MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS OF EXTENWAY

The management analysis presents information on Extenway Solutions Inc. **("Extenway" or the "Company")** activities and compares the operating results and financial situation for the three months and years ended January 31, 2015 and January 31, 2014. The following information must be read in conjunction with the audited financial statements and, unless advised otherwise, all figures are in Canadian dollars.

The Management Discussion and Analysis has been approved by the Audit Committee and the Board of Directors on 1 April 2015.

Overview

Extenway is a technology company based in Montreal, Quebec that specializes in the development of software and hardware products for the healthcare industry. Extenway's focus has been on the development of its technology and has until recently had limited commercial operations. In the fiscal year ended April 30, 2005 Extenway introduced its technology to the lodging market and is proceeding with commercialization. On November 19, 2008 Extenway announced that it was introducing a new bedside terminal solution for hospitals, ExtenwayMD. This product adapts the Company's hotel platform to the needs of patients, clinicians and medical administrators.

On September 13, 2005 Extenway completed its private placement and amalgamation with Canadian Public Venture Finance 1 Inc. ("Finance 1"). Subsequently the amalgamated company, under the name Extenway Solutions Inc., began trading on the TSX Venture Exchange under the symbol EY.

Accounting Policies

The Company adopted the IFRS framework for consolidated financial statements purposes starting on fiscal year ended April 30, 2012.

Discussed below are those policies that we believe are critical and require the use of complex judgment in their application:

Revenue recognition

The Company usually enters into revenue arrangements with multiple deliverables that include rights and licenses, installation, operating expenses and technical support. Revenues are recognized in earnings when persuasive evidence of an arrangement exists, delivery of goods has occurred or the services have been performed, the sale price is determined or determinable and collection of the resulting receivable is reasonably assured. Revenues from sales arrangements with multiple deliverables are recognized in earnings separately, based on their respective fair values when each deliverable is a separate unit of accounting. If they cannot be subject to a separate unit of accounting, revenues are deferred based on the final item not delivered.

Research and Development Expenses

Research and development expenses are charged to earnings, except for those expenses capitalized to property, plant and equipment in the year in which they are incurred. The Company claims investment tax credits on these expenses, which are recorded under "Scientific research tax credits" in the statement of loss and against property, plant and equipment used in development. These credits are amortized on the same basis as the property, plant and equipment to which they relate.

Stock-based compensation

The Company maintains a stock-based compensation plan. The cost of stock options granted is recorded using the fair value method as a remuneration expense. It is included in administrative expenses, and the corresponding amount is recorded in the Company's contributed surplus.

Impairment of long-lived assets

At the end of each reporting period, assets are reviewed to look for any indication that an asset may be impaired. If impairment is indicated, the asset's recoverable amount is calculated to establish the amount of the impairment loss, if any. If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount of the asset's cash generating unit is determined.

Changes in Accounting Policies

Amendments to IAS 1, Presentation of Financial Statements: Other Comprehensive Income

On June 16, 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, which require entities preparing financial statements in accordance with IFRSs to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement and to separately group together items that will not be reclassified to the profit or loss section of the income statement. The Company adopted this amendment on May 1, 2013. As the Company does not have any element of reconciliation between net loss and comprehensive loss, this amendment had no impact on its financial reporting.

Amendments to IFRS 7, Financial Instruments: Disclosures

The IASB published amendments to IFRS 7, *Financial Instruments: Disclosures*, with respect to offsetting financial assets and financial liabilities. Companies and other entities are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively. The Company adopted this amendment on May 1, 2013. As the Company does not have any element offsetting between financial assets and financial liabilities, this amendment had no impact on its financial reporting.

IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities

The IASB published a new accounting framework for consolidation and partnerships, which replaces IAS 27, *Consolidated and separate financial statements*, IAS 28, *Investments in associates* and IAS 31, *Interests in joint ventures*. IFRS 10 gives guidance in the determination of control where this is difficult to assess while IFRS 12 gives disclosure guidance on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company adopted these new standards on May 1, 2013. These new accounting standards bail no impact in the financial statements.

IFRS 13, Fair Value Measurement

IFRS 13 is a new standard that defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured. The Company adopted this new standard on May 1, 2013 and discloses the information in Note 20 of its consolidated year-end financial statements. IFRS 13 had no impact on the net loss and the comprehensive loss.

Annual Improvements to IFRS: 2009-2011 Cycle

On May 17, 2012, the IASB issued their Annual improvements 2009-2011 Cycle, a collection of amendments to IFRS, in response to six issues addressed during the 2009-2011 cycle, as its latest set of annual improvements. The amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2013, with early application (on an individual item basis) permitted. The Company adopted these improvements on May 1, 2013. These improvements had no impact on its financial reporting.

Disclosure controls and procedures

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for establishing and maintaining the Company' s controls and disclosure procedures. They are assisted in this responsibility by the Company's Audit Committee as well as by the Company's legal advisor. There was no change in disclosure controls during the quarter.

Information on Outstanding Shares

As at January 31, 2015 and April 30, 2014 the number of outstanding common shares were 142,906,794 and 136,656,794 respective. The number of stock options issued pursuant to the Stock Option Plan and other options, warrants and rights for which securities have been reserved for future issue are presented below:

Shares Reserved For Future Issue	Number as of January 31, 2015	Number as of April 30, 2014
- Options granted pursuant to the Stock Option Plan	7,239,730	8,248,190
- Warrants granted to Investors	0	0
- Warrants granted to Agents	450,000	450,000
Total	7,689,730	8,598,190

On November 30, 2012 the Company issued $3,000,000 in five year Convertible Debentures. On April 24, 2013 the Company issued $ 1,260,000 in five year Convertible Debentures and on September 17, 2013, the Company issued Convertible Debentures for total gross proceeds of $200,000. The Convertible Debentures have an initial exercise price of $0.13 per share. If these securities were converted the Company would issue 32,769,231 common shares. In relation to these financings the Company also issued 350,000 warrants to an agent; the terms of those options mirror the terms of the Convertible Debentures.

On February 26, 2014, the Company issued a further $ 1,710,000 in Convertible Debentures. The Convertible Debentures have an initial exercise price of $0.13 per share. If these securities were converted the Company would issue 13,153,846 common shares. In relation to this financing the Company also issued 100,000 warrants to an agent; the terms of those options mirror the terms of the Convertible Debentures.

On February 26, 2014, the Company renegotiated its convertible debentures characteristics, including but not limited to, the payment schedule of interests. As such, interest accrued from issuance date to August 31, 2013 were capitalized and are payable at maturity date of the convertible debentures; interest accrued from August 31, 2013 to February 28, 2014 are payable on February 28, 2015 and accrued interest are then payable annually on February 28 of each. On maturity date all accrued and unpaid interests become payable.

As noted in the Subsequent Events, On March 25 2015 the Company converted $9,427,888.94 of outstanding indebtedness through the issuance of an aggregate number of 118,411,104 common shares of the Company at a deemed price of $0.08 per share. As also noted the Company sold 30,195,000 to investors at $0.08 per share or $2,415,600. In conjunction with this financing the Company also issued 300,000 common shares at a deemed price of $0.08 per share to an exempted market dealer. These transactions significantly increased the number of shares outstanding but materially strengthened the balance sheet by raising cash for operations, retiring most of the convertible debenture debt and the accrued interest which was in default inasmuch as no interest was paid on the February 28th due date.

Related party transactions

The principal transactions concluded in the normal course of business and measured at the exchange amount are summarized below. The purchases and other expenses from a company controlled by a director relate to transactions with John McAllister Holdings Inc. ("Holdings"), a company owned by John McAllister, the President and CEO of Extenway. These transactions consisted of salaries, rent and information systems support and hosting which have all been concluded at cost or at a price equal to the price charged to independent third parties in similar circumstances.

During the quarter ended January 31, 2015 the Company purchased services from Holdings. Total purchases were $ 102,194, excluding sales taxes, during the quarter and comprised of technical and other services provided to Extenway by employees of Holdings, rental of office space, support for the Company's business information systems and compensation to Mr. McAllister. At January 31, 2015 there was a balance of $ 708,361 owed to Holdings for these services.

Operating Results

For the three months and year-to-date ended January 31, 2015 Extenway had sales of $ 349,954 and $ 1,084,433 respectively and cost of goods sold of $ 350,576 and $ 1,105,432 respectively. For the three months and year-to-date ended January 31, 2014 Extenway had sales of $ 158,317 and $ 346,233 respectively and cost of goods sold of $ 158,854 and $ 464,205 respectively. The increase in revenues in the current year reflects the start of revenues at the Gatineau/Hull, St. Joseph, Joliette, Arthabaska and St. Jerome Hospitals plus the sale of equipment to St. Joseph ($ 210,000) in the first quarter. Cost of sales in the current year include depreciation and interest on project debt related to the Jewish Rehabilitation, St. Eustache, Gatineau/Hull, St. Joseph and Joliette Hospitals, together with interest on the St. Jerome Hospital currently undergoing installation plus costs for the St. Joseph sale ($ 158,000) in the first quarter. In the prior year the Company received revenues from the Jewish Rehabilitation and St. Eustache hospitals only. Cost of sales in the prior year periods include depreciation and interest on project debt related to the Jewish Rehabilitation and St. Eustache Hospitals, together with interest only on the Gatineau/Hull, St. Joseph and Joliette installations. The Company begins to record depreciation when installation is essentially complete and revenue service has begun. Project financing, including principal re-payment, is on a five year schedule but the hospital contract is for ten years; implying lower costs in the second half of the contract term.

During the quarter and fiscal year ending April 30, 2014 the Company recorded an impairment loss of $ 261,000 related to its bedside terminals at the Jewish Rehabilitation Hospital. The Hospital had announced its decision to indefinitely close one floor of rooms and this, together with the fact that this initial installation had materially higher capital cost of the Company than subsequent installations, triggered an impairment loss under IFRS. There were no similar expenses in the prior year periods. The Company is discussing its claims against the hospital under its contract but any recoveries will be recorded, as received, in future periods. As a result of this loss the Company will record lower depreciation expenses in the current quarter and subsequent periods. While management conducted impairment analysis for all its installations, there was no trigger requiring an impairment loss on the other installations.

Sales and Marketing Expenses were $ 246,552 and $ 719,131 for the three months and year-to-date ended January 31, 2015 compared with $ 163,642 and $ 515,652 in the comparable periods of the prior year. Sales and Marketing Expenses include salaries and benefits, sales consultants on contract, support costs for installations, trade shows, demos and marketing. Expenses were higher during the current year due to the addition of sales/service staff at hospital installations and higher travel costs due to outstanding hospital proposals. The Company's business model calls for a staff person to be added as each new hospital installation is completed but otherwise the Company does not anticipate any additions to personnel in the near term.

Research and Development Expenses were $ 263,867 and $ 843,361 for the three months and year-to-date ended January 31, 2015 compared to $ 294,082 and $ 899,719 for the three months and year-to-date ended January 31, 2014. For presentation purposes these expenses have not been reduced by the federal and provincial tax credits for scientific research and development. Those credits, excluding those related to plant and equipment (which are credited to the balance sheet) were $ 99,099 in the three months ended and $179,099 in the nine months ended January 31, 2015 compared to $ 40,000 in the three months and $120,000 in the nine months ended January 31, 2014. The major Research and Development Expenses are salaries and benefits, materials consumed in prototypes and patents. Research and Development Expenses were slightly lower compared to the prior year due to lower prototype costs. The variances in tax credits are described under "Scientific Research Tax Credits" below.

Administrative Expenses were $ 415,728 in the three months and $ 1,406,183 year-to-date ended January 31, 2015 compared to $ 471,856 in the three months and $ 1,393,537 year-to-date ended January 31, 2014. Major recurring Administrative Expenses include salaries and benefits, professional fees, rent for facilities and travel living. Administrative Expenses also includes non-cash stock-based compensation costs of $ 14,907 in the three months and $ 47,939 year-to-date ended January 31, 2015 compared to $ 24,123 in the three months and $ 75,234 year-to-date ended January 31, 2014. Excluding these items current quarter expenses were lower due to reduced salaries and consulting costs, resulting from a management compensation reduction from December onwards, together with increased costs transferred to hospital projects, offset higher professional fees. Since April 2012 the Company has, for financial reporting purposes, included depreciation on assets, other than the revenue generating hospital installations, in the Administrative expenses rather than showing them separately inasmuch as the amounts were not sufficiently material to justify separate presentation and discussion.

Financial Expenses were $ 321,359 in the three months and $ 983,425 year-to-date ended January 31, 2015 compared with $ 205,652 in the three months and $ 611,402 year-to-date ended January 31, 2014. Financial Expenses in all periods consisted of interest on convertible debentures, accrual of the equity value of the convertible debentures, interest on some demand loans, interest and fees related to a tax credit loan and bank service charges. The year over year increase reflects the increased amount of interest bearing convertible debentures and demand loans outstanding.

Exchange (Gain)/Loss was a loss of $ 3,332 in the three months and a loss of $ 11,066 in the nine months ended January 31, 2015 and a loss of $ 5,363 in the three months and a loss of $ 22,384 in the nine months ended January 31, 2014. The year-to-date losses, in both years, reflect unfavorable exchange rate movements relative to the US dollar.

Scientific Research Tax Credits were $ 99,099 in the three months and $ 179,099 year-to-date ended January 31, 2015 compared to $ 40,000 and $ 120,000 in the comparable prior year periods. The amounts recorded represent provincial tax credits, which are refundable, and no provision is currently being recorded, due to the uncertainty of their recovery, for federal tax credits which can only be offset against income taxes payable. The Company generally records 75-80% of the claimed tax credits, allowing for potential audit adjustments, and had favorable adjustments in the third quarter as the full claim was received.

The result of all operating activities were net losses of $ 1,152,361 in the three months and $ 3,805,066 year-to-date ended January 31, 2015 compared to net losses of $ 1,101,132 in the three months and $ 3,440,666 year-to-date ended January 31, 2014.

Cash Flows Used in Operating Activities

Cash Flows Used in Operating Activities was $ 554,796 in the three months and $ 1,360,634 year-to-date ended January 31, 2015. Cash Flows Used In Operating Activities was $ 91,881 in the three months and $ 1,257,826 in the nine months ended January 31, 2014.

The major influence in Cash Flows Used in Operating Activities is the net loss described above. This element is then adjusted for the following non-cash items included in operations.

Cash Flows Used in Operating Activities benefited from the add-back of non-cash depreciation and amortization expenses. These amounted to $ 148,600 in the three months and $ 399,668 year-to-date ended January 31, 2015 compared to $ 49,315 in the three months and $ 148,036 year-to-date ended January 31, 2014. Amounts vary by year according to the level of capital assets, useful life, classification of individual assets and depreciation schedule for each classification. As noted Operating Results above, there were six hospitals being depreciated in the current year compared to two hospitals in the prior year.

Cash payment of interest on the outstanding convertible debentures is deferred and this deferral became a source of funds. The positive effect of this deferral was $ 309,459 in the quarter and $ 915,421 year-to-date ended January 31, 2015 compared to $ 185,844 and $ 536,910 in the prior year periods. For presentation purposes the accrued interest was split between effective interest, essentially allocated to the equity resulting from the convertibility feature, of $ 74,021 in the three months and $ 216,701 in the nine months, and accrued interest allocated to the debt of $ 235,438 in the three months and $ 698,720 in the nine months. In the prior year periods, effective interest was $ 49,477 in the three months and $ 141,417 in the nine months while accrued interest allocated to the debt was $ 136,367 in the three months and $ 395,493 in the nine months.

From fiscal 2005 onwards Extenway complied with new accounting recommendations which require that the fair value of stock options granted to employees, directors, officers and consultants be recorded as compensation expense, in the Administration Expense category, over the vesting period of the options. The amount of the expense is determined at the date of grant and is based on certain hypothesis including number of shares optioned, option price, term of the option, risk free rates of interest and market volatility as at the date of grant. These expenses amounted to $ 14,907 in the three months and $ 47,939 year-to-date ended January 31, 2015 compared to $ 24,123 for the three months and $ 75,234 year-to-date ended January 31, 2014.

Cash Flows Used in Operating Activities was also affected by the add-back of the change in non-cash operating working capital items. This amounted to cash generation of $ 124,599 in the three months and cash generation of $ 1,081,404 year-to-date ended January 31, 2015 compared to a cash generation of $ 749,969 in the three months and cash generation of $ 1,422,660 year-to-date ended January 31, 2014. Amounts vary by period according to changes in accounts receivable, inventories, prepaid expenses, deferred financing costs, accounts payable and accrued liabilities. In the current year cash generation was essentially due to increased payables on equipment for the Lanaudière region hospital installations. In the prior year cash generation was essentially due to increased accounts payable associated with the Gatineau/Hull installations.

Investing Activities

Investing Activities principally reflect acquisition of property, plant and equipment. During the three months and year-to-date ended January 31, 2015 the company invested nil and $ 1,128,153 respectively compared to $ 948,655 in the three months and $ 3,574,390 year-to-date ended January 31, 2014.

Expenditures during the current year periods were related to the Lanaudière region hospital installations while the prior year was due to installations at Gatineau/Hull. Expenditures vary considerably by time period depending on the number, value and phase of the installations. Extenway anticipates significant future capital expenditures, related to current and future hospital installations, but believes that its future requirement for capital assets for the business itself will be minimized by its strategy of outsourcing manufacturing to third parties.

During the quarter ended April 30, 2013 the Company made an interest bearing deposit of $ 251,845 to a financial institution in relation to the funding of the Gatineau/Hull hospital installations. During the quarter ended January 31, 2012 the Company made an interest bearing deposit of $ 331,500 to a financial institution in relation to the funding of the St. Eustache hospital installation. This cash is restricted and cannot be accessed by the Company for operating or investment purposes. On September 5, 2013 the Company and the lender modified their agreement to eliminate this requirement for new projects and return approximately $ 35,500 of the current restricted cash amount. In the first quarter of the current year the Company received another $ 10,000. The balance of the restricted cash might be recovered prior to expiry of the five year loan term if the projects meet certain covenants (especially those related to coverage of the loan payments).

Financing Activities

Cash Provided by Financing Activities in the three months and year-to-date ended January 31, 2015 was $ 621,469 and $ 1,324,577 respectively compared to cash provided of $ 971,127 in the three months and $ 2,938,479 year-to-date ended January 31, 2014.

During the three months and year-to-date ended January 31, 2015 the Company received net demand loans from shareholders of $ 170,000 and $ 408,350 respectively. During the quarter and year-to-date ended January 31, 2015 the Company also borrowed $ 176,021 and $ 1,128,177 respectively for hospital installations. During the quarter and year-to-date ended January 31, 2015 the Company also made normal repayment of long-term debt of $ 319,552 and $ 806,950 respectively.

On December 23, 2014 the Company sold 6,250,000 common shares at $0.08 per share ($ 500,000) to a non-related investor. During the quarter ended January 31, 2015 the Company entered into a loan agreement, secured by R&D tax credits claims and other securities, with a third party for $ 95,000.

On September 11, 2013 the Company sold 3,000,000 common shares at $0.13 per share ($ 390,000) to a non-related investor. On September 17, 2013 the Company sold an additional $200,000 in convertible debentures (on the same terms as the $ 4,260,000 in previous financing as noted in Convertible Debentures below. The Company recorded $ 16,933 in issuance costs related to this debenture issue. During the quarter and year-to-date ended January 31, 2014 the Company entered into a loan agreement, secured by R&D tax credits claims and other securities, with a third party for $ 24,000 and $ 176,000 respectively.

During the three months and year-to-date ended January 31, 2014 the Company received net demand loans from shareholders of $ 80,000. During the quarter and year-to-date ended January 31, 2014 the Company also borrowed $ 964,592 and $ 2,428,746 respectively for hospital installations. During the quarter and year-to-date ended January 31, 2014 the Company also made normal repayment of long-term debt of $ 97,826 and $ 321,834 respectively.

Convertible Debentures

In it's January 15, 2012 announcement the Company had specified that it would offer $3 to $ 6 million in securities under the private placement.

On December 3, 2012 the Company announced the first closing under the proposed private placement announced on January 15, 2012. Convertible Debentures of an aggregate principal amount of $ 3,000,000 were issued to investors pursuant to exemptions under *Regulation 45-106 Respecting Prospectus and Registration Exemptions*. One insider participated in the Offering subscribing a debenture of an amount of $500,000 which subscription represents close to 17 % of the Offering.

On April 25, 2013 the Company announced the second closing under the proposed private placement announced on January 15, 2012. Debentures of an aggregate principal amount of $ 1,260,000 were issued to investors pursuant to exemptions under *Regulation 45-106 Respecting Prospectus and Registration Exemptions*.

On September 17, 2013 the Company sold an additional $200,000 in convertible debentures (on the same terms as the $ 4,260,000 in previous financing as noted in “Financing Activities” above). The Company incurred broker, legal, registration and other costs of $ 16,933 in conjunction with this financing.

On February 26, 2014 the Company closed a third tranche private placement (the “Third Tranche”) of Debentures in the aggregate principal amount of $1,710,000. Desjardins-Innovatech s.e.c. and the Caisse de dépôt et placement du Québec, both insiders of Extenway, participated in the Third Tranche by subscribing for Debentures in the principal amounts of $1,000,000 and $500,000 respectively, representing 58.48% and 29.24% of the total amount raised under the Third Tranche or 43.48% and 21.74% of the total amount raised under the offering.

With the closing of the third tranche the Company reached the $ 6 million. As noted in “Liquidity and Capital Resources” the Company is in discussions with a number of potential investors, which could result in further investment.

The Company incurred and aggregate of $ 346,661 in broker, legal, registration and other costs in conjunction with these financings.

The Debentures are unsecured, will mature on August 31, 2017, bear an annual compounded interest rate of 12% and are convertible into common shares of Extenway at a conversion price of $0.13 if the conversion is effected no later than at 5:00 pm on April 29, 2016, or $0.17 if the conversion is effected thereafter, subject to customary adjustment provisions. The Debentures and all underlying common shares are subject to a four-month hold period from the closing date pursuant to securities legislation and the policies of the TSX Venture Exchange.

IRR Capital Inc. (Richard Morrison) acted as finder for certain investors and received, for the first two tranches, a commission of $105,000 and 350,000 share purchase warrants to purchase common shares of Extenway at a purchase price of $0.13 per common share if exercised no later than at 5:00 pm on April 29, 2016, or at $0.17 per common share if exercised thereafter. The share purchase warrants expire on 3 December 2017. IRR Capital Inc. acted as finder for a portion of the third tranche and received a commission of $31,300 and 100,000 share purchase warrants of Extenway, with each share purchase warrant being exercisable to acquire one Common Share at an exercise price of $0.13 per Common Share if exercised no later than at 5:00 pm on April 29, 2016 or at a price of $0.17 per Common Share if exercised thereafter. The share purchase warrants will expire on August 31, 2017.

The Convertible Debentures and all underlying common shares offered in the offering have not been nor will they be registered under the United States Securities Act of 1933, as amended, or state securities laws, and may not be offered or sold in the United States or to an account for the benefit of US persons, absent such registration or an exemption from registration.

As noted in the Subsequent Events, On March 25 2015 the Company converted $5,170,000 of the convertible debentures and all of the accrued interest to that date ($1,564,039) into common shares of the Company at $0.08 per share or a total of 84,175,487 shares.

Liquidity and Capital Resources

Extenway had negative working capital, current assets minus current liabilities, of $ 6,848,030 at January 31, 2015 compared to negative working capital of $ 3,364,701 at the April 30, 2014 fiscal year end.

The working capital calculation includes approximately $ 2,188,350 in current liabilities representing demand loans made to the Company by three officers. It also includes approximately $ 1,442,237 in deferred interest related to the convertible dentures. The reasons for this change are more fully described in the sections above dealing with cash flow but primarily reflect the operating losses plus the capital investment, for the new hospital installations, in excess of project loans.

The Company does have the term loans referenced above in regards to the hospital installations but does not have any banking agreements for lines of credit. As noted above, during the current and prior year it borrowed against the current R&D tax credits receivable.

Although not recorded in the financial statements, due to uncertainty of their recovery without ongoing profitable operations, Extenway does have accumulated tax losses and unclaimed scientific research and development expenses that could be used to reduce future taxable income. The tax losses amount to approximately $18 million federally and provincially, expiring from 2015 to 2034. Extenway also has approximately $4 million federally and provincially in unclaimed scientific research and development expenses, together with financing costs, which may be deferred indefinitely.

The Company has ongoing needs to finance operations, in light of operating losses, and the capital investment required for owned and operated hospital installations. The Company will also have working capital needs for any equipment sales to hospitals.

Anticipated revenues include recurring monthly maintenance and license fees from the one continuing hotel. It also includes revenue from hospital installations. Revenue from hospital installations will be more variable inasmuch as it will depend on hospital installations, hospital occupancy, patient buy rates and pricing of individual services or service packages. The Company anticipates that the initial and subsequent hospital installations will entail a learning curve before revenues are optimized at each installation and that revenues will be less than normal during that learning process. Installations have gone through three iterations: an initial high cost installation at the Jewish Rehabilitation Hospital, lower cost installations at St. Eustache and Gatineau/Hull and finally still lower cost installations at St. Joseph and Lanaudière region hospitals. As noted previously the initial hospital operated at a loss, due primarily to the high capital cost, and incurred an asset impairment after a floor was closed indefinitely. The second cycle of hospitals are essentially earning their loan payments but not making a meaningful contribution to gross margin. The third cycle of hospitals has only recently gone live but management believes that they will meet fixed costs and contribute to gross margin. The Company will have to subsidize loan repayments on any projects which do not reach breakeven. This does not consider other potential revenue over the ten year life of the contract, including medical and administrative access, telephone, advertising etc.

As noted above the Company has recently installed three hospitals and has signed contracts with three other hospitals. The Company believes that, upon installation, these hospitals will generate sufficient revenues to reduce the ongoing operating losses. While the Company should receive revenue from these installations in the current fiscal year it is likely to be insufficient to fund operations of the Company. Therefore the Company needs to finance operations, from existing working capital and future financing, during that period. As also noted in the “Outlook” section, the Company has some prospects for hardware sales which would provide substantive funding for operations.

In addition to operating expenses the Company will require capital to install hospital systems. The Company’s business model does allow for the possible sale of the equipment to hospitals, with consequent reduction in the Company’s share of recurring revenues, but the Company anticipates that it will finance and own the equipment in the initial target markets in Quebec and Canada. This primarily reflects the limited capital equipment budgets available to publicly operated hospitals in those markets.

The Company has signed a letter of intent with the lender which visualizes funding of multiple hospital installations but, again, actual funding will be dependent on signing of a definitive contract and the Company meeting certain covenants at the time of each project. This contract was co-signed by a surety bond insurer under which the insurer would, for a fee, guarantee to the lender some or all of the loan balance. For purposes of this financing the Company agreed to segregate the financing and installation in a wholly owned subsidiary (ExtenwayMD); further the definitive contract includes standard terms and conditions including guarantee of the loan by the parent company. The Company currently has four hospital contracts which are currently awaiting financing approval and will start installation upon closing of those loan agreements.

Details of those individual loans are contained in the footnotes to the Company financial statements available at www.sedar.com.

Final contractual terms call for Extenway to fund a portion of the “soft costs” such as the surety bond, of any projects funded under this letter of intent and/or related lending agreements. For the second and subsequent hospital installation the Company has negotiated deferred payment terms, over the multi-year life of the financing, for a portion of the related surety bond and financing fees. It is anticipated that equipment and other “hard” costs would be fully funded by the lender. Conditions of the St. Eustache loan require the Company to maintain an offsetting deposit with the lending institution equal to 30% of the loan amount and 15% for the Gatineau/Hull loan. As noted in “Investing Activities” above the Company has modified this agreement and will not have to post offsetting deposits for any other projects. Actual future cash requirements arising from this are unknown inasmuch as the “soft” costs covered may vary by hospital and it is dependent on the number of hospitals and patient rooms contracted. Extenway will have to raise additional equity in order to address the hospital opportunities it has developed and to fully access the funding visualized in the letter of intent. There is no certainty that funding can be obtained or that it can be obtained on terms that are not unfavorable to shareholders.

The loan agreements are dependent on numerous conditions including covenants, inter-company guarantees, pledge of assets, surety insurance etc. In February 26, 2014 the Company renegotiated the terms of its loan agreements to reduce interest rates and eliminate number of covenants. As a result of this modification the Company was in compliance with the loan covenants at April 30, 2014 and, unlike prior years, did not need to seek a waiver. Under IFRS if a loan is not in compliance with its covenants and a waiver is not obtained before the end of the fiscal year then the non-current portion of the loan could be reclassified as current even if immediate repayment was not demanded. If at any time the Company is not in compliance with the terms of the loan and has not obtained a waiver then the lender could demand immediate repayment of the full loan amount, which the Company does not have funds to cover.

On May 2, 2014, the Company entered into a new credit facility of $10,000,000 to finance future installations of bedside terminals and to be issued when the currently available credit facility of $8,800,000 is fully used by the Company. The Company may have to re-negotiate or re-establish this facility or new facilities, following the financial strengthening described in the Subsequent Event section.

As noted in the MD&A for the period ended October 31, 2014 the money raised in prior financing had been used, there was negative cash and the Company required additional financing to continue operations. The Company is currently relying on project revenues, tax credit loans and/or payables to/loans from shareholders or other sources, to fund operations. The Company has engaged agents to raise debt and/or equity funding and has received a number of expressions of interest regarding a larger financing to stabilize operations for a one to two year period. There is no assurance that funds will be raised or will not be raised on terms disadvantageous to existing shareholders. There are no commitments that these sources of funding will continue to be available and, if there are not available, then the Company would not have funds to continue operations.

Please see the Subsequent Events for an update on the financing.

Outlook

Management believes that it will receive recurring software and hardware maintenance fees, together with administrative fees on certain interactive transactions, in future periods from the one continuing hotel installation. The Company does not anticipate revenue from this source to change materially in future periods. Revenues from this source will increase if and when additional hotel properties are installed. However the Company is focusing on potential hospital clients and is not currently pursuing potential hotel clients.

The Company has installed a medical version of its solution at six hospitals, with two more pending. As noted above these installations are on their third cycle of cost reductions. These cycles have also been associated with technical innovation such as use of pre-existing coaxial cable, revenue commencement by bed rather than total installation and development of a wi-fi alternative. The solution has been installed with minimum disruption of hospital activities and has operated on a reliable basis. Consequently the hospital' s have provided very favorable feedback to potential customers.

In addition the Company adapted its technology for chemotherapy chairs installed at a major cancer hospital in New York City. This installation has met expectations and, although not a full hospital installation, does provide a valuable US reference site. While this contract was of moderate value it does provide important validation of the Company's technology and opens a related market application.

All installations are complete except for Joliette and Arthabaska. The Company signed financing agreements for those hospitals after the end of the fiscal year and anticipates installing those locations in the fiscal year ending April 30, 2015. Operations at the installations have started and continued without any significant technical issues and demonstrate the stability and flexibility of the Extenway Solution.

On September 24, 2014 Extenway announced that the Centre de santé et de services sociaux du Sud Ouest - Verdun had chosen Extenway to provide entertainment services for its patients. The Company anticipates that within the next three months, each of the facility's 212 hospital beds will be equipped with an Extenway multimedia terminal.

On October 8, 2014 Extenway announced that the La Fondation de l'Institut Universitaire de Cardiologie et de Pneumologie de Quebec (FIUCPQ) had chosen Extenway to provide entertainment services for its patients. The Company anticipates that within the next three months, each of the facility's 283 hospital beds will be equipped with an Extenway multimedia terminal. The Company anticipates signing an agreement shortly with the Institut Universitaire de Cardiologie et de Pneumologie de Quebec (IUCPQ) covering medical access to the Extenway network.

On October 22, 2014 Extenway announced that the Fondation Hôpital Charles-LeMoyne had chosen Extenway to provide entertainment services for its patients. The Company anticipates that within the next three months, each of the facility's 400 hospital beds will be equipped with an Extenway multimedia terminal.

On December 15, 2014 Extenway announced that the Mount Sinai Hospital in Toronto had chosen Extenway to provide entertainment services for its patients. The Company anticipates that within the next three months each of the facility's 350 hospital beds will be equipped with an Extenway multimedia terminal.

Being able to demonstrate the installation to potential customers has enhanced the Company's marketing efforts. Management believes that these have contributed to a significant increase of the pipeline of potential customers and in the number of Requests For Information/Proposals that are specifying the wider range of functionality, versus simple TV rental, that our solution enables. However, while management is encouraged by this progression, it does not control the hospital decision process and cannot guarantee that potential installations are awarded to the Company or in a timely manner.

The Company has seen an expanded pipeline of potential contracts, a significant shift to RFI/RFP's specifying the functionality of our solutions and a shift towards integrating medical and administrative applications in proposals. Depending upon availability of hospital IT staff, alternative priorities etc. hospitals may wish to phase implementation with entertainment as the first phase and medical access as a second phase. Based on information supplied by the hospitals the Company believes that a significant number of contracts are pending. The Company is not aware of significant loss of opportunities within its pipeline to competitors but the risk of project delay is significant inasmuch as the Company does not have control over the hospital decision and contracting process.

The Company has entered into a reseller agreement with a US company, the principals of which had extensive background in selling communications, networking and related technology to the US healthcare market. As a result of this agreement the Company has commenced demonstrations to a number of US hospital chains. The Company has been gratified by the strong interest shown and positive feedback on the perceived strength of its technology relative to competitors. However it is probable that the sales cycle in this market will be long and will not have immediate impact on the Company's financial results.

Financial results of the Company have been impacted by the high capital costs of the initial installations, resulting in higher depreciation and interest expense, together with a lack of revenue from medical/administrative use of the installations. A number of new installations went live in the fourth quarter of the year ended April 30, 2014 and there has not yet been sufficient history to determine profitability. Management believes that, with significantly lower capital cost, will achieve better financial results. Since a number of the potential projects in the pipeline have medical/administrative revenues attached the Company believes that closing of those contracts would positively impact its financial results. A number of potential projects would be under a sales model, and award of those contracts would have a disproportionate positive impact on financial results. The Company also believes that the US market would primarily be a sales model. However, as noted the Company does not control the hospital decision process and timing. Therefore, in the event that these awards do not occur, are not awarded to the Company and/or do not occur with the anticipated timeline, there would be negative financial impacts on Extenway.

As noted above in "Liquidity and Capital Resources", the Company does not have cash and needs to close equity and/or debt financings in the future in order to continue operations. There is no assurance that funds will be raised or will not be raised on terms disadvantageous to existing shareholders.

Historical Information

			Earnings Per Share	
($ Canadian)	Sales	Net Income/(Loss)	Basic	Fully Diluted
Q3 2015 (January 31, 2015)	$ 349,954	($ 1,152,361)	($0.008)	($0.008)
Q2 2015 (October 31, 2014)	$ 261,510	($ 1,357,598)	($0.010)	($0.010)
Q1 2015 (July 31, 2014)	$ 472,969	($ 1,295,107)	($0.008)	($0.008)
Q4 2014 (April 30, 2014)	$ 216,997	($ 1,529,570)	($0.009)	($0.009)
Q3 2014 (January 31, 2014)	$ 158,317	($ 1,101,132)	($0.008)	($0.008)
Q2 2014 (October 31, 2013)	$ 95,877	($ 1,262,711)	($0.01)	($0.01)
Q1 2014 (July 31, 2013)	$ 92,039	($ 1,076,823)	($0.010)	($0.010)
Q4 2013 (April 30, 2013)	$ 107,753	($ 1,140,914)	($0.009)	($0.009)

Subsequent Event

EXTENWAY COMPLETED A DEBT SETTLEMENT AND SECOND TRANCHE OF A $2,915,600 PRIVATE PLACEMENT

On March 2, 2015 the Company announces that it was arranging, subject to regulatory approval, a private placement and debt settlement operations in order to immediately improve the financial position of the Company with a view of setting the Company on firm financial ground to execute its business plan.

On March 25, 2015 the Company announces the closing of the following transactions:

(i) a series of shares for debt transactions (the "**Debt Settlement**") to settle an aggregate amount of $9,427,888.94 in outstanding indebtedness of the Company (the "**Converted Indebtedness**") through the issuance of an aggregate number of 118,411,104 common shares of the Company at a deemed price of $0.08 per share (the "**Shares for Debt**"); and

(ii) a concurrent private placement of 30,195,000 common shares of the Company (the "**Offered Securities**") at a price of $0.08 per share for gross proceeds of $2,415,600 (the "**Second Tranche**").

The Second Tranche was completed as part of a larger offering of common shares of the Company for combined aggregate proceeds of $2,915,600 (the "**Offering**", and together with the Debt Settlement, the "**Transactions**"), the first tranche of which was completed on December 22, 2014.

As further detailed in the Company's press release dated March 2, 2015, the Converted Indebtedness settled pursuant to the Debt Settlement consisted of outstanding indebtedness under the Company's outstanding unsecured convertible debentures and unsecured working capital advances from certain officers and directors of the Company.

The Shares for Debt and Offered Securities issued pursuant to the Transactions (collectively, the "**Shares**") were issued to the Caisse de dépôt et placement du Québec (the "**Caisse**"); Desjardins-Innovatech s.e.c. ("**DI**"); certain existing shareholders of Extenway, including Messrs. John McAllister (President, CEO, and a director of Extenway) and David Brown (CFO of Extenway); and others in reliance on exemptions under *Regulation 45-106 respecting Prospectus and Registration Exemptions* (Québec).

As a result of the Caisse, DI, Messrs. McAllister and Brown, and another senior officer of the Company who participated in the Debt Settlement each being related parties to the Company, the Transactions are considered related party transactions under *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* (Québec) ("**Regulation 61-101**") and Policy 5.9 of the TSX Venture Exchange (the "**Exchange**"). As previously announced, the Company relied upon sections 5.5(b) and 5.7(e) of Regulation 61-101 for exemptions from the formal valuation and minority approval requirements of Regulation 61-101 in respect of the Transactions.

Pursuant to the Transactions, the Caisse acquired ownership and control of approximately 21.19% of the Company's issued and outstanding common shares on an undiluted basis and became a new "Control Person" of the Company under the policies of the Exchange. The Company has received the requisite written consents to authorize the creation of the new "Control Person" from disinterested shareholders of the Company holding more than 50% of the issued and outstanding voting shares of the Company held by all disinterested shareholders.

The proceeds of the Second Tranche will be used for working capital purposes.

IRR Capital Inc., an exempted market dealer, acted as finder for a portion of the Second Tranche and received a finder's fee consisting of 300,000 common shares of Extenway at a deemed price of $0.08 per share (the "**Finder's Fee Shares**").

The Shares and Finder's Fee Shares are subject to a four-month plus one-day hold period from the Closing Date, expiring on July 26, 2015, pursuant to securities legislation and the policies of the Exchange. Neither the Shares nor the Finder's Fee Shares have been, nor will they be, registered under the United States Securities Act of 1933, as amended, or state securities laws, and may not be offered or sold in the United States or to an account for the benefit of U.S. persons, absent such registration or an exemption from registration. The Transactions remain subject to the final approval of the Exchange.

Related Party Transactions

Prior to completion of the Second Tranche and Debt Settlement, Mr. McAllister had: (i) direct ownership of 2,000,000 common shares of Extenway (including securities convertible into 1,000,000 common shares of Extenway); and (ii) indirect ownership through his wholly-owned holding company, John McAllister Holdings Inc., of an additional 34,834,688 common shares of Extenway (including securities convertible into 3,846,153 common shares of Extenway), collectively representing 24.90% of the Company's issued and outstanding common shares on a partially diluted basis.

Pursuant to the Debt Settlement, Mr. McAllister acquired direct ownership of 3,291,875 common shares of Extenway and indirect ownership of an additional 30,073,784 common shares of Extenway through his wholly-owned holding company, John McAllister Holdings Inc., collectively representing 11.43% of the Company's issued and outstanding common shares on an undiluted basis following completion of the Transactions. As a result, Mr. McAllister is deemed to have direct ownership of 4,692,516 common shares of Extenway (including securities convertible into 1,400,641 common shares of Extenway) and indirect ownership of an additional 62,062,319 common shares of Extenway, which collectively represent 22.75% of the Company's issued and outstanding common shares, on a partially diluted basis, following completion of the Transactions.

Prior to completion of the Second Tranche and Debt Settlement, Mr. Brown had direct ownership of 30,975,210 common shares of Extenway (including securities convertible into 1,000,000 common shares of Extenway), representing 21.50% of the Company's issued and outstanding common shares on a partially diluted basis.

Pursuant to the Debt Settlement, Mr. Brown acquired direct ownership of 8,875,000 common shares of Extenway, representing 3.04% of the Company's issued and outstanding common shares on an undiluted basis following completion of the Transactions. As a result, Mr. Brown is deemed to have direct ownership of 40,050,530 common shares of Extenway (including securities convertible into 1,200,320 common shares of Extenway), which represent 13.66% of the Company's issued and outstanding common shares, on a partially diluted basis, following completion of the Transactions.

Option Grants

The Company also announces a grant of 3,083,334 incentive stock options (the "**Options**") to three senior officers of the Company, each Option being exercisable to acquire one common share of the Company at an exercise price of $0.13 per share for a period of 5 years from the Closing Date. The Options were granted to Messrs. McAllister and Brown and another senior officer of the Company on closing in connection with the Transactions pursuant to amended employment agreements entered into by the Company with each of them, as a means of reducing the overall cash compensation to be paid for their services to the Company. The Options are governed by the Company's stock option plan and will vest in three equal tranches on March 30, 2015, October 30, 2015 and April 30, 2016.

Resignation of Jacky Chatelais

The Company announces the resignation of the Jacky Chatelais, President of its wholly-owned subsidiary, Extenway MD Inc.. Extenway's President and Chief Executive Officer, John McAllister, will assume the position of President of Extenway MD Inc. on an interim basis until such time a permanent successor is selected. Mr. Chatelais will continue to assist in the operations of Extenway MD Inc. as a consultant.

(s) David Brown
Chief Financial Officer

1 April 2015