd. ("ECBVI), a private British Virgin Island ("BVI") company which was incorporated on July 8, 2013, acquired 100% of the issued and outstanding shares of ECTW and became the parent holding company of ECTW.

The parties intend to effect the Proposed Transaction by way of merger, consolidation or other similar business combination under BVI law (the "Business Combination") between ECBVI and a wholly-owned BVI subsidiary of NXA (to be incorporated prior to the completion of the Proposed Transaction) ("NXA Subco"). On closing of the Proposed Transaction, the company formed by the Business Combination of ECBVI and NXA Subco will become a wholly-owned subsidiary of NXA, and NXA is expected to issue post-Consolidation (as hereafter defined) common shares to the ECBVI shareholders at a rate of 143.0 post-Consolidation common shares for each one (1) common share of ECBVI outstanding immediately prior to the Business Combination, which will constitute a reverse takeover of NXA under the policies of the Exchange. The definitive structure and terms of the Proposed Transaction will be set out in a definitive agreement (the "Definitive Agreement") among NXA, NXA Subco and ECBVI, and will be subject to receipt of tax, securities law, and corporate law advice.

After the completion of the Proposed Transaction, NXA is expected to change its name to Ellipsiz Communications Ltd. or such other name as the board of directors of NXA may approve (the “Resulting Issuer”). Closing of the Proposed Transaction remains conditional upon, among other things, receipt of all necessary regulatory, stock exchange, and shareholder approvals.

It is expected that ECBVI will complete a private placement of securities to investors (the “Investors”) for aggregate proceeds of US$1,241,900 (the “Financing”) prior to closing of the Proposed Transaction. There is no assurance that the Financing will be completed on the terms contemplated or at all.

Subject to the definitive terms of the Definitive Agreement, the valuation attributed to ECTW is US$12,241,900 (inclusive of the Financing and assuming proceeds of US$1,241,900) and the valuation attributed to NXA is CDN$224,060, and, as additional consideration for, among other things, completing the Proposed Transaction, ECBVI expects to pay NXA an exclusivity fee in cash of C$175,940 (the "Exclusivity Fee"),which Exclusivity Fee shall be due and payable on or before the closing of the Proposed Transaction. NXA intends to use the Exclusivity Fee to satisfy debts owing to existing creditors, with the remainder, subject to satisfying corporate law requirements, to be distributed to shareholders. Upon closing of the Proposed Transaction, and assuming proceeds of US$1,241,900 pursuant to the Financing, it is expected that the (former) shareholders of ECBVI will hold approximately 88.61% of the issued and outstanding common shares of the Resulting Issuer (the “Resulting Issuer Shares”), shareholders of NXA will hold approximately 1.39% of the Resulting Issuer Shares and the Investors will hold approximately 10.0% of the Resulting Issuer Shares. Immediately prior to the closing of the Proposed Transaction, NXA is expected to complete a consolidation of its common shares at a ratio of 1 to 10 (the "Consolidation").

Certain Conditions to Proposed Transaction

The completion of the Proposed Transaction is subject to a number of terms and conditions, including the parties entering into the Definitive Agreement (such Definitive Agreement to include representations, warranties, conditions and covenants typical for a transaction of this type), the completion of the Financing, the completion of satisfactory due diligence investigations, the approval of the shareholders and directors of each of NXA, NXA Subco, ECBVI and ECTW, as required, the approval of the Exchange and other relevant regulatory authorities and various other customary conditions that must be satisfied prior to closing, which is expected to take place in October, 2015.

Proposed Directors of the Resulting Issuer

Following the completion of the Proposed Transaction, subject to the approval of the Exchange, the board of directors of the Resulting Issuer is expected to consist of six members: Michael Koh (chairman); Sam Tan; Hans Chang; Mark Yin, Elliott Jacobson; and Grant Sawiak. Upon completion of the Proposed Transaction, the current directors and officers of NXA will resign.

DISCLOSURE AND INTERNAL CONTROLS

Management is responsible for establishing and maintaining disclosure controls and procedures with respect to the timely and accurate dissemination of material information and for internal controls over financial reporting. Disclosure controls and procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to allow for timely decisions regarding the required filings pursuant to provincial securities legislation. Internal controls over financial reporting should provide reasonable assurance that the Company's financial reporting is reliable and in accordance with IFRS. The Company's CEO and CFO have evaluated the effectiveness of disclosure controls and procedures as at June 30, 2015 and have concluded that they provide reasonable assurance that all material information relating to the Company is disclosed in a timely manner.

The Company's CEO and CFO have evaluated the Company's internal controls over financial reporting as at June 30, 2015 and have concluded they are designed effectively to provide reasonable assurance that the Company's financial reporting is reliable and in accordance with IFRS. Due to the relatively small size of the Company and limited personnel, a control weakness in respect of segregation of duties was identified. This creates a risk that Company personnel could initiate transactions or accounting entries that were not compatible with their other responsibilities or make accounting errors that could be undetected due to lack of direct supervision. The design of a control system reflects resource constraints, and the benefits of controls must be considered relative to costs. The control weakness results in a greater likelihood that a material misstatement would not be prevented or detected. As a compensating control, the CEO and CFO oversee all material transactions and the Audit Committee reviews the unaudited condensed interim financial statements on a quarterly basis.

There were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2015 that materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. The accounting policies have been applied consistently to all periods presented in the condensed interim financial statements,

Cash

Cash includes cash on hand with a Canadian chartered bank.

Financial Instruments

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at FVTPL, 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FVTPL assets are subsequently measured at fair value.

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities:

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

Financial Instrument	Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As at June 30, 2015 and December 31, 2014, none of the Company's financial instruments other than cash is recorded at fair value on the statements of financial position.

Share Capital

Share capital is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Share-based Payment

The share-based payment plan allows employees and consultants to acquire shares of the Company. The fair value of share-based payment awards granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share purchase options vest. The fair value of the share-based payment awards granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the awards were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of awards, for which the related service and non-market vesting conditions are expected to be met.

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the year that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments and gains or losses on certain derivative instruments. To date, there has not been any other comprehensive income (loss).

Income (Loss) per Share

The Company presents basic and diluted income (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Future Changes in Accounting Policies

The following standard has been issued but is not yet effective:

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The effective date of IFRS 9 was deferred to years beginning on or after January 1, 2018. Earlier application is permitted.

The Company is currently evaluating the impact of IFRS 9 on its financial statements.

FORWARD LOOKING STATEMENTS

Certain information in this management discussion and analysis contains forward-looking statements involving the Company's current expectations regarding future results and other matters. These forward-looking statements reflect management's current forecast of certain aspects of the Company's future business, and are subject to certain risks and uncertainties that could cause actual results of operations to differ materially from current expectations. The words "plan", "expect", "believe", "intend", "anticipate", "forecast", "target", "estimate" and similar expressions identify forward-looking statements. Risk factors include shifts in customer demand, product shipment schedules, product mix, competitive products and pricing, technological shifts and other variables. Readers are referred to the Company's most recent reports filed with the Ontario Securities Commission for a more complete discussion of other risks and uncertainties. The factors underlying forecasts are dynamic and subject to change. As a result, forecasts speak only as of the date they are given and do not necessarily reflect the Company's outlook at any other point in time. The Company does not undertake to update or review these forward-looking statements.