Condensed Consolidated Interim Financial Statements

# NXA INC.

Three and nine months ended September 30, 2015 and 2014
(All Amounts Expressed in Canadian dollars)

# NXA Inc.

**Condensed Consolidated Interim Statements of Financial Position**
**As at**
**(Expressed in Canadian Dollars)**

| | | **September 30, 2015** | | December 31, 2014 (audited) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash (Note 9) | **$** | **115,469** | $ | 36,766 |
| Amounts receivable | | **18,986** | | 3,131 |
| Prepaid expenses | | **1,250** | | - |
| | **$** | **135,705** | $ | 39,897 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities (Notes 4, 9) | **$** | **449,150** | $ | 192,196 |
| **Shareholders' Deficiency** | | | | |
| **Capital stock** (Note 4) | | **20,801,658** | | 20,801,658 |
| **Contributed surplus** (Note 5) | | **4,568,126** | | 4,568,126 |
| **Deficit** | | **(25,683,229)** | | (25,522,083) |
| | | **(313,445)** | | (152,299) |
| | **$** | **135,705** | $ | 39,897 |

Nature of operations and going concern (Note 1)
Commitments (Note 10)

Approved on behalf of the Board of Directors:

*"Andrew DeFrancesco"*
Andrew DeFrancesco, Director

*"Charles Lilly"*
Charles Lilly, Director

See accompanying notes.

# NXA Inc.

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**
**For the three and nine months ended September 30**
**(Expressed in Canadian Dollars)**

| | Three months ended September 30, 2015 | Three months ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|---|---|---|---|---|
| **Expenses** | | | | |
| General and administrative (Note 9) | **$ 162,885** | $ 187,366 | **$ 311,146** | $ 281,430 |
| Reimbursed legal fees and disbursements (Note 9) | **(55,546)** | - | **(150,000)** | - |
| **Loss and comprehensive loss for the period** | **$ (107,339)** | $ (187,366) | **$ (161,146)** | $ (281,430) |
| **Basic and diluted loss per share** (Note 6) | **$** (0.005) | $ (0.011) | **$** (0.007) | $ (0.017) |

See accompanying notes

# NXA Inc.

**Condensed Consolidated Interim Statements of Changes in Equity**
**(Expressed in Canadian Dollars)**

| | Capital Stock | | Contributed Surplus | Deficit | Total Shareholders' Deficiency |
|---|---|---|---|---|---|
| | Number of shares | Amount | | | |
| **Balance, January 1, 2014** | **16,592,001** | **$ 20,510,958** | **$ 4,568,126** | **$ (25,199,835)** | **$ (120,751)** |
| Shares for debt exchange | 5,814,000 | 290,700 | - | - | 290,700 |
| Loss and comprehensive loss | - | - | - | (281,430) | (281,430) |
| **Balance, September 30, 2014** | **22,406,001** | **$ 20,801,658** | **$ 4,568,126** | **$ (25,481,265)** | **$ (111,481)** |
| **Balance, January 1, 2015** | **22,406,001** | **20,801,658** | **4,568,126** | **(25,522,083)** | **(152,299)** |
| Loss and comprehensive loss | - | - | - | (161,146) | (161,146) |
| **Balance, September 30, 2015** | **22,406,001** | **$ 20,801,658** | **$ 4,568,126** | **$ (25,683,229)** | **$ (313,445)** |

See accompanying notes.

# NXA Inc.

**Condensed Consolidated Interim Statements of Cash Flows**
**For the nine months ended September 30**
**(Expressed in Canadian Dollars)**

| | 2015 | 2014 |
|---|---|---|
| **Cash provided by\(used in)** | | |
| **Cash Flows from/(used in) Operating Activities** | | |
| Loss and comprehensive loss for the period | **$ (161,146)** | $ (281,430) |
| Changes in operating assets and liabilities | | |
| Amounts receivable | **(15,855)** | (22,975) |
| Prepaid expenses | **(1,250)** | 1,250 |
| Accounts payable and accrued liabilities | **256,954** | 7,779 |
| **Cash provided by\(used in) operating activities** | **78,703** | (295,376) |
| **Cash Flows from Financing Activities** | | |
| Shares for debt transaction | **-** | 290,700 |
| **Cash provided by financing activities** | **-** | 290,700 |
| **Increase/(decrease) in cash during the period** | **78,703** | (4,676) |
| **Cash at beginning of period** | **36,766** | 17,523 |
| **Cash at end of period** | **$ 115,469** | $ 12,847 |

See accompanying notes.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

NXA Inc. ("NXA" or "the Company") was engaged in the exploration of base materials and precious metals. On July 20, 2010, after receipt of certain required documentation, 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") (Note 12). The Company's ability to continue operations and meet its obligations is dependent on continued support from investors and related parties.

While these condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

For the nine months ended September 30, 2015, the Company had a net loss of $161,146 (2014 – $281,430) and, as of that date, had an accumulated deficit of $25,683,229 (December 31, 2014 - $25,522,083) and a working capital deficiency of $313,445 (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.

These condensed consolidated 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.

The common shares of NXA were delisted from the TSX Venture Exchange (the "Exchange") and were listed on the NEX Board of the Exchange on April 24, 2013.

The office address of the Company is Wildeboer Dellelce Place, Suite 800, 365 Bay St., Toronto, Ontario, M5H 2V1, Canada.

On October 30, 2015, the Board of Directors approved and authorized for issuance these condensed consolidated interim financial statements for the three and nine months ended September 30, 2015.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, comply with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the years ended December 31, 2014 and 2013, as they follow the same accounting policies and methods of application, unless otherwise indicated.

(b) Basis of presentation

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

The preparation of condensed consolidated 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 $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 September 30, 2015 and December 31, 2014; and
- the Company applied judgement with respect to its ability to continue as a going concern.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated 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 these condensed consolidated interim financial statements,

**Cash**

Cash includes cash on hand with a Canadian chartered bank and held in trust with the Company's counsel.

**Financial Instruments**

Financial assets:

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 |

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 September 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. Cash is considered to be a level 1 investment on the fair value hierarchy.

**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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based Payment (continued)

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 year. 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.

### Basis of consolidation

The condensed consolidated interim financial statements include the accounts of NXA Inc. and its wholly-owned subsidiary. Intercompany balances, revenues and expenses have been eliminated on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

## 4. CAPITAL STOCK

Authorized: Unlimited common shares

Issued

| | Number | | Amount |
|---|---|---|---|
| **Balance, January 1, 2014** | **16,592,001** | **$** | **20,510,958** |
| Shares for debt exchange | 5,814,000 | | 290,700 |
| **Balance, September 30, 2015 and December 31, 2014** | **22,406,001** | **$** | **20,801,658** |

On September 30, 2014, the Company completed a shares for debt transaction as further discussed at Note 9.

## 5. STOCK OPTIONS AND CONTRIBUTED SURPLUS

Under the stock option plan, the Company may grant options to its employees, directors, consultants or executive officers for up to 10% of the issued and outstanding common shares. Options granted under the plan have a maximum term of ten years but generally have a term of three years from date of vesting, with the vesting year determined by the board of directors. The exercise price of the options is determined by the board of directors but must be not less than the lesser of the closing price of the Company's common shares on the Toronto Stock Exchange on the last trading day prior to the date of the grant and the weighted average price for the ten days immediately preceding the date of grant.

The Company had no stock options outstanding as at September 30, 2015 and December 31, 2014.

## 6. LOSS PER SHARE

Loss per share for the nine months ended September 30, 2015, has been calculated based on the weighted average number of shares outstanding of 22,406,001, (2014 – 16,613,298).

## 7. RISK MANAGEMENT AND FAIR VALUES

The Company is exposed to financial risk that arises from the fluctuation in interest rates, credit risk and liquidity risk. These risks are managed as follows:

(i) **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Accounts payable and accrued liabilities are due within the current operating year. As at September 30, 2015, the Company had current assets of approximately $136,000 available to settle current liabilities of approximately $449,000.

(ii) **Credit Risk**

The Company’s cash includes cash held in a major Canadian chartered bank which has minimal credit risk.

## 8. CAPITAL DISCLOSURES

The Company’s primary objectives in managing its capital consist of safeguarding its ability to continue as a going concern and sourcing sufficient capital to maintain corporate and administrative functions necessary to support operational activities. The Company includes capital stock, contributed surplus and deficit in the definition of capital.

The Company manages its capital structure to allow for sufficient funding for operational activities. Funds are secured through equity capital and/or convertible debentures raised via private placements.

## 9. RELATED PARTY TRANSACTIONS

Related party transactions for the nine months ended September 30, 2015 have been listed below, unless they have been disclosed elsewhere in the condensed consolidated interim financial statements.

Legal fees (excluding disbursements and HST) of $198,262 (2014 - $207,385) were incurred during the nine months ended September 30, 2015 to Wildeboer Dellelce LLP (“WD”), a law firm in which a former director of the Company was a partner. A balance of $194,156 was payable to this firm for legal fees as at September 30, 2015 (December 31, 2014 - $109,195).

In connection with the Proposed Transaction described in note 12, WD received $100,000 and $50,000 in trust for NXA in April and July 2015 respectively from certain shareholders of ECBVI to cover the legal fees and disbursements and financial advisory fees to be incurred by NXA. WD invoiced legal fees and related disbursements of $94,454 and $126,778 in the three month periods ended June 30 and September 30, 2015 respectively. The $150,000 has been offset against legal fees and disbursements in general and administrative expenses in the Statements of Loss and Comprehensive Loss.

## 9. RELATED PARTY TRANSACTIONS (continued)

The Company expensed management fees to Wildlaw Capital Markets Inc. (“WCM”), an exempt market dealer firm, a related company of WD by virtue of the partners of WD also being beneficial shareholders of WCM, for financial and administrative services during the nine months ended September 30, 2015 in the amount of $45,000 (2014 - $45,000), which are included in general and administrative expenses. A balance of $80,000 was payable to the firm as at September 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 (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 nine months ended September 30, 2015 were $18,000 (2014 - $16,000). $31,406 is unpaid and included in accounts payable and accrued liabilities as at September 30, 2015 (December 31, 2014 - $12,905).

## 10. COMMITMENTS

Financial and Administrative Services

The Company signed an agreement with Wildlaw Capital Markets Inc. (“WCM”) to receive financial and administrative services. The Company is committed to monthly payments of $5,000. The agreement expires on December 31, 2015.

Financial Advisory Services

On January 18, 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.

### 10. COMMITMENTS (continued)

If the transaction is not completed because an alternative transaction, as defined in the agreement, 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.

### 11. TERMINATION OF BUSINESS COMBINATION

Ontario Graphite Ltd.

On April 17, 2014, the Company announced that it had entered into a letter of intent 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 "First 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 First Proposed Transaction), or otherwise combining its corporate existence with a wholly-owned subsidiary of NXA. As part of the First 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 First Proposed Transaction, the Company issued Common Shares in settlement of certain existing debts of the Company, as disclosed in Note 9.

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 First Proposed Transaction. Such negotiations have ended by mutual consent of the parties without having reached an agreement.

### 12. PROPOSED BUSINESS COMBINATION

On May 22, 2015, the Company announced that it had entered into a non-binding letter of intent dated April 8, 2015 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.

On September 22, 2015, NXA announced that it had entered into a business combination agreement dated September 21, 2015 (the "Business Combination Agreement") among NXA, Hopeful Mind Group Limited ("NXABVI"), which is NXA's wholly-owned subsidiary, and Ellipsiz Communications Ltd. ("ECBVI") in respect of the proposed acquisition by NXA of ECBVI (the "Transaction"). ECBVI is the parent company of its wholly-owned and operating subsidiary ECTW.

NXA, on a post-Transaction basis, is hereinafter referred to for convenience as the "Resulting Issuer". Upon completion of the Transaction, the Resulting Issuer will carry on the business of ECTW, will become a Technology Issuer listed on Tier 2 of the TSX Venture Exchange (the "Exchange"), and will change its name to Ellipsiz Communications Ltd. (or such other name as the Resulting Issuer may determine). The Transaction constitutes a reverse-takeover transaction under the policies of the Exchange. NXA has obtained

**12. PROPOSED TRANSACTION (continued)**

the conditional approval of the Exchange for the Transaction. Final acceptance of the Exchange is dependent on NXA satisfying the Exchange's listing conditions.

Subject to the satisfaction of closing conditions, it is anticipated that closing of the Transaction will occur during the week of November 2, 2015, or such other date as the parties will agree to, provided that such date is no later than November 16, 2015 unless the parties agree otherwise.

The Transaction

*Pre-Transaction Reorganization of ECTW*

In order to facilitate the ECBVI Financing (as defined below) and the Transaction and to provide for certain tax and corporate efficiencies and benefits, management of ECTW set up a British Virgin Islands ("BVI") holding company for ECTW. Effective July 22, 2015, ECBVI acquired all of the outstanding shares of ECTW from the then current shareholders of ECTW, pursuant to which ECTW became a 100% owned subsidiary of ECBVI.

*Description of the Proposed Merger of NXABVI and ECBVI*

The Business Combination Agreement provides that the Transaction will be effected by way of a merger (the "Merger") between ECBVI and NXABVI under the BVI Business Companies Act, 2004. NXABVI is a wholly-owned BVI subsidiary of NXA that was acquired by NXA solely for the purposes of completing the Merger and effecting the Transaction, and it has not carried on any active business.

Pursuant to the Merger, on closing of the Transaction, ECBVI will be merged with and into NXABVI after which the separate existence of ECBVI will cease and NXABVI will be the surviving entity ("Mergeco"). Mergeco will hold all the assets and liabilities of the merging entities. NXABVI may undergo a name change at or after closing to a name to be determined. Immediately upon the Merger, each issued and outstanding share of ECBVI (the "ECBVI Shares") will be automatically cancelled and the holders of ECBVI Shares (including ECBVI Investors (as defined below)) will receive post-Consolidation (as defined below) common shares of the Resulting Issuer on the basis of 143 post-Consolidation Shares for each one (1) ECBVI Share outstanding immediately prior to the closing of the Transaction. For the purposes of determining the exchange ratio, the valuation attributed to ECTW is C$14,300,000 (exclusive of the ECBVI Financing) and the valuation attributed to NXA is C$224,060. Upon completion of the Transaction, the Resulting Issuer will own 100% of the issued and outstanding shares of the NXABVI, which in turn will own 100% of the issued and outstanding shares of ECTW.

Upon completion of the Transaction and after giving effect to the Consolidation and taking into account the ECBVI Financing, of the total issued and outstanding common shares of the Resulting Issuer (the "Resulting Issuer Shares"), the current shareholders of ECBVI will hold 88.6%, the ECBVI Investors will hold 10%, and the current shareholders of NXA will hold the remaining 1.4%, on a non-diluted basis. As such, the Transaction will constitute a reverse take-over of NXA within the meaning of the policies of the Exchange.

Pursuant to the Business Combination Agreement, as additional consideration for, among other things, agreeing to extend the deadline of the Transaction beyond the original term of the letter of intent between the parties and complete the Transaction, ECBVI has agreed to pay NXA an exclusivity fee in cash of C$175,940 (the "Exclusivity Fee") on or before the closing of the Transaction. NXA intends to use the Exclusivity Fee to satisfy debts owing to existing creditors and certain other expenses, with the remainder, subject to satisfying corporate law requirements, to be distributed to current NXA shareholders on a pro rata basis as of the record date for voting (the "Record Date") at the NXA Meeting (as defined below), being September 21, 2015, as

## 12. PROPOSED TRANSACTION (continued)

more particularly described in the Circular (as defined below). It is expected that approximately C$40,000 will be available to be distributed to the shareholders of record of NXA as of the Record Date (subject to certain minimum shareholdings and other restrictions).

*Consolidation and Name Change*

In connection with, and as a condition to completion of, the Transaction, subject to receipt of shareholder approval, NXA will, immediately prior to closing of the Transaction, consolidate the issued and outstanding common shares of NXA on the basis of one post-consolidation share for every ten (10) pre-consolidation shares (the "Consolidation"). There are currently 22,406,001 common shares of NXA issued and outstanding. After the completion of the Consolidation, but prior to taking into effect the Transaction, there will be approximately 2,240,600 post-Consolidation common shares issued and outstanding.

Furthermore, subject to regulatory approval, NXA proposes to change its name (the "Name Change") to Ellipsiz Communications Ltd., or such other name as the board of directors of the Resulting Issuer may determine, upon closing of the Transaction.

*Conditions to Completion of the Transaction*

The completion of the Transaction is subject to a number of terms and conditions, including the completion of the ECBVI Financing, the completion of satisfactory due diligence investigations, the approval of the shareholders and directors of each of NXA, NXABVI, ECTW and ECBVI, as required, the final approval of the Exchange and other relevant regulatory authorities and various other customary conditions that must be satisfied prior to closing of the Transaction.

*Shareholder Approvals and Meeting of the Shareholders of NXA*

The Merger requires the approval of the shareholders of NXABVI and ECBVI. Furthermore, the Transaction and certain related matters require the approval of NXA shareholders, and to this end, NXA has called an annual and special meeting of shareholders (the "NXA Meeting") to be held on November 2, 2015. The matters to be approved at the NXA Meeting include the Transaction, the Consolidation, the Name Change and such other matters set out in the notice of Meeting and described in the management information circular dated September 21, 2015 prepared in connection with the NXA Meeting (the "Circular").

ECBVI Financing

In connection with, and as a condition to the completion of the Transaction, ECBVI completed a private placement (the "ECBVI Financing") of 112,900 subscription receipts (the "Subscription Receipts") at a price of US$11.00 per Subscription Receipt for aggregate gross proceeds of US$1,241,900 on October 29, 2015. The ECBVI Financing was completed pursuant to the terms of a subscription receipt agreement (the "Subscription Receipt Agreement") dated October 29, 2015 between ECBVI and Fogler, Rubinoff LLP as escrow agent (the "Escrow Agent").

Each outstanding Subscription Receipt will be automatically converted and immediately thereupon cancelled, without any further action by the holder of such Subscription Receipt (the "ECBVI Investor"), and for no additional consideration, into one ECBVI Share upon the satisfaction of the following conditions (the "Escrow Release Conditions"): the receipt of all necessary regulatory approvals (including the conditional approval of the Exchange for the Transaction), and the satisfaction or waiver (if capable of being waived) of all conditions to the completion of the Transaction other than filing of the requisite documents with governmental authorities

## 12. PROPOSED TRANSACTION (continued)

to give effect to the Transaction. The satisfaction of the Escrow Release Conditions, and the conversion of the Subscription Receipts into ECBVI Shares, is expected to occur immediately prior to closing of the Transaction.

Pursuant to the terms of the Subscription Receipt Agreement, 30% of the gross proceeds of the ECBVI Financing will be released to ECBVI on closing of the ECBVI Financing, and the remaining 70% of the gross proceeds of the ECBVI Financing (the "Escrowed Proceeds") will be deposited and held in escrow on behalf of the subscribers by the Escrow Agent. At the discretion of the Escrow Agent, the Escrowed Proceeds may be invested in short-term interest bearing obligations of, or guaranteed by, the Government of Canada or a province of Canada, or a Canadian bank. The Escrowed Proceeds (and accrued interest, if any), less any expenses of the Escrow Agent, will be released to ECBVI upon satisfaction of the Escrow Release Conditions.

If the Escrow Release Conditions are not satisfied on or before 5:00 p.m. (Toronto time) on November 16, 2015 (or such earlier date as either ECBVI or NXA terminates its obligation to complete the Transaction pursuant to the Business Combination Agreement) (the "Escrow Deadline"): (i) ECBVI shall forthwith notify the Escrow Agent thereof; and (ii) the right to receive ECBVI Shares represented by such Subscription Receipts shall be automatically terminated and cancelled and the holder of each Subscription Receipt shall be paid, as soon as reasonably possible, (A) an amount per Subscription Receipt equal to seventy percent (70%) of the purchase price and a pro rata share of interest, if any, actually earned thereon to the date of redemption, which shall be satisfied from the Escrowed Proceeds; and (B) an amount per Subscription Receipt equal to thirty percent (30%) of the purchase price, which shall be paid by ECBVI.

About ECBVI and ECTW

ECBVI is the parent company of ECTW. It was incorporated on July 8, 2013 as a BVI Business Company under the BVI Business Companies Act, 2004 and was acquired and established by ECTW solely for the purposes of completing a transaction such as the Merger and the Transaction. ECBVI's registered and head office is located at Palm Grove House, P.O. Box 438, Road Town, Tortola, BVI.

ECTW, the operating subsidiary of ECBVI, is a private Taiwanese company which was incorporated on November 21, 2007 under the laws of the Republic of China. ECTW's registered and head office is located at 8F, No. 96, Section 1, Jianguo North Road, Jhongshan District, Taipei City 10489, Taiwan, Republic of China. ECTW focuses on setting up operations support systems ("OSS"), being systems which control and monitor network activities, for many communication service providers ("Telcos"), including mobile network providers, fixed line telephone operators, cable operators and internet service providers (ISPs) in Taiwan. ECTW tailors a unique solution for each client depending on its particular needs, which involves setting up, customizing and integrating a combination of third party hardware and OSS software.

Sponsorship

Altus Securities Inc., subject to completion of satisfactory due diligence, has agreed to act as sponsor in connection with the Transaction pursuant to a letter dated June 17, 2015, whereby ECTW will pay Altus Securities Inc. a fee of $50,000 plus HST ($15,000 paid to the date of the Circular and $35,000 to be paid upon delivery of the final sponsorship report), plus reasonable fees and disbursements. An agreement to act as sponsor should not be construed as any assurance with respect to the merits of the Transaction or the likelihood of the completion thereof.

## 12. PROPOSED TRANSACTION (continued)

Arm's Length Transaction

The Transaction is considered an arm's length transaction in accordance with the policies of the Exchange.

Trading Halt

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