

Ellipsiz Communications Ltd.

(formerly NXA Inc.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE UNAUDITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION AND
CONDENSED CONSOLIDATED INTERIM RESULTS OF OPERATIONS**

For the Three and Six Months Ended June 30, 2016

This MD&A is dated August 29, 2016

**All numbers in this MD&A are in US\$ except where
specified as to the currency in use**

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016.

Introduction

This Management's Discussion and Analysis ("**MD&A**"), dated August 29, 2016 provides a review of the consolidated financial position and the results of operations of Ellipsiz Communications Ltd. (TSXV: ECT) ("**Ellipsiz**" or the "**Company**") and constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2016. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three and six months ended June 30, 2016. This MD&A should be read in conjunction with the unaudited Condensed Interim Consolidated Financial Statements (the "Interim Financial Statements") as at and for the three and six months ended June 30, 2016, and the Audited Consolidated Financial Statements of the Company for the six months December 31, 2015 (the "Audited Consolidated Financial Statements") together with the notes thereto. The Company's Interim Financial Statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**"). All amounts presented are stated in United States dollars, unless otherwise indicated. Information contained herein is presented as of August 29, 2016 unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors of the Company (the "**Board of Directors**"), considers the materiality of information, in accordance with applicable securities laws. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Cautionary Note Regarding Forward-Looking Information

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. This MD&A contains "forward-looking statements" under the meaning of Canadian securities laws, which may include, but is not limited to, statements with respect to:

- financial and other projections as well as statements or information concerning future operation plans, objectives, performance, revenues, growth, profits, working capital requirements or operating expense;
- the use of available funds;
- plans to develop, implement or adopt new technology or products;
- estimates and projections regarding the industry in which the Company operates, including the Taiwanese telecommunications industry and the operational support systems ("**OSS**") industry, and expectations relating to trends and the adoption of technologies;
- warranty claims in the future;
- demand of its products and services by existing customers;
- the availability of future funds through past sources of funds;
- anticipated tax refunds and the tax rates applicable to the Company;
- strategies and objectives;
- research and development;
- requirements for additional capital and future financing options;
- general business and economic conditions;
- distributions and dividends to shareholders;
- plans to expand the customer base and enter into new markets;
- expansion and acceptance of the Company's services in other markets;
- plans to identify, pursue, negotiate and/or complete strategic acquisitions;
- availability of qualified employees;
- marketing plans; and
- other expectations of the Company or ECTW.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

All statements other than statements of historical fact are forward-looking statements. Such statements, made as of the date hereof, reflect the Company's current views with respect to future events and are based on information currently available to the Company and are subject to and involve certain known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. These risks, uncertainties, assumptions and other factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks and uncertainties include, but are not limited to, the risk factors described in this MD&A below under the heading "Risk Factors" and the risk factors contained in the Company's continuous disclosure record. Some of these risk factors as summarized as follows: risks posed by the economic and political environments in Taiwan; the dependence on a small number of significant customers for a large portion of revenue; risks related to rapid technological change, research and development activities and the ability to offer new products and services; risks associated with the development and expansion of business in emerging markets, particularly Southeast Asia; increased competition; a potential decrease in the demand for the Company's services; highly volatile revenues and expenses and lengthy sales cycle; reliance on industry suppliers; the failure to adequately protect intellectual property; credit risk; interest risk; liquidity risk; foreign currency and exchange risk; potential conflicts between laws that are applicable to the Company; potentially inadequate insurance coverage; a failure to adequately manage future growth; the impact of changing tax rates on revenues; adverse market conditions; failure to satisfy ongoing regulatory requirements; the dependence on a number of key personnel; possible conflicts of interest of directors and officers of the Company; lack of foreseeable dividend payments; the potential inability to raise additional funds; potential dilution of shareholders; and the volatility of the market price of the Shares.

Although the forward-looking information contained in this MD&A reflect the current estimates, expectations and projections of management of the Company, readers are cautioned against placing reliance on this information since actual results may vary from the forward-looking information. These forward-looking statements are made as of the date of this MD&A, and, except as may expressly be required by law, the Company disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations, estimates and projections with regard thereto or any changes in events, conditions or circumstances on which any statement is based, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. In addition to the disclosure contained herein, for more information concerning the Company's various risks and uncertainties, please refer to the Company's periodic public filings available under its profile on SEDAR at www.sedar.com.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Background

The Company was amalgamated under the Ontario Business Corporation Act ("OBCA") on January 1, 2006. The fiscal year end of the Company is December 31.

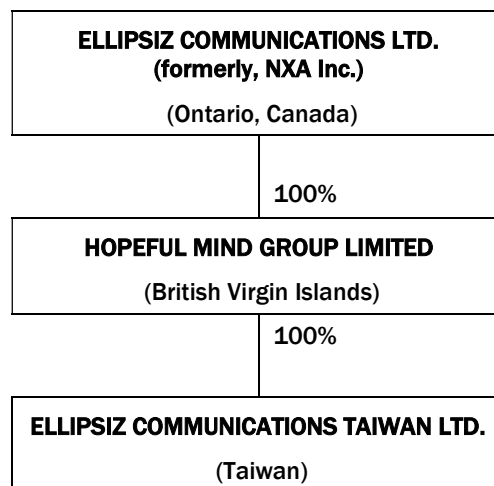
The Company was formerly engaged in the exploration of base materials and precious metals. Thereafter, from 2010 to 2015, the Company was engaged in evaluating potential business opportunities and was otherwise inactive. The common shares of the Company (the Shares) were delisted from the TSX Venture Exchange ("TSXV") and were listed on the NEX Board of the Exchange on April 23, 2015.

On November 4, 2015, the Company completed the acquisition (the "Transaction") of Ellipsiz Communications Ltd. BVI ("ECBVI"), a British Virgin Island corporation that owned all of the outstanding shares of its operating subsidiary Ellipsiz Communications Taiwan Ltd. ("ECTW"), a private company incorporated under the laws of Taiwan.

As a result of the Company's completion of the Transaction, the Company met the listing conditions of its common shares on the TSXV and commenced trading on November 26, 2015 under the ticker symbol "ECT".

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 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 OSS, being systems which control and monitor network activities, for many telecommunication service providers in Taiwan.

The corporate structure, including the percentage of voting shares owned and the jurisdiction of incorporation is set out in the diagram below.



Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Summary of the Business of the Company

The Company, through its indirect operating subsidiary ECTW, focuses on setting up 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.

The primary purpose of any OSS is to control network activities to ensure that the Telco is able to provide high quality and uninterrupted services to its large subscriber bases. The OSS within a network can also include systems designed to enable Telcos to collect valuable user data (which, for example, can be used to generate new revenue streams) and deliver better services to their subscribers (for example, to provide customized services and quick detection and recovery of down times in services).

In addition to setting up OSS, ECTW provides active managed services to Telcos, managing and maintaining the network once an OSS has been set up. Depending on the client, the package of managed services can include maintaining and updating OSS and hardware, interfacing with OSS providers to consider new OSS solutions for the network, and managing issues that arise on the network.

Beyond integrating and customizing third party OSS solutions from multiple vendors of OSS solutions ("**OSS Vendors**"), ECTW is also involved in research and development to create its own OSS solutions. Currently, ECTW's research and development activities are limited, and they are conducted by a small number of in-house personnel at its Taipei office.

To date, ECTW has developed a big data solution that can be offered as a stand-alone product to clients or that can complement, and be integrated with, other OSS Vendors' solutions. The solution utilizes the data generated by the OSS and analyzes the data to gain key insights into the network's business and its customers. The Big Data solution allows the user to quickly search the useful information from the huge structured or unstructured data.

ECTW's ongoing research and development efforts are currently focused on and limited to enhancing its big data solution to help Telcos better understand their customers and create new revenue streams through differentiated and targeted service offerings. ECTW expects to develop additional OSS solutions and products in the future. During six months period ended June 30, 2016, the Company incurred \$39,043 in research and development activities.

Summary of the Transaction

Pursuant to the Transaction, Ellipsiz Communications Ltd., a company incorporated pursuant to the laws of the British Virgin Islands ("**ECBVI**") and Hopeful Mind Group Limited, a wholly owned subsidiary of NXA ("**NXABVI**"), merged (the "**Merger**") on November 4, 2015 with and into NXABVI, after which the separate existence of ECBVI ceased, and NXABVI remained as the surviving entity ("**Mergeco**"). Immediately upon the merger, each issued and outstanding share of ECBVI (the "**ECBVI Shares**") were automatically cancelled and the holders of ECBVI Shares received post-Consolidation (as described below) Shares on the basis of 143 post-Consolidation Shares for each one (1) ECBVI Share outstanding immediately prior to the closing of the Transaction.

As a condition to closing 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. Immediately before the closing of the Transaction, each outstanding Subscription Receipt was automatically converted and immediately there upon cancelled, without any further action by the holder of such Subscription Receipt (the "**ECBVI Investor**"), and for no additional consideration, into one ECBVI Share.

Further, in connection with the Transaction, the Company, immediately prior to closing of the Transaction, consolidated the Shares on the basis of one (1) post-consolidation Share for every ten (10) pre-consolidation Shares (the "**Consolidation**"). Following the completion of the Transaction, the Company owns all of the issued and outstanding shares of Mergeco (the surviving company formed pursuant to the Merger of NXABVI and ECBVI through a merger under the Laws of BVI) and, as such, Mergeco is a wholly-owned subsidiary of the Company and ECTW is an indirect wholly-owned subsidiary of the Company.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Description of NXA

NXA Inc. ("NXA") was formerly engaged in the exploration of base materials and precious metals. Since 2010 until completion of the Transaction, NXA was engaged in evaluating potential business opportunities and was otherwise inactive.

Immediately prior to the completion of the Transaction, NXA had one wholly-owned subsidiary, NXABVI, which was acquired by NXA and set-up as wholly owned subsidiary solely for the purposes of merging with ECBVI, pursuant to the Laws of BVI, and completing the Transaction, and has not carried on any active business. The full corporate name of NXABVI is "Hopeful Mind Group Limited" and it was incorporated under the laws of BVI on July 1, 2015. The head and registered office of NXABVI is located at 3rd Floor, J & C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG1110.

Description of ECBVI and ECTW

Prior to the Completion of the Transaction, ECBVI, the parent holding company of ECTW, is a private BVI company which was incorporated on July 8, 2013 as a BVI Business

On the closing date of the Merger, the Company indirectly acquired 100% of the issued and outstanding shares of ECTW as part of reorganization to facilitate the completion of the Transaction and the ECBVI Financing.

ECTW, the operating subsidiary of Mergeco, is a private Taiwanese company which was incorporated on November 21, 2007 under the laws of the R.O.C. as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The full legal name of ECTW is "Ellipsiz Communications Taiwan Ltd.".

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.

The primary purpose of any OSS is to control network activities to ensure that the Telco is able to provide high quality and uninterrupted services to its large subscriber bases. The OSS within a network can also include systems designed to enable Telcos to collect valuable user data (which, for example, can be used to generate new revenue streams) and deliver better services to their subscribers (for example, to provide customized services and quick detection and recovery of down times in services).

In addition to setting up OSS, ECTW provides active managed services to Telcos, managing and maintaining the network once an OSS has been set up. Depending on the client, the package of managed services can include maintaining and updating OSS and hardware, interfacing with OSS providers to consider new OSS solutions for the network, and managing issues that arise on the network.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Reverse Takeover Transaction ("RTO")

On November 4, 2015, Ellipsiz Communications Ltd. (formerly NXA Inc.) ("NXA") acquired 100% of the issued and outstanding common shares of ECBVI in exchange for 159,144,700 post-Consolidation Shares issued by the Company. The resulting post-Transaction issued and outstanding common shares amounted to 161,385,300 common shares were held by shareholders as follows:

Former ECBVI shareholders held 159,144,700 Shares and NXA shareholders held 2,240,600 Shares.

As a result of this share issuance, the shareholders of ECBVI prior to the Transaction obtained 98.61% of the post-consolidation Shares of NXA, and consequently, control of NXA. In accordance with IFRS 3 Business Combinations, ECBVI was deemed to be the accounting acquirer, and NXA, the accounting acquiree. However, at the time of the Transaction, NXA's assets consisted primarily of cash, sales tax receivable, loan receivable and current liabilities and it did not have any processes capable of generating outputs; therefore, NXA did not meet the definition of a business.

Accordingly, as NXA did not qualify as a business in accordance with IFRS 3, the Transaction did not constitute a business combination; however, by analogy it has been accounted for as a reverse takeover. Therefore, ECBVI the legal subsidiary has been treated as the accounting parent company, and NXA, the legal parent, has been treated as the accounting subsidiary in the Audited Consolidated Financial Statements. As ECBVI was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these Audited Consolidated Financial Statements at their historical carrying values. NXA's results of operations have been included from November 2, 2015, the date of the completion of the Transaction.

These unaudited Consolidated Financial Statements have been prepared on the basis that the Transaction constituted the issuance of shares by ECBVI as consideration for NXA's net assets in accordance with IFRS 2 Share-based Payment, followed by a recapitalization of ECBVI. As a result, the Transaction was accounted for by ECBVI as the issuance of its shares at fair value for the net assets of NXA and a listing expense, which reflects the difference between the fair value of the ECBVI common shares deemed to have been issued to NXA's shareholders and NXA's net assets acquired. In accordance with IFRS 2, the excess of the fair value of the deemed shares issued over the net assets acquired is recognized in the consolidated statements of income (loss) and comprehensive income (loss) as a listing expense. The fair value of the 2,240,600 common shares deemed to be issued to the shareholders of NXA was estimated to be \$170,196 based on the share market price of NXA shares.

All figures as to the numbers of common shares, as well as earnings (loss) per share in these Audited Consolidated Financial Statements have been retroactively restated to reflect the legal capital of NXA at an exchange ratio of 1 ECBVI common share to 143 common shares of NXA. The number of ECBVI common shares at June 30, 2015 and 2014 have been restated from 1,000,000 to 143,000,000, following the issuance of 143 NXA common shares for each outstanding common share of ECBVI.

The consideration and allocation to the identifiable net assets of NXA at the date of Transaction initially represented management's best estimates and assumptions after taking into account all available information. All figures as to the numbers of common shares, as well as earnings (loss) per share in the consolidated financial statements, have been retroactively restated to reflect the legal capital of NXA.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Results of operations and selected financial information

A summary of selected financial information of the Company for recently completed periods is provided below

Selected quarterly information

Income related items

For the three months ended	June 30, 2016	March 31, 2016	June 30, 2015	March 31, 2015
	\$	\$	\$	\$
Revenue	2,396,098	1,598,184	1,145,665	1,989,806
Cost of sales	(1,944,544)	(1,262,495)	(691,749)	(1,570,611)
Gross profit	451,554	326,689	453,916	419,195
Gross margin percentage	18.8%	20.4%	39.6%	21.1%
Operating expenses	(489,956)	(376,940)	(387,309)	(320,625)
Income (loss) from operations	(38,402)	(50,251)	66,607	98,570
Net income (loss)	(59,005)	(56,959)	7,638	88,107
Net comprehensive income (loss)	(97,707)	(5,318)	11,104	121,056
Basic & diluted earnings (loss) per share	(0.00)	(0.00)	0.00	0.00

The following tables analyze the major revenue generating categories, all of which are attributable to the Company's indirect operating subsidiary, ECTW:

Three months ended	June 30, 2016	March 31, 2016	June 30, 2015	March 31, 2015
Revenue	\$	\$	\$	\$
Service contracts	2,040,288	1,251,016	790,127	1,555,037
Post Contract support	355,810	338,168	355,538	320,006
Sales of goods	-	-	-	132,763
Total Revenue	2,396,098	1,589,184	1,145,665	1,989,806
Cost of Sales				
Service contracts	1,761,996	1,049,355	446,006	1,258,835
Post contract support	182,548	213,157	245,743	189,080
Sales of goods	-	-	-	122,696
Total cost of sales	1,944,544	1,262,495	691,749	1,570,611
Gross Profit				
Service contracts	278,292	201,667	344,121	296,202
Post contract support	173,262	125,011	109,795	112,926

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Sales of goods	-	-	-	10,067
Total gross profit	451,554	326,689	453,916	419,195
Gross Margin percentage				
Service contracts	13.64%	16.12%	43.56%	19.05%
Post contract support	48.70%	36.97%	30.88%	37.39%
Sales of goods	-	-	-	7.58%
Total gross margin	18.85%	20.56%	39.62%	21.07%

Period covered quarter ended June 30, 2016: In the quarter ended June 30, 2016, service contract revenue increased substantially over the previous quarter and the comparative quarter in 2015. The increase is mainly due to better marketing and increase in business with two of ECTW's large customers in Taiwan (refer to note 17 (3) Major customer information (notes to the interim consolidated financial statements for June 30, 2016)). The gross margin decreased over previous quarter and the comparative 2015 quarter in that equipment, which has a lower gross margin compared to technical work, which makes up the largest part of the current revenue. Post contract support represent additional warranty support for completed projects after the initial warranty expires. This can be lucrative if customers are willing to engage ECTW for this purpose.

Period covered quarter ended March 31, 2016: In the quarter ended March 31, 2016 the revenue from service contracts decreased in comparison with the three months' comparative period (March 31, 2015). In the three months ended March 31, 2016 when compared to the similar period in 2015 the decrease was mainly due to one large project in the quarter ended March 31, 2015 with no equivalent in the similar period in 2016. This is also reflected in a lower gross margin in service contracts.

Period covered quarter ended June 30, 2015: The revenue for this period (quarter ended June 30, 2015) decreased when compared to the previous quarter in that during the previous period (ended March 31, 2015) ECTW had a large project which was nearing completion and in the quarter ended June 30, 2015 there was only the tail end of this project, with no other large project. The gross margin % increased substantially in that some of the revenue from the large project relating to the previous quarter rolled over to this quarter with very little related costs.

In arriving at the net comprehensive income (loss), the Company incurred the following items:

Three months ended	June 30, 2016	March 31, 2016	June 30, 2015	March 31, 2015
	\$	\$	\$	\$
Interest income	1,153	267	1,809	1,757
FX gain (loss)	4,416	3,540	7,130	7,920
Rent revenue	-	-	-	4,618
Finance expense	(1,869)	(1,474)	-	-
Income tax expense	(24,303)	(9,041)	(67,908)	(24,758)
Foreign currency translation adjustment	(38,702)	51,641	6,650	32,949
Total other (expenses) income including income taxes	(59,305)	44,933	(52,319)	17,868)

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Selected Balance Sheet Data (note the June 30, 2015 amounts are that of ECTW)

Selected Financial Information				
For the Period ended	June 30, 2016	March 31, 2016	December 31, 2015	June 30, 2015
	\$	\$	\$	\$
Cash and cash equivalents	1,430,004	1,236,254	1,875,779	356,412
Trade and notes receivable	2,654,241	2,316,263	1,721,249	2,121,077
Unbilled service contract revenue	566,369	847,918	591,902	813,216
Total assets	5,110,641	5,157,306	4,965,140	3,870,277
Trade payable and accrued liabilities	2,394,104	2,260,367	2,617,783	1,495,263
Trade and other payables to related parties	902,797	857,659	435,130	364,623
Total shareholders' equity	1,468,484	1,528,457	1,530,763	1,435,510

The majority of the balance sheet items in the above table represents that of ECTW the comments below will only explain major fluctuations in the various categories above:

- Cash and cash equivalents is primarily that of ECTW and fluctuates in the normal course of business.
- Trade and notes receivables: June 30, 2015 was high because there was a note receivable of \$1,659,764 which was in respect of a 2013 contract with a specific customer (Taiwan Nuovo Co., Ltd.) which had extended terms. This amount was collected in September 2015. December 31, 2015 receivables was below normal in that revenue was down for the previous months
- Unbilled service contract revenue can on billing can only be done when a major milestone is achieved based on individual service contracts. Hence the fluctuations are in the normal course.
- Total assets are comprised mainly of Cash and cash equivalents, Trade receivables and Unbilled service contract revenue. The fluctuations are explained above.
- The main components of trade payables are that of ECTW and are normal business fluctuations (refer to notes 10 and 15 of the unaudited Interim Consolidated Financial Statements for the period ended June 30, 2016)
- Trade and other payables to related parties (refer to section on related party below). The increase from December 31, 2015 to June 30, 2016 primarily is a result of a demand loan from a director and a major shareholder of the Company.
- Shareholders' Equity as at June 30, 2015 represent the Equity of ECTW pre RTO transaction (explained above section Reverse Takeover Transaction). The movements post RTO can be explained as follows: Equity as at December 31, 2015 (post RTO) to March 31, 2016 comprised of a net loss for the period of \$56,959 offset by Foreign exchange translation gain of \$51,641 and the impact of share-based compensation of \$3,012. The movement March 31, 2016 to June 30, 2016 comprised of a net loss of \$59,005 offset by foreign currency translation of (\$38,702); legal reserve of \$36,286 and share-based compensation of \$1,448.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016.

Consolidated Operating Results

This section should be read in conjunction with the unaudited Condensed Consolidated Interim Statements of Comprehensive Income (loss) for the three and six months ended June 30, 2016, and 2015 and the notes to the unaudited Condensed Consolidated Interim Financial Statements.

The following tables analyze the major revenue generating categories, all of which are attributable to the Company's indirect operating subsidiary, ECTW:

The following table represents the analysis of the operating expenses):

Three Months ended June 30,	2016	2015
	\$	\$
Salaries and benefits	164,187	\$ 106,409
Travel and entertainment	86,847	100,393
Management fee	44,168	44,911
Rent	28,949	32,056
Depreciation	1,305	1,563
Other general office expenses	11,594	101,978
Research and Development	21,791	-
Total operating expenses; ECTW	358,841	\$ 387,309
Investor relations, Regulatory fees and Shareholders matters	18,079	-
Professional fees	67,102	-
Consulting fees	21,734	-
Share Based Compensation	1,448	-
Other	22,752	-
Total operating expenses : ECL	131,115	-
Total Operating Expenses for the Company	489,956	387,309

Some of the major fluctuations of the above can be explained as follows:

- Salaries and benefits represent the amounts paid and or accrued for the staff members in ECTW, that are not part of the staff working on revenue generation. The major components of this are salaries, labour and health insurances, retirement benefits and other employee benefits as required in Taiwan. Fluctuations in the comparable periods are as a result of staff levels in the period and annual wage increases.
- Travel and entertainment represent mainly the costs incurred by staff in promoting and seeking new products and customers. Travel and entertainment expenses have been decreased in the period presented as management is concentrating on the local business.
- The management fee is the contractual fee paid to ECPL as described below under section C of the "Related Party Disclosure" heading. Management fee has been fairly consistent over the periods presented.
- Rent and Depreciation are all normal monthly expenditures.
- ECTW is developing a big data solution. The ongoing expense is primarily from existing staff working on the big data project.
- Other general office expenses has decreased substantially from the comparative period in that in 2015 ECTW incurred additional costs relating to legal and audit expenses as part of the preparatory work required for going public on the TSX-V.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

The other explanations will relate to that of ECL

- Professional fees represent legal, audit and other related fees.
- Consulting fees relate primarily to termination fees of a former officer and fees of the CFO (see related party note below) and an external bookkeeper.
- Investor relations, regulatory fees and shareholders' matters are fees that relate to an investor relation contract for the Company (CDN\$12,500 per quarter); Fees charged by the TSX and transfer agent fees.
- Share based compensation relate to the value attributable to the period which relates to stock options awarded to the investor relations person. (see shareholders' equity below).
- Other relates to fees paid on work being done on behalf of the BVI subsidiary

This table represents the analysis of the operating expenses for the six months ended June 30, 2016 and 2015:

(the numbers for six months ended June 30, 2015 represent that for ECTW only)

Six Months ended June 30,	2016	2015
	\$	\$
Salaries and benefits	318,778	265,806
Travel and entertainment	145,863	157,618
Management fee	86,983	88,848
Rent	57,708	61,378
Depreciation	2,534	3,285
Other general office expenses	32,891	130,999
Research and Development	39,043	-
Total operating expenses; ECTW	683,800	707,934
Investor relations, Regulatory fees and Shareholders matters	37,317	N/A
Professional fees	85,092	N/A
Consulting fees	32,669	N/A
Share Based Compensation	4,145	N/A
Other	23,873	N/A
Total operating expenses : ECL	183,096	N/A
Total Operating Expenses for the Company	866,896	707,934

Some of the major fluctuations of the above can be explained as follows:

- Salaries and benefits represent the amounts paid and or accrued for the staff members in ECTW, that are not part of the staff working on revenue generation. The major components of this are salaries, labour and health insurances, retirement benefits and other employee benefits as required in Taiwan. Fluctuations in the comparable periods are as a result of an increase in staff levels in the period and normal annual wage increases.
- Travel and entertainment represent mainly the costs incurred by staff in promoting and seeking new products and customers. Travel and entertainment expenses have been decreased in the period presented as management is concentrating on the local business.
- The management fee is the contractual fee paid to ECPL as described below under the section "Related Party Disclosure" heading. Management fees has been fairly consistent over the periods presented.
- Rent, and Depreciation are all normal monthly expenditures.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

- ECTW ongoing research and development is focused on its enhancing of its big data solution. The six months expenses of \$39,043 is primarily work done by existing staff on the big data project. This project was started in 2016.
- Other general office expense is not comparable to prior period in that most of the expense re the prior period was extra costs in producing requirements for the going public on the TSX-V.

Expenses of ECL applies only to 2016 and is explained as follows

- Consulting fees relate to that charged by officers of the Company (see related party note below). In early 2016 one of the officer's services were terminated and he received a settlement of CDN\$ 16,000 as a termination fess and is included in this category
- Professional fees represent legal audit and other related fees.
- Investor relations, regulatory fees and shareholders' matters are fees that relate to an investor relation contract for the Company (CDN\$12,500 per quarter); Fees charged by the TSX and transfer agent fees
- Share based compensation relate to the value attributable to the period which relates to stock options awarded to the investor relations person. (see shareholders' equity below).
- Others relate to expenses incurred re the BVI subsidiary (Hopeful Mind Group Limited).

Income tax expense

Income tax expenses for the three months ended June 30, 2016 and 2015 were \$24,303 and \$67,908 respectively, and for the six months ended June 30, 2016 and 2015 were \$33,344 and \$92,666 respectively. All of this applies to ECTW.

As at December 31, 2015, the Company's Canadian non-capital losses carried forward were \$3,450,000 which expires between 2026 and 2035. The application of these non-capital losses against future taxable income could result in a benefit of approximately \$898,000. No deferred tax assets are recognized on these non-capital losses carried forward, as it is not probable that sufficient future Canadian taxable profit will be available in the carry forward period to realize such assets.

Cash and cash equivalents

The cash and cash equivalents as at June 30, 2016 and December 31, 2015, were \$1,430,004 and \$1,875,779, respectively. All of which were held in cash on hand, demand deposits or chequing accounts with major Taiwanese and Canadian financial institutions.

Trade and notes receivables

The trade and notes receivables as at June 30, 2016 and December 31, 2015, were \$2,654,241 and \$1,721,249, respectively (all pertaining to ECTW).

Shareholder's Equity

As at June 30, 2016, the Company's shareholders' equity was \$1,468,484. The change from December 31, 2015 was as a result of the net loss for the period of \$115,964, offset by foreign currency translation of \$12,939, legal reserve of \$36,286 and share-based compensation of \$4,460. As at December 31, 2015, the Company's shareholders' equity was \$1,530,763.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Selected Quarterly Information

In accordance with Section 1.5 of Form 51-102F1, under item (ii), quarterly information has not been presented for periods prior to the Transaction as ECTW did not prepare the quarterly information prior to becoming a reporting issuer.

Consolidated Financial Position

This section should be read in conjunction with the unaudited Condensed Consolidated Interim Statements of Financial Position and the unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity as at June 30, 2016 and the unaudited Condensed Consolidated Interim Statements of Cash Flows for the three and six months ended June 30, 2016.

Consolidated Assets

Consolidated current assets of the Company as at June 30, 2016 and December 31, 2015 were \$4,796,119 and \$4,665,319, respectively, comprising of cash and cash equivalents, funds held in trust, trade and notes receivables, sales tax recoverable, unbilled service contract revenue, inventories and other current assets. (refer to notes 5,6,7 and 8 in the unaudited Notes to the Condensed Consolidated Interim Financial Statements). The total consolidated assets as at June 30, 2016 and December 31, 2015 were \$ 5,110,841 and \$4,965,140 respectively, which are comprised of current assets as at June 30, 2016 and December 31, 2015 of \$4,796,119 and \$4,665,319 respectively and non-current assets as at June 30, 2016 and December 31, 2015 of \$314,522 and \$299,821 respectively. The major items in non-current assets are other non-current assets, property, plant and equipment and deferred income tax assets.

Consolidated Liabilities

Consolidated current liabilities as at June 30, 2016 and December 31, 2015 were \$3,642,157 and \$3,434,377 respectively, which are comprised largely of trade payables and accrued expenses and other current liabilities totalling \$2,394,104 and \$2,617,783, respectively, payables to related parties at June 30, 2016 and December 31, 2015 of \$902,797 and \$435,130 respectively, deferred revenue at June 30, 2016 and December 31, 2015 of \$290,603 and \$308,814, respectively, income tax payable at June 30, 2016 and December 31, 2015 of \$54,653 and \$72,650, respectively.

Consolidated Cash Flows

The net cash generated from (used in) operating activities during the six months ended June 30, 2016 was (\$1,109,905) and was comprised of a net (loss) before income taxes of (\$82,620), after adjustments of depreciation, interest and share based compensation of \$8,917 offset by a net (decrease) in cash due to the net change in operating assets and liabilities of (\$702,208) and (\$299,371) respectively.

The net cash generated from (used in) operating activities during the six months ended June 30, 2015 was (\$887,590) and was comprised of a net income before income taxes of \$188,411, after adjustments of depreciation and interest \$457 offset by a net decrease in cash due to the net change in operating assets and liabilities of (\$243,446) and (\$836,617) respectively.

Cash flow from (used in) investing activities during the six months ended June 30, 2016 and 2015, were (\$30,243) and (\$358,394). The cash used in investing activities in the six months ended March 31, 2015 was primarily increases in pledged assets and refundable deposits.

Cash flow from (used in) financing activities for the six months ended June 30, 2016 and 2015 were \$646,008 and (\$599,136), respectively. The financing activities in the six months ended June 30, 2016 was as a result of a receipt of funds held in trust of \$199,438 and proceeds of loans from related parties of \$446,570 (2015 – (used) mainly from payment of a cash dividend of \$680,178). For details with respect to the related party loans, see the Related Party Disclosures section below.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Liquidity

The Company's activities have been funded to date by its operating subsidiary ECTW, equity financing and borrowings. The Company expects that it will continue to be able to utilize these sources of financing in the future.

There can be no assurance, however, that the Company will be continue to generate positive cash flows from its operations and will be successful in its efforts in raising additional funding as required. In case the Company's business slows down or is unable to generate a positive cash flow, and other sources of financing cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained. As part of the RTO transaction the Company completed the ECBVI Financing for a gross total of \$1,241,900.

As at June 30, 2016 the Company's current assets are comprised of the following: cash and cash equivalents of \$1,430,004; trade and notes receivable of \$2,654,241; sales tax recoverable of \$53,206; Unbilled service contract revenues of \$566,369; and other current assets of \$92,299.

As at June 30, 2016 the Company's current liabilities are comprised of the following: trade payables of \$1,853,656; trade and other payables to related parties of \$902,797; deferred revenue of \$290,603; accrued expenses and other current liabilities of \$540,448 and income tax payable of \$54,653.

As at June 30, 2016, the Company had working capital of \$1,153,962 and shareholders' equity of \$1,468,484.

Related Party Disclosures

(1) On November 4, 2015, the Company acquired 100% of the ECBVI Shares in exchange for the issuance of 159,144,700 Shares to the former shareholders of ECBVI. As a result of the Transaction described above, Mergeco (formed through the merger of ECBVI and NXABVI) became a subsidiary of the Company and ECTW became an indirect subsidiary of the Company.

(2) During fiscal years prior to July 2014, Ellipsiz Ltd. was the ultimate controlling parent of ECTW, through its 70% interest in Ellipsiz Communications Pte. Ltd. ("ECPL"), therefore, Ellipsiz Ltd. and certain of its affiliates were considered related parties to ECTW. In conjunction with the ultimate listing on the TSX-V, ECPL sold its interest in ECTW in 2014. Prior to that sale, ECPL was the controlling shareholder of ECTW, and therefore, ECPL was considered a related party to ECTW. Thereafter, ECPL remained a related party to ECTW for purposes hereof as ECPL and the Company have a significant shareholder and a director and officer in common (Mr. Chong Gin (Sam) Tan).

(3) Summary of significant transactions with related parties:

A. Purchases and accounts payable

Purchases from related parties in during the three and six-month period ended June 30, 2016 and December 31, 2015 were \$nil respectively.

Payables arising from the above-mentioned transactions were recorded as account payable to related parties; the ending balances to associates were as follows: June 30, 2016 and December 31, 2015 \$11,195 and \$11,211 respectively.

Purchase prices and payment terms to ECPL are not comparable with those offered by third parties in that the payables arising from the transactions relating to ECPL and that of third parties were not comparable.

B. Financing

During the twelve month periods ended December 31, 2015 and 2014, ECPL had provided a loan to the Company for operations and the interest rates were 0%. As of June 30, 2016 and December 31, 2015 the outstanding balances were recorded as other payables to related parties as follows:

- Associates: As at June 30, 2016 \$11,195 (the maximum balance during the six months ended June 30, 2016 was \$11,195). As at December 31, 2015 \$10,998.
- A director of the Company: As at June 30, 2016 \$375,241(the maximum balance \$383,817). The interest expense for the six months ended June 30, 2016 was \$3,343. (For the comparative period

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

in 2015 all amounts were \$nil). On January 20, 2016 ECTW signed a Grid Promissory Note ("**Promissory Note**") with Michael Koh, a director of the Company. This Promissory Note allows ECTW to borrow up to a maximum of \$800,000. The Promissory Note has a term expiring on March 31, 2017 and bears simple interest from the respective dates as such amounts are advanced at a rate equal to 2% per annum, calculated monthly.

C. Other transactions

During the three and six months ended June 30, 2016, and 2015, ECPL, a former affiliate company, ECPL, charged management fees to ECTW, these services were mainly for business consulting services, finance support, IT support, and human resource support. Fees for the three and six months ended June 30, 2016 and 2015 charged by ECPL to ECTW, in the amounts of Singapore Dollars ("SGD") 20,000 per month, were as follows:

- Six months ended June 30, 2016 \$86,978.
- Six months ended June 30, 2015 \$89,846.
- Three months ended June 30, 2016 \$44,168.
- Three months ended June 30, 2015 \$44,911.

Outstanding payables arising from the above-mentioned transactions as of June 30, 2016 and December 31, 2015 were \$386,436 and \$10,998, respectively.

D. Key management personnel compensation

Key management personnel refer to the executive management team of ECTW and the Company. For the three and six months ended June 30, 2016 and 2015, their compensation is as follows:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Salaries and other short-term employee benefits for key employees of ECTW	\$ 80,800	\$ 72,266	\$ 268,339	\$ 274,900
Retirement benefits	3,292	3,190	6,516	6,380
Professional service fees	\$5,400	Nil	16,335	Nil-
	\$ 89,492	\$ 75,456	\$ 285,790	\$ 281,280

- 1) Included as part of Salaries and other short-term employee benefits for key employees of ECTW is the following for Mr. Hung-Yu (Hans) Chang, the Company's current CEO: salary and benefits paid to him for the three months ended June 30, 2016 was \$22,032 (includes \$835 in retirement benefits) (2015 - \$22,078 which includes \$875 of retirement benefits). For the six months ended June 30, 2016 the salary paid to him was \$ 87,496 (includes \$1,650 in retirement benefits (2015 - \$74,798 which includes retirement benefits of \$1,751). The amounts paid to Hans in the three months ended March 31, 2016 and March 31, 2015 includes year end and performance bonuses and are included in the six months amounts.
- 2) Included as part of Salaries and other short-term employee benefits are the following for Mr. Chong Gin (Sam) Tan, the Company's President and a current director of the Company: salary and benefits paid to him were \$Nil

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

for the three and six months ended June 30, 2016 (six months ended June 30, 2015 - \$71,325 which represent a bonus paid to him in the first quarter of 2015).

- 3) Professional fees for the three and six months ended June 30, 2016, were \$5,400 and \$16,335 respectively, which represent which represent fees due to Mr. Harvey McKenzie, the Company's CFO. As at June 30, 2016 \$5,400 of these fees were outstanding. As of December 31, 2015, an amount of \$23,000 payable to the CFO and Mr. Douglas Bolton, a former officer of the Company was outstanding. In addition, amounts totaling to \$Nil relating to reimbursement of travel expenses was outstanding as at June 30, 2016. As at December 31, 2015 travel expenses outstanding to an officer and a director was \$13,638.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, funds held in trust, trade and notes receivable, sales tax receivable, other current assets, trade payable and accrued liabilities and short-term borrowings. Unless otherwise noted, the carrying values of these financial instruments as presented in the unaudited Condensed Consolidated Interim Statement of Financial Position reasonably approximate their fair values due to their short-term nature or their terms and conditions approximate market rates. Details are discussed above.

Outstanding Share Data

Authorized share capital: unlimited common shares without par value.

Total Shares issued and outstanding as at June 30, 2016 were 161,385,300.

In accordance with the Company's stock option plan, 150,000 stock options were granted to a consultant. Options outstanding at June 30, 2016 totaled 150,000 with an exercise price of Cdn\$0.10 per Share (equaling the market value of the Shares as at December 8, 2015, the date of the issuance of these options). 75,000 of these stock options were vested as of June 30, 2016. The remaining options will vest as follows: 37,500 on each of September 8, 2016 and December 8, 2016. These options will expire on December 8, 2017.

The total number of diluted securities as at June 30, 2016 and May 27, 2016 is 161,535,300.

Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. Each of the Company's subsidiaries determines its own respective functional currency, and this currency is used to separately measure each entity's financial position and operating results.

When a subsidiary's functional currency differs from the Company's functional currency that subsidiary represents a foreign operation whose financial statements are translated into the Company's functional currency so that they can be included in the unaudited Condensed Consolidated Interim Financial Statements. Assets and liabilities of foreign operations with a different functional currency from that of the Company are translated at the closing rate at the end of each reporting period. Profit or loss items are translated at average exchange rates for all the relevant periods. All resulting translation differences are recognized as a component of other comprehensive income (loss).

The functional currency of the Company is the Canadian dollar and functional currency of ECTW is the New Taiwan dollar. The unaudited Condensed Consolidated Interim Financial Statements and this MD&A are presented in United States dollars ("USD" or "\$").

Critical Accounting Estimates and Judgements

The preparation of the unaudited Condensed Consolidated Interim Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, reported amounts of revenues and expenses during the reporting period and the related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses and makes revisions as determined necessary. Revisions are recognized in the period in which the estimates are revised. Management uses historical

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Certain estimates, such as those related to the valuation of any impairment loss on trade receivables, measurement of inventory, recoverability of property, plant and equipment, determination of deferred income tax assets and liabilities and the disclosure of contingent assets and liabilities, depend on subjective or complex judgments about matters that may be uncertain. Changes in those estimates could materially affect the particular assets, liabilities, revenues and expenses.

Significant judgments made by management in the application of IFRS during the preparation of the Condensed Consolidated Interim Financial Statements and estimates with a risk of material adjustment are:

- **Percentage of completion** – Service contract revenue is determined based on the percentage-of-completion method. The extent of completion is determined based on contract costs incurred for work performed to date in proportion to the estimated total contract costs. Any change to this estimate would impact service contract revenue, accounts receivable, unbilled service contract revenue and deferred revenues in addition to service contract revenues and net income.
- **Contingencies** - By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Significant assumptions about the estimates and judgements 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:

- trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment. An impairment loss in respect of trade receivables is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivables written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss. Individual significant receivables are assessed for specific impairment. Receivables that are individually insignificant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.
- inventories are measured at the lower of cost and net realizable value on an item-by-item basis. Cost is determined on the moving-weighted average basis, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and direct selling expenses. Allowance for obsolescence, if any, is determined based on the results of management's evaluation of the stock aging report.
- provisions for warranties are estimated based on historical experience of warranty claims rate associated with similar products and services. The Company expects most warranty claims will be made within one year from the date of the completion of OSS service contracts.
- Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Expenses for the repair of property, plant and equipment are generally charged against income when incurred. However, these repair costs are capitalized when they increase the future economic benefits of the asset. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives of the key components of property, plant and equipment are as follows: office equipment: 4-6 years and leasehold improvements: 4 years. An asset's residual value,

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

- useful life and depreciation method are reviewed and adjusted if appropriate on an annual basis.
- OSS service contracts: OSS service contracts are composed of service contract revenue and warranty revenue. Service contract revenue includes the initial amount agreed in the contracts plus any variations in contract works, claim and incentive payments; to the extent that is probable they will result in revenue and can be measured reliably. If the outcome of a service contract can be estimated reliably, then contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to accumulated costs incurred compared with total estimated costs of the contract and milestones reached. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.
- Warranty revenue consists of allocated revenue from OSS contract revenue based on the estimated warranty costs in the proportion of the total estimated costs and stand-alone maintenance service revenue. Warranty revenue is recognized using the straight-line method over the term of the warranty provided in the specific contract.
- Revenue from the sale of equipment in the course of ordinary activities separate and apart from being a component of OSS contracts is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably after consideration of discounts that will be granted. Any discounts are recognized as a reduction of revenue as the sales are recognized.

Share-based payment transactions

The Company has a stock option plan and as of June 30, 2016, 150,000 stock options have been granted to an investor relations consultant. As described above under the heading "Outstanding Share Data". The fair value of stock options granted will be recognized as an expense over the stock options' vesting period with a corresponding increase in equity.

The fair value of share-based payments to employees is measured at the grant date and recognized over the period during which the options vest. 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, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted with consideration of forfeiture rate to reflect the actual number of share options that are expected to vest.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Income tax expense comprises current and deferred taxes.

A. Current income taxes

The tax currently payable is based on taxable income for the year. Taxable income differs from 'income before taxes' as reported in the unaudited Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) because of items of income or expense that are taxable or deductible

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

In accordance with the R.O.C. Income Tax Act, undistributed earnings from the companies located in the R.O.C., if any, are subject to an additional 10% surtax. The 10% surtax on unappropriated earnings is recognized during the period the earnings arise and adjusted to the extent of actual distributions approved by the stockholders in the following year.

B. Deferred income taxes

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liabilities are recognized for temporary difference of future taxable income.

Deferred tax assets are recognized for unused tax loss carry forwards, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted tax rate on the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Current and deferred income taxes are recognized in profit or loss, except for taxes relating to items recognized in other comprehensive income.

Accounting Policies Including Initial Adoption

The Company applies IFRS as issued by the IASB. The significant accounting policies and method of computation followed in the Company's unaudited Condensed Consolidated Interim Financial Statements are set out in detail in Note 3 and 4 of the Audited Consolidated Financial Statements for the period ended December 31, 2015.

New and Revised Standards, Amendments and Interpretations Issued but not yet Adopted

The IASB has issued a number of new standards and amendments to existing standards. Except for the items discussed below, the Company believes that the initial adoption of new and revised standards, amendments or interpretations will not have any significant impact on its accounting policies.

A. IFRS 9, Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

B. IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a five-step model framework for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. The core principle in that framework is that revenue is recognized to depict the transfer of promised goods or services to a customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

C. IFRS 16, Leases ("IFRS 16")

The accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there is a single on-balance sheet accounting model that is similar to current finance lease accounting.

The Company is assessing the potential impact on its financial position and results of operations as a result of the application of IFRS 9, IFRS 15 and IFRS 16.

Commitments and contingencies

Significant commitments and contingencies for the Company as of June 30, 2016 and December 31, 2015, were as follows:

(1) As of June 30, 2016 and December 31, 2015, bank pledges for engaging in service contracts amounted to \$156,021 and \$189,157, respectively.

(2) As of June 30, 2016 and December 31, 2015, the Company had service contracts with a total value of \$4,426,450 and \$5,331,102, respectively, and the progress billings were \$2,100,312, and \$2,462,196, respectively.

Capital Management and Resources

The Company manages its capital to ensure it has sufficient financial resources to maintain proper working capital, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance with its plan. The Company considers its total liabilities and equity as its capital and manages its resources accordingly.

	June 30, 2016	December 31, 2015
Total Liabilities	\$ 3,642,157	\$ 3,434,377
Total Equity	\$ 1,468,484	\$ 1,530,763

Pledged assets

The Company had time deposits pledged for bank loan facilities and performance bonds issuance. These were recorded in the balance sheet of the Company as other non-current assets. The amounts pledged were \$217,280 as at June 30, 2016 and \$212,450 as at December 31, 2015.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements at the date of this MD&A.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the unaudited Condensed Consolidated Interim Financial Statements, is the responsibility of management. In the preparation of these unaudited Condensed Consolidated Interim Financial Statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying unaudited Condensed Consolidated Interim Financial Statements.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Evaluation of Disclosure Controls and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Company has disclosure controls procedures in place that are designed to provide reasonable assurance that material information relating to the Company is disclosed on a timely basis. Management has reviewed the Company's disclosure controls and concluded that they were effective during the reporting period.

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the effectiveness of the Company's disclosure controls and procedures related to the preparation of Management's Discussion and Analysis and the unaudited Condensed Consolidated Interim Financial Statements. They have concluded that the Company's disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that material information relating to the Company and its subsidiaries would be made known to them by others within those entities, particularly during the period in which Management's discussions and analysis and the unaudited Condensed Consolidated Interim Financial Statements contained within or referred to in this report were being prepared.

Internal Controls over Financial Reporting ("ICFR")

The Company has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's CEO and CFO have assessed the effectiveness of the Company's internal control over financial reporting as at June 30, 2016 in accordance with *Internal Control – Integrated Framework 2013*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's CEO and CFO have determined that the Company's internal controls over financial reporting are effective as at June 30, 2016 and expect to certify the Company's interim filings with the Canadian securities regulatory authorities, as required by the Toronto Stock Exchange (TSX-V) and the Ontario Securities Commission's policies regarding their requirements for CEO and CFO certifications in respect of ICFR for emerging market issuers. The Company, under those policy directives is considered by the regulatory authorities to be an emerging market issuer.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risk Factors

The risks and uncertainties anticipated below are not the only ones that the Company (which includes, for greater certainty, its subsidiaries) faces. Additional risks and uncertainties not presently known to the Company or that it currently considers immaterial may also impair the business operations and cause the price of the Shares to decline. If any of the following risks actually occur, the Company's business may be harmed and its financial condition may suffer significantly. In such event, the trading price of the Shares could decline and purchasers of the Shares may lose all or part of their investment. Throughout this section on Risk the ECTW refers to the Company's only operating subsidiary.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Country Risk

The following identifies the economic, political and legal risks related to operations in Taiwan

Substantially all of the Company's assets are located in Taiwan and substantially all of the Company's revenues are derived from its operations in Taiwan. Should the Company expand to other jurisdictions, there may be additional country risks that the Company faces.

As a result, any decline in the Taiwanese economy or a decline in the growth of the population in Taiwan may materially and adversely affect its financial condition, results of operations and prospects. In particular, Taiwan's economy is highly dependent on the technology industry, and any downturn in the global technology industry may have a material adverse effect on Taiwan's economy, which in turn, could adversely affect the demand for the Company's services. As the Company's business is significantly dependent on economic growth, any uncertainty or further deterioration in economic conditions could have a material adverse effect on our financial condition and results of operations.

Furthermore, the business, financial condition and results of operations of the Company and the market price of the Shares may be affected by changes in the Republic of China's (also referred to herein as Taiwan or the R.O.C.), governmental policies, taxation, inflation or interest rates and by social instability and diplomatic and social developments in or affecting Taiwan which are outside of the Company's control.

Taiwan has a unique international political status. Since 1949, Taiwan and the Chinese mainland have been separately governed. The People's Republic of China (PRC) claims that it is the sole government in China and that Taiwan is part of China. Although significant economic and cultural relations have been established between the R.O.C. and the PRC, such as the engagement of the Economic Cooperation Framework Agreement, in 2010, relations may become strained again.

In addition, the PRC government has refused to renounce the use of military force to gain control over Taiwan. Past developments in relations between the R.O.C. and the PRC have on occasion depressed the market prices of the securities of companies in the R.O.C. Relations between the R.O.C. and the PRC and other factors affecting military, political or economic conditions in Taiwan could materially and adversely affect the Company's financial condition and results of operations, as well as the market price and the liquidity of its securities. In addition, the complexities of the relationship between the R.O.C. and PRC require companies involved in cross-strait business operations to carefully monitor their actions and manage their relationships with both R.O.C. and PRC governments. Changes in the relations between the R.O.C. and the PRC could negatively impact the Company's business and its expansion plans.

Other regulations may impact or delay the ability of the Company to conduct business in Taiwan and cross-border business. All foreign investors (other than those making portfolio investments in Taiwan under the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals) wishing to make direct investments in the shares of Taiwanese companies are required to obtain foreign investment approval from the Taiwan Investment Commission in accordance with the Statute for Investment by Foreign Nationals. Foreign investors may own 100% shareholding in a Taiwanese company, provided that the business of such a company does not fall within any prohibited sectors set forth in the Negative List for Investment by Overseas Chinese and Foreign Nationals promulgated by the Executive Yuan lastly amended on June 17, 2013, in which foreign ownership may be prohibited or restricted from investment in agriculture, husbandry, fishing, forestry, manufacture of chemical materials, telecommunications, television or radio broadcasting, transportation, and legal and accounting services, etc. Furthermore, according to the Act Governing Relations between the People of the Taiwan Area and the Mainland Area and relevant regulations (the "**Taiwan/Mainland Investment Regulations**"), investments made by any company incorporated in Taiwan (such as ECTW) in the PRC will be subject to approvals of the Taiwan Investment Commission. The Taiwan/Mainland Investment Regulations also set certain limitations on the amount of investments which will be made to the PRC.

Concentrated Customer Base Accounts for Significant Portion of Revenues

The Company's operating subsidiary depends on a small number of significant customers for a large portion of revenue. The business of ECTW was dependent on four (of five) major Taiwanese Telco's for approximately 77% of its revenue in the three months ended June 30, 2016 and three (of five) major Telco's for approximately 62% for the three months ended June 30, 2015., with the largest of such customers accounting for 34% during the three months

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

ended June 30, 2016; 28% for the three months ended June 30, 2015. The business of ECTW was dependent on four (of five) major Taiwanese Telco's for approximately 76% of its revenue in the six months ended June 30, 2016 and three (of five) major Telco's for approximately 53% for the six months ended June 30, 2015, with the largest of such customers accounting for 32% during the six months ended June 30, 2016; 20% for the six months ended June 30, 2015.

ECTW expects such demand from a small number of customers to continue to account for a substantial portion of its revenue for the current fiscal year.

The loss of any significant customer, a significant decrease in business from any such customer or a reduction in customer revenue due to adverse changes in the terms of contractual arrangements or other factors could harm our results of operations and financial condition. Revenue from individual customers may fluctuate from time to time based on, among other things, the commencement and completion of projects, the timing of which may be affected by market conditions. Consolidation among its customers may increase its customer concentration.

Risks Related to Rapid Technological Change, Research and Development Activities, and Ability to Offer New Products and Services

The global telecommunications industry, including the Taiwanese telecommunications industry, has been characterized by rapid increases in the diversity and sophistication of the technologies and services offered. If the ECTW fails to enhance existing, or obtain timely access to new, OSS solutions and product offerings, including software, hardware and processes, it may have difficulty retaining its existing customers and market share and attracting new customers, which will adversely affect its business.

ECTW primarily provides services to the telecommunications industry in Taiwan. ECTW focuses on setting up OSS, being systems which control and monitor network activities, for many Telcos, including mobile network providers and fixed line operators, 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 OSS software and hardware. ECTW has begun developing its own solutions and expects to expand its research and development efforts going forward. Its research and development efforts have to date been focused on the development of its Big Data Product. There is no guarantee that this and other future product offerings will be completed or commercialized at all or in a timely and cost-effective fashion, function as expected once complete, or be successful in the marketplace. Rapid technological and market changes in the telecommunications industry require significant investments in technological innovation and means that new products may quickly become obsolete and require further innovation to remain competitive. Future products may not satisfy the evolving needs of the communications industry or of other industries that ECTW may serve. If ECTW is unable to anticipate or respond adequately to such needs, due to resource, technological or other constraints, its business and results of operations could be harmed.

The Company competes with other companies who have far greater resources to devote to development initiatives. Furthermore, the development and commercialization of technology solutions may also require acceptance by relevant standardization bodies, which introduces additional costs and uncertainties. The failure of the Company research and development efforts to be technically or commercially successful could have material adverse effects on the growth of the business and the operating results and financial condition of the Company.

Risks Associated with the Development and Expansion of Business in Emerging Markets, Particularly Southeast Asia

The Company's business objectives involve the proposed expansion of its target market into Southeast Asia. This expansion presents challenges related to more volatile economic conditions, competition from companies that are already present in the market, the need to identify correctly and leverage appropriate opportunities for sales and marketing, poor protection of intellectual property, inadequate protection against crime (including counterfeiting, corruption and fraud), inadvertent breaches of local laws or regulations and difficulties in recruiting sufficient personnel with appropriate skills and experience. There are also political and economic considerations relating to the provision of cross-border services, such as between the R.O.C. and PRC discussed above.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

In addition, local business practices in jurisdictions in which the Company proposes to operate, and particularly in emerging markets, may be inconsistent with international regulatory requirements. It is possible that some of the Company's employees, subcontractors, agents or partners may violate such legal and regulatory requirements, which may expose the Company to criminal or civil enforcement actions. If the Company fails to comply with such legal and regulatory requirements, its business and reputation may be harmed.

Risks Related to Competition

The Company faces significant competition and many of its competitors have greater resources than it will have, and thus it may be unsuccessful in competing against current and future competitors. It may also face competition from new and emerging companies that may enter its existing or future markets. Many of Company's competitors and potential competitors have longer operating histories, greater name recognition, complementary product and service offerings, a larger customer base, longer relationships with customers and distributors, and significantly greater financial, sales, marketing, manufacturing, distribution, technical, and other resources than the Company has. As a result, they may be able to respond more quickly to customer requirements, to devote greater resources to the promotion and sales of its services better than the Company can. These competitors may also be able to adapt more quickly to new or emerging technologies or standards and may be able to deliver services with comparable or superior to that of the Company's services at a lower cost.

Should the Company expand geographically outside Taiwan, they expect to meet new competitors; however, its plan is to expand into new jurisdictions with the backing of its existing customer base and well established partners once those customers and partners expand into foreign jurisdictions.

Risk of Decreased Demand for the Company's Services

Demand for the Company's services depends largely on the development and expansion of the relevant markets in which network operators operate. These market conditions determine the demand for OSS and subsequently the Company's professional services. The size and rate of growth of the market for the Company's professional services may in the future fluctuate significantly based on numerous factors. These factors include the improvement in the OSS solutions developed by vendors as well as the development of an OSS solution that addresses an entire network's OSS needs. Since the Company's business currently relies on integrating OSS solutions, improvements in the compatibility of OSS solutions or the development of a single OSS solution or turnkey OSS environment that can provide an entire network's OSS needs would negatively affect the Company's business.

The Company must anticipate market trends and the price, performance and functionality requirements of current and potential future customers and must successfully adapt its professional service offerings to meet these requirements. Failure to do so will have a negative adverse effect on the Company.

Highly Volatile Revenues and Expenses and Lengthy Sales Cycle

Revenues can be highly volatile in the systems integration business as it is highly dependent on project work. Accordingly, revenues and expenses vary dramatically from month to month and year-to-year. The impact of hardware purchases in a particular period can often overwhelm the more regularly recurring labour costs, creating a very uneven expense pattern. Sales to customers typically involve a mix of hardware, software and services, each of which may generate different margins. For the most part, the Company's systems integrator business involves the sale of third party products as part of its service offering, which typically have lower margins than if it were selling its own product offerings.

The Company's business is directly affected by the length of its sales cycle. Establishing, integrating and supporting an OSS environment or OSS solution for a Telco can be complex, and the Telco's needs may involve a significant commitment of capital, with attendant delays frequently associated with large capital expenditures within an organization. This may impact the Company in a number of ways, including requiring the Company to acquire hardware and inventory (a large cost outlay) for a project that may not generate revenue for a length of time. As a result, sales and margins in a specific period will be affected by the overall mix of products and services, and changes

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

in the product and service mix and various lengths of the sales cycle may affect the Company's ability to accurately forecast sales and margins and have an impact on the use of cash/liquidity.

The delays inherent in potentially lengthy sales cycles for its professional services raise additional risks of customer decisions to cancel, change or terminate contracts. The Company's business could be materially adversely affected if a significant customer cancels, changes or terminates its contract. Furthermore, the Company's customers are not obligated to renew their contracts or return to the Company for subsequent contracts.

Reliance on Industry Suppliers

In order to continue executing its business strategy and operations as a systems integrator, the Company relies on industry partners including third party OSS Vendors for software and hardware products and solutions. The Company's ability to deliver according to market demands and contractual commitments depends significantly on obtaining a timely and adequate supply of materials, components, production capacity and other vital offerings and solutions on competitive terms.

While the Company has relationships with various suppliers, some product offerings may be specific to a limited number of suppliers, which may expose the Company to supply disruptions and cost increases. If an OSS Vendor fails to meet its contractual obligations to the Company, or if the relationship between the Company and any significant OSS Vendors deteriorates or ceases, the business strategy and operations of the Company may be adversely affected. Finding alternative OSS Vendors to replace components or solutions may take significant time which could cause significant delays or interruptions in the delivery of products and services.

Risk Related to, and Difficult in Protection of, Intellectual Property

The Company utilizes a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements to protect its intellectual property rights. The Company does not have any registered patents, trademarks or copyrights (or any applications for same), and such protection may not be available or commercially practical to obtain for its proposed and future product offerings, including its pending "big data" analytics solution. The existing measures it uses to protect its intellectual property may not be adequate to prevent or deter infringement or other misappropriation.

Moreover, the Company may not be able to detect unauthorized use or take appropriate and timely steps to establish and enforce its proprietary rights. Existing legal systems of some countries in which the Company may conduct business may offer only limited protection of intellectual property rights, if at all.

The Company's systems integration solutions and services require the Company (or its customers) to license technologies from third parties, and it may be necessary in the future to seek or renew licenses and there can be no assurance that they would be available on acceptable terms, or at all. Moreover, the inclusion in OSS integration services or in future product and service offerings of products of software or other intellectual property licensed from third parties on a non-exclusive basis could limit the Company's ability to protect proprietary rights in its products, offerings and processes.

Many key aspects of telecommunications and data network technology are governed by industry-wide standards usable by all market participants. As the number of market entrants and the complexity of technology increases, the possibility of functional overlap and inadvertent infringement of intellectual property rights also increases. In addition to industry-wide standards, other key industry-wide software solutions are today developed by market participants as free and open source software. Contributing to the development of software developed as free and open source software may limit the Company's ability to enforce applicable intellectual property rights in the future.

Third parties may assert in the future claims, directly against the Company or against the Company's customers, alleging infringement of their intellectual property rights. Defending such claims may be expensive, time-consuming and divert the efforts of management and/or technical personnel. Such litigation could result in the payment of damages and other compensation directly or the requirement to indemnify the Company's customers for such damages and other compensation. Using free and open source software may allow third parties to further investigate

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

the Company's software due to the accessibility of source code. This may in turn make this software more prone to infringement assertions from third parties.

Fair value of financial instruments

The Company does not have any derivative financial instruments. Accordingly, the estimated fair value of financial assets and liabilities are measured at carrying amounts which approximate their estimated fair value.

Management and officers of the Company and its operating subsidiary are tasked with reviewing, controlling and monitoring the strategic risk, financial risk and operational risks of the Company. The following risks are discussed below: Credit risk; Interest rate risk; impairment losses; Liquidity risk and currency risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, funds held in trust and sales tax receivable are exposed to credit risk. The Company manages credit risk in respect of cash and cash equivalents, by maintaining the majority of cash and cash equivalents at high credit rated Canadian, Hong Kong and Taiwanese financial institutions. The Company's concentration of credit risk, and maximum exposure thereto as at June 30, 2016 and December 31, 2015 is \$1,430,004 and \$1,875,779 respectively.

The Company manages its credit risk for funds held in trust by keeping the funds with a large reputable law firm in Canada. The Company's concentration of credit risk and maximum exposure thereto as at June 30, 2016 is \$Nil (December 31, 2015 - \$199,438). The Company's sales tax receivable balance of \$53,206 as at June 30, 2016 (December 31, 2015 - \$54,363) is receivable from the Canadian government, which has a high credit rating.

The Company's credit risk is associated with trade receivables and amounts due from customers for contract work. The carrying amount of above-mentioned financial assets represents the Company's maximum credit exposure. Management assesses the need for allowance for potential credit losses by considering the credit risk of specific customers, historical trends and other information. As of June 30, 2016 and December 31, 2015, the Company's maximum exposure to this credit risk amounted to \$2,654,241 and \$1,721,249 respectively.

The Company uses the percentage of completion method to record revenues. As a result, the recorded unbilled revenues as of June 30, 2016 and December 31, 2015 were \$566,369 and \$591,902 respectively. These amounts consist of professional services and other contract requirements completed but not billed in accordance with the terms of specific contracts. No impairment of unbilled revenues has been recorded as management has determined that the risk of exposure to unsuccessful billing and ultimate collection is low. In addition, in accordance with the terms of other specific contracts, the Company has received amounts in advance of the recognition of revenue and has recorded these amounts as a liability (deferred revenue). As a result, the Company has recorded deferred revenues as of June 30, 2016 and December 31, 2015, of \$290,603 and \$308,814, respectively.

Interest risk

The Company is subject to interest rate risk on its cash and cash equivalents and other payables to related parties and believes that the results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates. The only financial instruments that expose the Company to interest rate risk are its cash and cash equivalents and other payables to related parties.

As of June 30, 2016 and December 31, 2015, cash held in savings accounts and demand deposits was \$1,430,004 and \$1,875,779, respectively and other payables to related parties, \$386,436 and \$10,998 respectively. The interest rates were minimal and ranged up to 2.0% per annum.

As at June 30, 2016, included in the other payable to related parties, the Company had short term borrowings from a director of the Company in the amount of \$375,241, (December 31, 2015 - \$Nil). This short term borrowing is subject to an interest rate of 2.0% per annum. The interest due on this loan at June 30, 2016 was \$3,343. As at June 30, 2016 and December 31, 2015, ECTW had unused credit facilities with banks in Taiwan of NTD\$1,973,537 and NTD\$767,451 respectively.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Liquidity risk

The Company's cash flow or funds in reserve may not be sufficient to fund its ongoing activities at all times and from time to time and it may require additional financing in order to carry out its activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Company's access to additional financing may be affected. Due to uncertainty in the credit markets, the Company may from time to time have restricted access to capital and increased borrowing costs. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

The Company's liquidity risk arises from its contractual financial liabilities. For details of these liabilities, refer to Note 14 (b) of the Notes to the unaudited Condensed Consolidated Interim Financial Statements for the six months ended June 30, 2016.

The aggregate financial liabilities for the various periods are as follows

Financial Liabilities	Carrying amount	Contractual cash flow	Within 1 year
June 30, 2016	\$3,128,530	\$3,128,530	\$3,128,530
December 31, 2015	\$2,919,961	\$2,919,961	\$2,919,961

Foreign Currency and Exchange Rate Risk

The Company earns all of its current revenue in New Taiwan Dollars ("NTD"), and since it operates from Taiwan, most of its expenditures are in NTD. Depending on the nature of the contract, ECTW may be required to purchase from overseas supplies and those supplies will pay in either United States Dollars or Euro. As such, it is expected that the functional currency of the Company will continue to be, at least in the near term, the New Taiwan Dollar. However, some of ECTW's expenditures are currently incurred in United States Dollars, and, as the Company expands, its revenue and operating expenses may be earned or incurred in, or otherwise denominated or linked to, other or multiple different currencies, including the United States Dollar. Future funds for growth and expansion are likely in the near-term to be raised by accessing capital markets in Canada and, as such are likely to be denominated in Canadian Dollars.

As such, fluctuations in the cross exchange rates between the New Taiwan Dollar and other currencies, including the United States Dollar and the Canadian Dollar, may have a material adverse effect on the business, financial condition and operating results of the Company and increase volatility in reported results. The imposition of exchange or price controls or other restrictions on the conversion of foreign currencies could also have a material adverse effect on the Company's business, results of operations and financial condition. To date, ECTW has not engaged in exchange rate hedging activities.

The Company is exposed to currency risk on financial liabilities arising from financing activities denominated in currency other than functional currency of the Company. Gains and losses derived from the foreign currency fluctuations on underlying liabilities may offset. However, transactions of non-derivative financial instruments help minimize the impact of foreign currency fluctuations, but the risk cannot be fully eliminated. The Company has transactions and balances denominated in NTD, Singapore Dollars ("SGD") and Euros ("EUR").

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

The Company's significant exposure to foreign currency risk was as follows:

June 30, 2016	Foreign Currency amounts	Exchange rate \$	US \$
Financial Assets			
NTD	\$ 125,817,516	0.03104	3,905,376
CAD	\$ 303,736	0.7742	235,152
SGD	\$52,966	0.7414	39,269
Financial Liabilities			
NTD	\$ 69,610,870	0.03104	1,974,333
CAD	\$ 269,106	0.7742	208,342
SGD	\$ 238,177	0.7414	176,585
December 31, 2015			
Financial Assets			
NTD	\$ 116,970,681	0.0304	3,562,927
CAD	\$ 164,984	0.7225	119,208
Financial Liabilities			
NTD	\$ 45,240,216	0.0304	1,378,017
SGD	\$ 118,177	0.7058	83,409
CAD	\$ 195,135	0.7225	140,993

Currency risk sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency. If the USD appreciates by 1% against the NTD and SGD as of June 30, 2016 and 2015, it would have decreased the after-tax net income by \$13,600 and \$17,442 respectively. For 1% depreciation of NTD against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remained constant. The analysis is performed on the same basis for all periods.

Impact of Laws

The Company and its subsidiaries are incorporated under the laws of, and/or will operate offices in, Canada, BVI and Taiwan. The Company and its subsidiaries are and will be subject to a variety of laws in Canada, BVI, Taiwan and abroad, including laws regarding privacy, intellectual property, taxation and distribution that are continuously evolving and developing. The scope, enforcement and interpretation of the laws that are or may be applicable to the Company and its subsidiaries are often uncertain and may be conflicting, particularly laws outside of Canada. It is also likely that as business grows and expands, the Company will become subject to laws and regulations in additional jurisdictions. Compliance with applicable laws or regulations could be very difficult or liability could arise under these laws or regulations, including due to amendments to or evolving interpretation and enforcement of such laws and regulations. As a result, the Company could be directly harmed, and may be forced to implement new measures to reduce the exposure to this liability. This may require substantial resources to be expended, which could harm the business, financial condition and results of operations of the Company.

Limited Insurance

The Company does not currently hold insurance policies over its business. Existing and future insurance coverage will likely not be adequate to cover all possible losses that the Company could suffer, and, in the future, the Company's insurance costs may increase significantly or it may be unable to obtain the same level of insurance coverage. Should an uninsured loss or loss in excess of insured limits occur, it could have a significant adverse impact on the Company's operations and revenues.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Managing Growth

In order to manage growth and change in strategy effectively, the Company must continue to:

1. attract and retain qualified employees to meet customer demand;
2. expand research and development, sales and marketing, technical support, distribution capabilities and administrative functions; and
3. expand the skills and capabilities of its current management team.

While it intends to focus on managing its costs and expenses over the long term, the Company expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Tax Risks

If the Company expands into additional markets in Southeast Asia and elsewhere, the Company may operate and be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Company may have exposure to greater than anticipated tax liabilities or expenses.

Furthermore, there is no assurance that Taiwan, the British Virgin Islands or any other foreign country in which the Company may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Market Conditions

As a result of the weakened global economic situation, the Company, along with all other companies, may face reduced cash flow and restricted access to capital until these conditions improve. A prolonged period of adverse market conditions may impede the Company's ability to grow and complete additional acquisitions, if desired, and the Company's business would be adversely affected.

Ongoing Regulatory Requirements

The Company will continue to be subject to the reporting requirements of Canadian securities laws and regulations and the listing requirements of the TSX Venture Exchange ("TSXV"). Compliance with these laws and regulations has increased and will continue to increase the Company's legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on the Company's systems and resources.

Dependence upon Key Management Personnel and Executives

The business of the Company, as a systems integrator for OSS, is highly complex and technical, and the business is dependent on skilled technology professionals and industry-experienced management who are often in high demand and short supply.

The loss of any key members of the management team or other key personnel may impair the Company's ability to continue to develop its services, identify and secure new contracts with customers or otherwise manage its business effectively. The Company's success depends, in part, on the continued contributions of its senior management and key personnel, many of whom are well experienced in the telecommunications industry and have in depth knowledge of various aspects of the sale of the development and sale of software and services within the telecommunications industry. A number of the Company's management and critical employees, including Tat Lee (Michael) Koh (Chairman), Chong Gin (Sam) Tan (President) and Hung-Yu (Hans) Chang (CEO), are considered by the Company to have specialized skill and knowledge and the loss of any such individual would have a material adverse effect on the Company's business. The loss of any such individual may adversely affect the Company's operating results and financial position. The Company does not currently maintain key man insurance or similar life insurance for its management team.

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

Furthermore, the Company growth plan involves, among other things, expanding its customer base and implementing new technologies and OSS solutions, which may require the Company to attract and train additional IT professionals at a rapid rate. There may be difficulties in identifying, hiring and training qualified personnel in the time period needed, which could increase the costs of retaining a skilled workforce and make it difficult for the Company to manage its operations, meet its commitments and compete for new customer contracts.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the OBCA and any other applicable law.

No Expectation for Dividends in the Foreseeable Future

Apart from the stated capital distribution of CDN\$40,000 to shareholders of the Company as at September 21, 2015, prior to the reverse takeover transaction, the Company has never paid dividends on the Shares. This \$40,000 stated capital distribution has not been disclosed in the Company's Audited Consolidated Financial Statements as at and for the year ended December 31, 2015 as the share capital presented in the Audited Consolidated Financial Statements is the continuity of ECTW share capital prior to the reverse takeover transaction. Currently, the Company intends to retain its future earnings, if any, to fund the development and growth of its business, and does not anticipate paying any dividends on the Shares in the near future. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in any Shares in the foreseeable future.

Source of Future Funds

The sources of future funds for further growth of the Company's operations which are presently available to the Company are profits from its operating subsidiary and the sale of equity capital or debt financing. Management has been successful in accessing equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

Risk of Dilution

Under applicable Canadian law, shareholder approval may not be required for the Company to issue additional Shares. Moreover, the Company, in order to expand its products and operating markets may have to raise additional equity capital that could require the issuance of a substantial number of additional Shares. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue share options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

Volatility of Market Price of Common Shares

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. As a result, the market price of the Shares may be volatile. The volatility may affect the ability of holders to sell the Shares at an advantageous price. Market price fluctuations in the Company's Shares may be due to the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors, including, without limitation, those set forth in this MD&A. In addition, the market price for securities in the stock markets, including the TSXV, have recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market

Ellipsiz Communications Ltd.

Management's Discussion & Analysis; For the three and six months ended June 30, 2016

prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market price of the Shares.

Other Information

Additional information about the Company is available on SEDAR at (www.sedar.com).