



Management's Discussion & Analysis

For the quarter ended September 30, 2015

Containing information up to and including October 22, 2015

INDEX

MANAGEMENT'S DISCUSSION AND ANALYSIS	2
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	2
CAUTION REGARDING FORWARD-LOOKING INFORMATION	2
OVERVIEW	4
HISTORY	4
CHANNELS AND SAAS PLATFORM STRATEGY	4
HIGHLIGHTS	5
OUTLOOK	9
HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015	10
SUBSEQUENT EVENTS	10
SELECTED FINANCIAL INFORMATION	11
SELECTED QUARTERLY RESULTS	11
PERFORMANCE SUMMARY	11
REVENUE	11
DIRECT PRODUCTION COSTS	12
EMPLOYMENT COSTS	12
OFFICE COSTS	12
TRAVEL AND MEALS	12
TECHNOLOGY SERVICES	12
CONSULTANTS AND PROFESSIONAL FEES	13
MARKETING AND COMMUNICATIONS	13
NET INCOME	13
RESULTS OF OPERATIONS	13
SUMMARY OF FINANCIAL INFORMATION	15
LIQUIDITY AND CAPITAL RESOURCES	15
CAPITAL STRUCTURE	16
LONG-TERM DEBT	16
COMMON SHARES	16
STOCK OPTIONS	16
SHARE PURCHASE WARRANTS	17
WARRANTS FOR SERVICES PERFORMED	18
WARRANTS ISSUED AS PART OF CONVERTIBLE DEBT	18
WARRANTS ISSUED UPON AUTOMATIC CONVERSION OF CONVERTIBLE DEBENTURES UPON IPO	18
WARRANTS ISSUED UPON CONVERSION OF CONVERTIBLE DEBENTURES	19
WARRANTS ISSUED AS PAYMENT FOR DEBT	19
OFF-BALANCE SHEET ARRANGEMENTS	19
CRITICAL ACCOUNTING ESTIMATES	20
RECENT ACCOUNTING PRONOUNCEMENTS	22

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Responsibility for Financial Reporting

SoMedia Networks Inc. changed its name to VidWrx Inc. in September 2015, as approved by the shareholders on September 4, 2015. This management's discussion and analysis ("MD&A") details the Company's operating results and financial condition for the quarter ended September 30, 2015, and is prepared as at October 22, 2015. This MD&A should be read in conjunction with the Company's unaudited quarterly financial statements for the quarter ended September 30, 2015 and the Company's annual audited financial statements for the year ended December 31, 2014, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (collectively referred to as the "Financial Statements"), which are available on www.sedar.com. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Company's certifying officers, based on their knowledge, have exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statements of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these Financial Statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings.

The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Caution regarding forward-looking information

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable Canadian securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of the words such as "seek", "anticipate", "budget", "plan", "continued", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward looking statements, principally under the heading "Outlook," but also elsewhere in this document, include but are not limited to statements concerning:

- The successful outcome of negotiations to acquire channel partners
- Estimated future sales
- Research and development costs
- The Company's strategies and objectives
- The Company's ability to maintain operating expense levels

- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company
- The availability of qualified sales and operations employees, and the ability to retain them
- General business and economic conditions
- Sufficient availability of funds to continue to execute the business model
- Ongoing relations with government, employees and business partners
- The Company's ability to drive economies of scale
- Future financing arrangements

These forward-looking statements were derived utilizing numerous assumptions regarding the Company's expected growth, ability to acquire and retain reseller partners, results of operations, performance and business prospects and opportunities, conditions in financial markets (in particular, the continuing availability of financing), ability to attract and retain skilled employees, changes to legislation, and general business and economic conditions that could cause the Company's actual results to differ materially from those in the forward-looking statements. While the Company considers these assumptions to be reasonable and based on information currently available, they may prove to be incorrect. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward looking statements. Risk factors that may cause actual results to vary include, but are not limited to: failure to retain reseller partners, failure to meet projected sales and revenues, higher research and development costs, failure to retain skilled staff, failure of counterparties to perform their contractual obligations, changes in general economic or business conditions or conditions in the financial markets and other risk factors as detailed from time to time in the Company's public filings with the Canadian securities administrators, filed on SEDAR. Readers are cautioned that the foregoing lists of risks, uncertainties, assumptions and other factors are not exhaustive.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results.

To the extent any forward-looking statements constitute "future-oriented financial information" or "financial outlooks", as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions.

The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. This cautionary statement expressly qualifies the forward-looking statements.

Additional Information

Additional information relating to the Company, including an Annual Information Form, is available from the SEDAR website at www.sedar.com, under the Company's profile.

OVERVIEW

History

VidWrx Inc. ("VidWrx" or the "Company") is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:VID). The Company was originally incorporated under the Canada Business Corporations Act on February 10, 2006 as "SoMedia Networks Inc.", and extra-provincially registered in British Columbia since November 9, 2007. In September of 2015, the company legally changed its name to "VidWRX Inc.". The head office of the Corporation is located at Suite 401 – 220 Cambie Street, Vancouver, British Columbia, V6B 2M9.

VidWrx is a leading developer and operator of cloud-based video content production platforms and scalable video production services targeting the business, advertising, marketing and news markets across North America. VidWrx's integrated video platform changes how businesses can access video content creation, production and deployment. The cloud-based VidWrx Platform allows businesses to easily order the production of custom video content at scale and volume, anywhere, on demand, with rapid turnaround, and at a fraction of conventional video production costs.

VidWrx's production and resale platforms were developed through the application of three core disciplines:

- a) Cloud-based platform infrastructure
- b) Process engineering
- c) Distributed workforce management

By combining those disciplines, VidWrx provides a range of video production services and products that address the traditional barriers of cost, volume, and reach, enabling its reseller partners to deliver online video products to their clients simply, affordably, anywhere, and at scale.

Channels and SaaS Platform Strategy

The Company currently provides a range of resale, and on-demand video production, marketing and analytics services and products across North America. VidWrx derives most of its revenue from the sale of video production services through two distinct channels:

- a) **Agency Channel** – Turnkey video production resale services for the web services market including: web marketers, website designers, digital publishers, online media and digital agencies.
- b) **Direct Channel** – High volume video production services directly to enterprise and business partners including: web content platforms, media, as well as for brands and franchises.

Revenue Performance Management

The Company began an ongoing implementation and optimization of a Revenue Performance Management (RPM) system in Q2. There are four business practices key to a successful RPM strategy: (i) Development of an integrated sales and marketing funnel designed to support the video buyers journey (ii) Industry benchmarking of sales processes and results (iii) Making sales operations transparent and data actionable through deep analytics (iv) Accurate forecasting based on data to identify future revenue opportunities.

Management is implementing RPM in two phases:

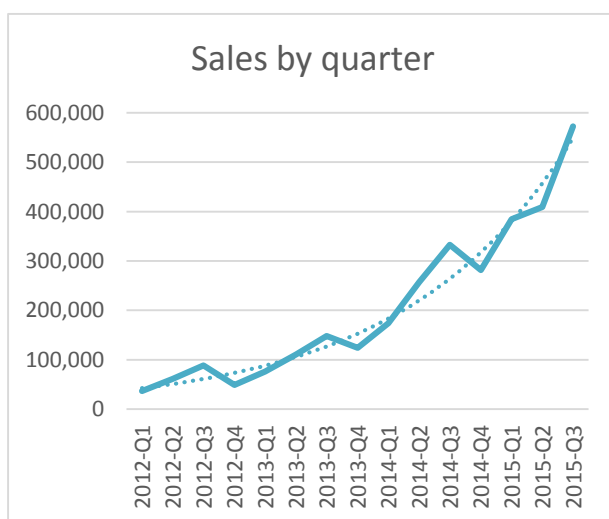
Phase 1: Outbound Sales Lead and Pipeline Management. The first phase focused on establishing a standard sales and lead nurturing process, identifying the buyers journey and coordinating website and

sales content with the sales process. The entire sales function becomes transparent and managed systems consistently manage opportunity development, enabling the Company to gain more control and greater insight into sales growth.

Phase 2: Demand Generation and Inbound Lead Management. The second phase is based on identifying opportunities to automate inbound demand creation, nurturing, and qualification. This stage is defined by refinement and increased sophistication in segmenting, attracting, and engaging buyers based on the buyer's behavior and interests. Marketing automation systems qualify and route leads to the appropriate follow-up resources to accelerate the buyer's decision-making process.

Highlights

During the three months ending September 30, 2015, the company made significant strides as characterized by accelerating sales bookings, strengthening backlog, and an increase in revenue; all for the third straight quarter. Sales bookings increased 40% over the prior quarter and 72% increase year over year, reaching a record of \$572,843; while revenue and backlog increased 13% and 27% respectively.



On September 9, 2015, the Company officially changed its name from "SoMedia Networks" to "VidWrx Inc." and completely rebranded its Corporate identity, website, sales and investor relations materials. The name change and new brand reflect a strategic shift in the Company's positioning as well as its sales and marketing efforts to include content marketing and demand generation programs under the tag line: "Video Production Simplified".

The Company also expanded its Google partner program, launched in the second quarter, to include the roll out of Video Ad Incentives including preferred pricing and volume discounts to more than five thousand Google Partners across North America. In addition, the Company expanded its marketing platform integrations to include the Salesforce marketing cloud.

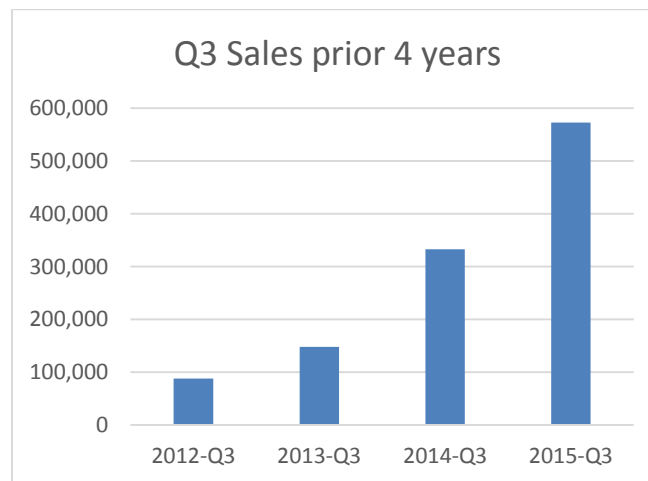
Also during the quarter, VidWrx strengthened its Sales and Business Development Teams with the hire of Jen Foley as Director of Business Development & Strategic Partnerships. Ms. Foley brings more than ten

years' experience in digital media sales for companies such as News International, AOL (NYSE:AOL) and TubeMogul (NASDAQ:TUBE) managing relationships across large advertising agencies.

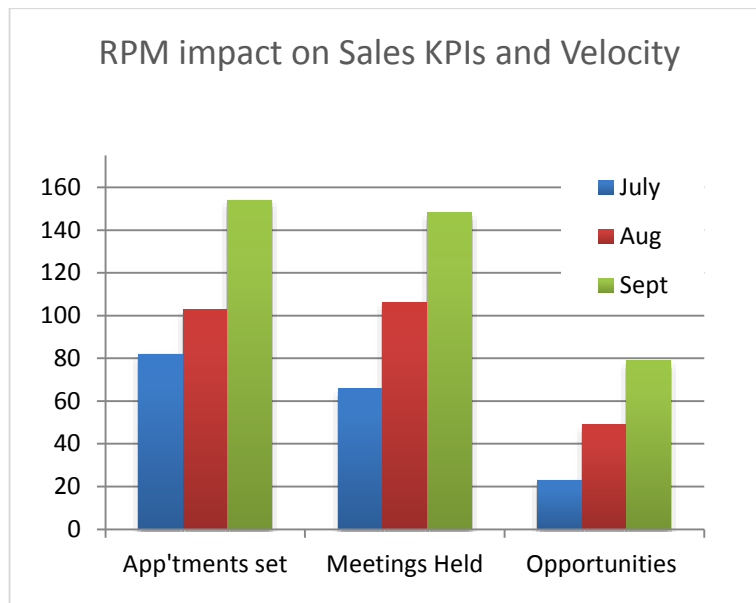
Sales

The period ending September 30, 2015, traditionally a seasonally slow quarter, saw record sales bookings of \$572,843 and demonstrated continued strength in existing repeat sales and an increase in new agencies acquired during the quarter. New client bookings grew by 12% over the prior quarter and 42% over the year-ago quarter.

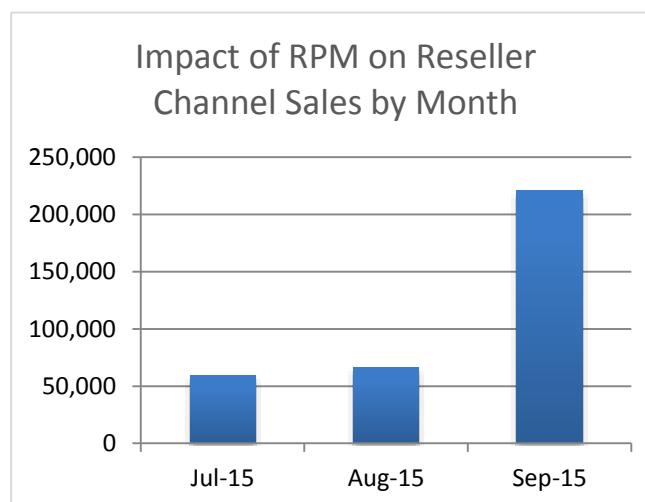
This growth is due largely to the development and implementation of a Revenue Performance Management System (RPM) launched late in the second quarter. In July, VidWrx began a significant ramp up of its outbound sales model through leveraging the RPM program. RPM is enabled by advanced CRM platforms and sophisticated sales development prospecting and automation platforms and is designed to optimize the sales cycle and accelerate predictable revenue growth.



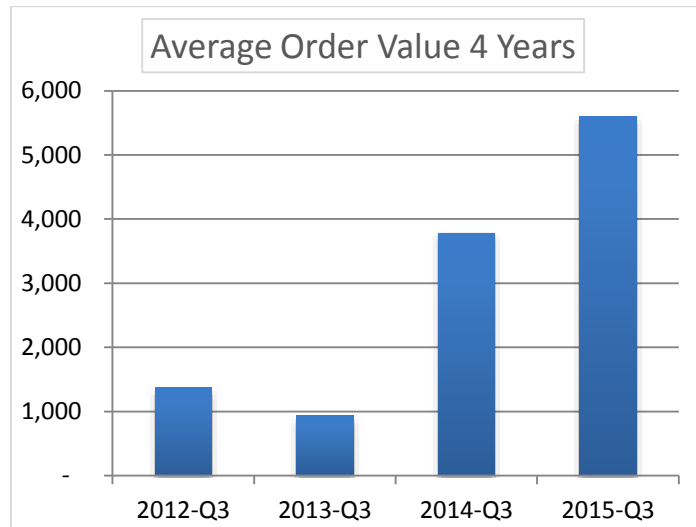
The RPM system, launched in its first phase, is focused solely on outbound sales lead and pipeline management for the Agency Channel. By establishing a lead nurturing process, identifying the buyer's journey and integrating web and sales content, the engine has delivered transparency and management of opportunity development, measured by three key performance indicators: (i) Appointments (ii) Meetings Held, and (iii) Opportunities. These three indicators grew between 37% and 85% month over month and represent a future pipeline value of \$1M.



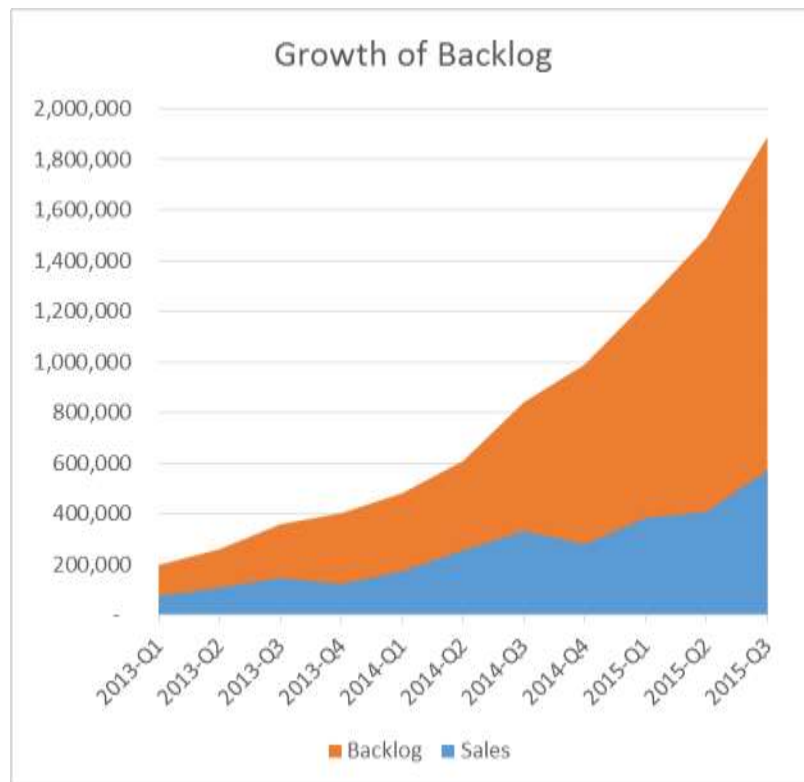
Initially targeting the Agency Channel, the RPM revenue engine and sales process optimization has created significant momentum, producing sales of \$350,793 - a gain of 29% over the prior quarter and 28% over the year-ago quarter, further building on quarterly growth of 31% in the prior quarter. In addition, the Company saw an increase in bookings with new Agency Partners of 12% over the prior quarter, and 42% over the year-ago quarter. For the eighth straight quarter, this Channel saw growth in the average sales order value, now \$6,730, up 9% over Q2 2015 and 62% over the year-ago quarter.



The Corporate channel also experienced significant growth, achieving \$192,559 in sales, an increase of 41% over the prior quarter and 224% over the year ago quarter. The average per-order value in this channel grew to 18% over last quarter and 36% over the year-ago quarter, reaching an average of \$4,653 per video. This is due to the continued focus on higher value existing customer relationships, and the shift to larger order sizes.



Also in the quarter, Backlog reached another record growing by 27% in the quarter to \$1.89M, an increase of 124% over the year-ago quarter. 1% of old backlog was written off in the quarter. Backlog is defined as the value of videos sold to date but still to be completed.



OUTLOOK

The three months ending September 30, 2015 ushered in the launch of the Company's new name and rebrand, the introduction of the Google Partners video incentives, and the acceleration of the sophisticated RPM sales strategy with continued focus on sales efforts with higher value resellers and direct corporate accounts.

The Company exited the quarter with significant velocity and saw substantial growth in the sales pipeline as a direct result of its Revenue Performance Management System. With the three key performance indicators of this new revenue engine growing between 37% and 85% month over month during the quarter. It is anticipated that this momentum will continue to accelerate and help to deliver another record quarter and fiscal year end.

During the fourth quarter the Company intends to optimize rate of growth and further refine the RPM system. With strategic and operational focus on the implementation and optimization of the RPM system the Company will continue to invest in the ongoing growth of its revenue engine. VidWrx expects sales to increase from a projected \$1.8mm in 2015 to an estimated \$10mm plus in 2016 as a result.

Further, the Company will begin to focus on the second phase of the Revenue Performance Model: Demand Generation and Lead Management. Through automation of inbound demand creation, nurturing, and qualification; the Company will refine and increase its level of sophistication in segmenting, attracting, and engaging buyers based on their behavior and interests.

By the fiscal year end, VidWrx anticipates its marketing automation systems will further qualify and accelerate the rate at which leads convert to opportunities ultimately driving record sales and revenue well into the new year.

HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

SUBSEQUENT EVENTS

- a) Private placements
In October of 2015, the Company extended its private placement to include sale of an additional \$120,000 worth of Units. Each of the 1,200,000 Units sold converts into one common share and one warrant, with each warrant convertible for 4 years at an exercise price of \$0.145 per common share.
- b) Option Grants & Amendments
In July, 2015, the Company issued 305,000 options to consultants and employees. All are priced at \$0.15/share and will vest over the next 8 quarters.
- c) Conversion of convertible debentures
In October 2015, \$233,296.18 of non-bifurcated convertible debentures were converted into 1,166,480 common shares.
- d) New Director
In October 2015, the Company announced the appointment of Goodwin Gibson to the Board of Directors. At the same time, it announced the resignation of Ash Katey from the Board.

SELECTED FINANCIAL INFORMATION

Selected quarterly results

The following is a selected summary of quarterly results for the eight most recently completed quarters to March 31, 2015. The following information was prepared in accordance with international Financial Reporting Standards. All amounts are shown in Canadian Dollars.

	2015			2014				2013
In Canadian Dollars (\$)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	156,752	139,101	124,816	85,780	78,013	113,751	91,209	77,579
Employment expenses	961,350	722,163	655,174	631,595	744,069	791,966	584,695	820,787
Operating expenses	708,357	1,072,942	380,587	271,429	302,785	483,738	388,276	386,044
Non-operating expenses	92,676	111,415	108,383	373,794	97,655	47,786	50,156	73,589
Comprehensive Loss for the Period	1,605,631	1,767,419	1,019,329	1,191,038	1,066,496	1,209,740	931,917	1,202,929
Loss per share (basic and diluted)	(0.03)	(0.04)	(0.02)	(0.02)	(0.03)	(0.04)	(0.03)	(0.07)
Total Assets	1,191,952	864,584	752,786	432,648	628,208	586,046	909,085	658,460
Long term financial liabilities	153,704	808,097	1,401,131	563,508	549,651	-	-	-
Cash dividends per share	-	-	-	-	-	-	-	-

Performance Summary

Revenue

Revenues increased in the month ended September 30, 2015 to \$156,752 as compared to the prior quarter, which had revenues of \$139,101. The dollar value of the underlying orders also increased over the same period, from \$408,938 to \$572,843. As the Company recognizes revenue upon completion of video projects, there will be a noticeable lag between the ordering of videos and the recognition of video revenue until VidWrx establishes a significantly larger reseller base¹.

In accordance with IFRS, revenue is not recognized until the Company has met all of its obligations in providing the final version of the video, payment of the final receivable is likely, the final price is fixed, and the benefits and costs of ownership are ready to be passed to the client. At the time of final delivery, there is no further responsibility on the part of the Company (no warranty or other guarantee).

While the Company is able to deliver a product within five to ten days from the date of order, reseller- and client-imposed delays often result in a significant lag between the original placement of an order and the delivery of the final video to the partner.

¹ The Company delivers a single product, a video, customized to meet the needs of the end client, at the end of the production process. The product is sold through a reseller; the reseller's client is the Company's "end-client". There are times where the Company will also provide an extended license, which provides the licensee with exclusive rights to the usage of the video. The extended licenses are provided to the Company's client who then resells it to the end-client. With this extended license, neither the Company nor its resellers may use, resell, display, or in any other way commercially utilize the final video, nor any interviews which result from the filming of the video, without the written permission of the license holder, for the duration of the license term.

Factors that drive delays include:

- i. A reseller's ability to purchase videos from VidWrx is in part dictated by its own ability to confirm a video purchase and the associated pricing with its own clients. There is often lag, from a few days to several months, between the time of the order and the delivery of the video. Reasons for these delays include: the reseller's inability to sell video, the end-client's misunderstanding of what is to be provided, the end-client's hesitancy to appear on camera, and other business and personal reasons.
- ii. Once a video is booked for shooting, factors outside of the Company and its resellers' control can result in delays. Common factors include weather (for an outdoor shoot), and a change in the availability of the subjects of the interview.
- iii. After a video is shot, it must be edited. End-client feedback is a critical part of this process, and there are frequent delays in the end-client's availability. However, on the whole, the VidWrx is experiencing faster turnaround times with repeat resale partners as these resellers become more comfortable with the Company's streamlined process.

Direct Production Costs

This category includes the costs related to third party videographers, editors, and producers who are hired on a piece-work basis to create the videos sold by the Company. Direct production costs increased for the three months ended September 30, 2015 to \$48,221 from \$46,548 in the prior quarter. This growth of 3% is slower than the related 13% growth in revenue, as the Company continues to search for ways to control costs on a per-project basis.

Compared to the same quarter in 2014, the company's costs (Q3 2014: \$29,388) have only increased 64% while revenues (Q3 2014: \$78,013) have increased 101%.

Employment Costs

Employment costs include all costs related to hiring, training, and employing staff, including salaries, contractor costs, benefits, payroll taxes, recruiting fees and ongoing staff development. Where related parties are also staff members, their costs are captured in this section.

Employment costs increased by 31% to \$961,350 for the three months ended September 30, 2015, as compared to \$722,163 in the prior quarter. The growth is primarily due the issuance and repricing of options in the period, and to a lesser extent, to the initial hiring of sales and marketing staff for the implementation the RPM sales strategy. Employment costs increased compared to the same quarter of 2014 (\$744,069). While staffing costs were higher in the year-ago quarter, the Company had more consulting expenses (primarily sales and marketing related) and options expenses in the 2015 quarter.

Office Costs

Office costs decreased slightly to \$96,479 in the three months ended September 30, 2015, from \$113,285 in the prior quarter and increased from \$56,326 in the third quarter of 2014. The increase from the year-ago period was due refurbishing of computer equipment and filing fees related to capital activity in the quarter.

Travel and Meals

These costs are primarily related to fund-raising efforts, and the decreased fund-raising activity resulted in a decrease in related costs, from \$65,115 in the second quarter of 2015 to \$40,748 in the second quarter of 2015. This was a slight increase from the \$34,985 in travel costs experienced in the third quarter of 2014.

Technology Services

Costs increased from \$42,026 in the three months ended June 30, 2015 to \$53,581 in the three months ended September 30, 2015 as the Company continued investing in new sales technologies. These costs are likely to continue to grow modestly as the Company continues to leverage these technologies.

Consultants and Professional Fees

Fund-raising efforts reduced to a more-moderate pace in the third quarter, as compared to the three months ended June 30, 2015, leading to a significant decrease in Consultants and Professional Fees, spending \$377,416 in the period, as compared to \$535,757 in the second quarter of 2015. This amount is higher than the \$107,531 recorded in the third quarter of 2014, as there was a lot of work done in the 2015 quarter to convert debt into equity, resulting in significant related legal fees and some accounting costs for inducements to convert.

Marketing and Communications

These costs reduced from \$268,023 in the second quarter of 2015 to \$85,263 in the third quarter of 2015 as the Company completed the initial work with a marketing firm to support its new RPM sales methodology. This amount is up from the \$54,000 used in the third quarter of 2014, as the company is beginning to test new avenues for marketing its products.

Net Income

For the three months ended September 30, 2015, the Company has incurred a loss of \$1,605,631, or \$0.03 per share compared with a loss of \$1,787,106, or \$0.04 per share for the three months ended June 30, 2015, and a loss of 1,066,496, or 0.03/share in the three months ended September 30, 2014. This loss results from continuing product development and early market-penetration efforts, along with an investment in infrastructure for fundraising through the issuance of an AIF and a Prospectus. This is consistent with the Company's business plan.

Results of operations

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
<i>In Canadian Dollars (\$)</i>				
Revenue	156,752	78,013	420,669	282,973
<i>Operating Expenses</i>				
Direct production costs	48,221	29,388	138,066	110,606
Employment costs	961,350	744,069	2,380,204	2,120,730
Office costs	96,479	56,326	273,787	196,683
Travel & meals	40,748	34,985	130,904	78,353
Technology services	53,581	21,421	123,898	66,708
Consultants & professional fees	377,416	107,531	1,107,266	541,622
Marketing & communications	85,263	54,000	374,242	185,875

Foreign exchange (gain)/loss	6,650	(866)	13,646	(6,070)
Depreciation and amortization	-	-	-	1,087
Total operating expenses	1,669,708	1,046,854	4,542,013	3,295,593
Loss before other items and income fee	(1,512,956)	(968,841)	(4,121,344)	(3,012,621)

Summary of Financial Information

The following table sets forth a summary of its results of operations for the quarters ended September 30, 2013, September 30, 2014, and September 30, 2015.

In Canadian Dollars (\$)	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Quarter ended September 30, 2013
Total Revenues	156,752	78,013	49,567
Employment expenses	961,350	744,069	926,079
Other operating expenses	708,357	302,785	545,915
Non-operating expenses	92,676	97,655	68,182
Comprehensive Loss for the Period	1,605,631	1,066,496	1,490,608
Loss per share (basic and diluted) ¹	(0.03)	(0.03)	(0.16)
Total Assets	1,191,952	638,782	534,864
Long term financial liabilities	153,703	549,651	627,863
Cash dividends per share	-	-	-

Note:

The above information was prepared using International Financial Reporting Standards ("IFRS"). All amounts shown are in Canadian dollars.

(1) Reflects numbers after effecting the 4:1 Share Consolidation effective May 6 2013.

Liquidity and Capital Resources

The Company considers cash and cash equivalents, debt issuances, common shares, stock options and warrants as capital. The Board's goal is to develop and maintain a strong capital base so as to maintain investor, creditor, and market confidence and sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue current and future opportunities in the area of online services.

The Company manages the capital structure and makes adjustments to it in light of the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire, or dispose of assets.

The Company has not changed its approach to capital management during the current period. The Company is not subject to externally imposed capital requirements.

In Canadian Dollars (\$)	As at	
	September 30, 2015	December 31, 2014
Current Assets	955,895	196,591
Current Liabilities	3,559,409	3,554,079
Working Capital/(Deficiency)	(2,603,602)	(3,357,488)

As at September 30, 2015, the Company had a working capital deficiency of \$2,603,602, compared to a capital deficiency of \$3,357,488 as at December 31, 2014. The reduction came from capital raised in the third quarter.

The Company's working capital needs will continue to grow as the Company's operation expands. Management is expected to meet its financial obligations for the foreseeable future through additional private placements and debt financing. Although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

Capital Structure

Long-term debt

In Canadian Dollars (\$)	Principal	Interest	Changes in Valuation	Total
Balance, December 31, 2014	\$1,411,800	\$143,673	\$30,784	\$1,586,257
Issued in period	885,230	-	-	885,230
Converted in period	(936,500)	(82,916)	-	(1,019,416)
Accrued in period (net)	-	175,473	(152,749)	22,724
Balance, September 30, 2015	\$1,360,530	\$236,230	\$(121,965)	\$1,474,795

As of September 30, 2015, the Company has outstanding Long-term debt in the amount of \$1,474,795, of which \$1,321,092 is current. All debentures may be converted at any time at the request of the Debenture holder except for one debenture, currently valued at \$607,208, of which only the interest of \$59,272 is convertible.

Common Shares

As of September 30, 2015, the Company has 77,188,080 issued and outstanding common shares and no preferred shares. On April 25, 2013, the Company consolidated all of its outstanding common shares at a ratio of four old shares to one new share. All options and warrants were also adjusted accordingly based on a ratio of four old options/warrants to one new option/warrant.

Common shares	
Balance, December 31, 2013	27,564,131
Issuance of common stock	14,053,091
Balance, December 31, 2014	41,617,222
Issuance of common stock	35,570,858
Balance, September 30, 2015	77,188,080

Stock Options

The Company approved a stock option plan on November 28, 2012, whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX Venture Exchange).

Options may be granted for a maximum life of five years from the date of grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Vesting terms are determined by the Board when granted. Stock options granted under this stock option plan are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2013	1,393,720	\$ 0.85
Granted	1,047,500	0.28
Cancelled/Forfeited	(230,000)	0.85
Balance, March 31, 2014	2,211,220	\$ 0.58
Repricing of existing \$0.85 options to \$0.50	(1,163,720)	0.85
	1,163,720	0.50
Granted	697,500	0.41
Cancelled/Forfeited	(10,000)	0.35
Balance, June 30, 2014	2,898,720	\$ 0.40
Granted	950,000	0.22
Cancelled/Forfeited	(555,000)	0.30
Balance, September 30, 2014	3,293,720	\$ 0.36
Granted	700,000	0.15
Cancelled/Forfeited	(437,000)	0.27
Balance, December 31, 2014	3,556,720	0.33
Granted	497,500	0.16
Exercised	(3,333)	0.25
Cancelled/Forfeited	-	-
Balance, March 31, 2015	4,050,887	0.35
Granted	830,000	0.25
Exercised	(282,247)	0.17
Cancelled/Forfeited	(769,375)	0.23
Balance, June 30, 2015	3,829,265	0.36
Granted	2,900,000	0.14
Exercised	-	-
Cancelled/Forfeited	(390,000)	0.50
	6,339,265	0.25

Information relating to share options outstanding at September 30, 2015:

Exercise price	Number of Options	Weighted Average remaining life (years)
0.12	1,042,500	2.84
0.14	2,200,000	4.94
0.15	1,401,429	3.83
0.21	50,000	4.46
0.24	100,000	4.56
0.25	1,278,750	3.85
0.40	30,000	4.54
0.43	150,000	3.50
0.85	81,250	2.12
Balance, December 31, 2014	6,339,265	4.05

Share Purchase Warrants

A continuity schedule of common share purchase warrants related to the private placements, is as follows:

	Number of Equivalent Full Warrants	Weighted Average Exercise Price
Balance, December 31, 2013	24,958	\$ 1.92
Expired	(24,958)	1.92
Added	2,928,125	0.24
Balance, December 31, 2014	2,928,125	0.24
Expired	-	-
Exercised	(660,500)	0.24
Issued	16,983,460	0.17
Balance, September, 2015	19,251,085	0.18

Warrants for Services Performed

The Warrant continuity schedule for warrants issued in exchange for services received is as follows.

	Number of Equivalent Full Warrant	Weighted Average Exercise Price
Balance, December 31, 2013	518,408	\$ 0.89
Issued	347,524	0.38
Expired	(77,863)	1.45
Balance, December 31, 2014	788,069	0.61
Issued	1,346,024	0.15
Exercised	(40,000)	(0.20)
Expired	(400,545)	(0.85)
Balance, June 30, 2015	1,693,548	0.20

Subsequent to September 30, 2015, of the remaining warrants, 13,524 will expire in November 2015, 225,750 will expire in February 2016, 76,000 will expire in April 2016, 32,250 will expire in October 2016, 266,624 will expire in March 2017, 12,000 will expire in April 2017, 206,400 will expire in May 2017, 45,000 will expire in June 2017, 456,000 will expire in July 2017 and 360,000 will expire in September 2019.

Warrants Issued as part of Convertible Debt

In 2008 and 2010, warrants were also issued in conjunction with convertible debentures. All of the proceeds received were allocated to the debentures and none to the warrants. A continuity schedule of these warrants is as follows.

	Number of Equivalent Full Warrants	Weighted Average Exercise Price
Balance, December 31, 2013	63,500	\$ 0.80
Expired	-	-
Balance, December 31, 2014	63,500	0.80
Expired	(63,500)	0.80
Balance, June 30, 2015	-	-

Warrants issued upon automatic conversion of convertible debentures upon IPO

In June of 2013, the Company completed an Initial Public Offering for its shares. This IPO triggered an automatic conversion clause for most of the Company's convertible debentures, leading to the issuance of the following warrants:

	Number of Equivalent Full Warrants	Weighted Average Exercise Price
Balance, December 31, 2013	2,434,739	\$ 1.77
Expired	(47,997)	(1.00)
Balance, December 31, 2014	2,386,742	1.79
Expired	(2,386,742)	(1.79)
Balance, June 30, 2015	-	-

Warrants issued upon conversion of convertible debentures

In the period April 1, 2015 to June 30, 2015, certain debentureholders converted their debentures into Units (see note 7 a & c), each unit comprised of one common share and one-half purchase warrant, leading to the issuance of the following warrants:

	Number of Equivalent Full Warrants	Weighted Average Exercise Price
Balance, December 31, 2014	-	-
Issued	2,487,483	0.21
Balance, June 30, 2015	2,487,483	0.21

Of these warrants, 804,339 will expire in April of 2017, and 662,394 will expire in June of 2017.

Warrants issued as payment for debt

In April of 2015, the Company settled certain debts with the issuance of Units, each Unit comprising one share and one-half share purchase warrant, resulting in the issuance of the following warrants:

	Number of Equivalent Full Warrants	Weighted Average Exercise Price
Balance, December 31, 2014	-	-
Issued	217,964	0.25
Balance, June 30, 2015	217,964	0.25

Off-Balance Sheet Arrangements

As of June 30, 2015, the Company had no off-balance sheet arrangements, other than the commitments as described in Note 13 of the Financial Statements for the year ended December 31, 2014 and 2013.

Related Party Transactions

Related parties include the directors and officers of the Company, a company under common control and a company controlled by a director. Unless otherwise stated, amounts owing to related parties are unsecured, non-interest bearing and without specific terms of repayment.

Amounts incurred with related parties are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Management and director fees	\$ 179,767	211,113	\$ 593,776	490,053
Other compensation	14,136	11,592	43,136	251,843
Interest ¹	246	-	717	153,295
	\$ 194,149	\$ 222,705	\$ 637,629	\$ 1,041,804

Included in accounts payable and accrued liabilities at June 30, 2015 is \$121,028 (December 31, 2014: \$52,151) owing to directors and officers of the Company for unpaid management and accounting fees.

One director controls an entity which purchased a debenture worth \$7,500, and has accrued \$614 in interest as at June 30, 2015.

Key management personnel are persons responsible for planning directing and controlling the activities of an entity and include executive and non-executive directors. Key management personnel compensation comprised the following amounts:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Executive salaries and shorter term benefits	\$ 193,903	\$ 222,705	\$ 636,912	\$ 664,739
Share based compensation	222,722	66,252	289,374	196,359
Total key management personnel compensation	\$ 402,489	\$ 288,956	\$ 926,286	\$ 861,098

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates and judgments are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates and judgments made by the Company that have the most significant risk of causing material misstatement to the carrying amounts of assets and liabilities are discussed below.

a) Convertible debentures

The Company has reviewed all of its notes payable with conversion features to determine whether or not the conversion feature is an equity component or whether the conversion feature is considered to be an embedded derivative. The conversion feature has been identified as equity for those agreements where the value per share is fixed and the number of Class A common shares to be issued varies only with the amount of debt outstanding at

date of conversion. Where the value per share varies based on a future undefined price the conversion feature had been identified as an embedded derivative.

Where the conversion feature had been identified as equity the amount of the note payable received was bifurcated into a debt component based on a market rate of return with the residual allocated to the equity component. Management estimated the debt component by determining the estimated timing of future debt and interest payments pursuant to the terms of the debt agreement and a discount rate equal to the estimated rate of return for a similar debt instrument but having no conversion features. The amount allocated to the debt and equity components would vary with changes in the estimated cash flows and the discount rate.

Where the conversion feature had been identified as an embedded derivative, the instrument, on inception, could either be valued as two separate components, with a determination first being made to the fair value of the derivative, with the residual allocated to the debt component or as a single instrument at its estimated fair value. For these debt instruments management has chosen to record and value as a single instrument. Management had determined for valuation purposes that until such time as the probability of conversion, either through the Company's IPO or other triggering event, could be determined with a high degree of certainty, the fair value of the instrument would be the same as an instrument where the conversion ratio remains fixed. Until that event occurred the fair value of the instrument at inception was deemed to be equal to the proceeds received and thereafter at its amortized cost pursuant to the interest rates and maturity dates stated in the individual debt agreements. Management had determined that sufficient certainty for valuation purposes was not present until the triggering event, which for most such instruments was the IPO, occurred.

b) Intangible Asset

The Company makes estimates related to the recovery of deferred development costs based on the expectation and assumption of realizing revenues from future commercial agreements that it anticipates will develop with companies for whom these projects have been undertaken. Changes in these expectations and assumptions could result in a change in the recoverable amount calculated.

c) Going Concern

As discussed in Note 2, these financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

d) Share Based Payments

Share based payments comprises compensation expense related to the granting of stock options. The Company values stock options using a fair value-based method of accounting. The fair value of stock options is estimated at the grant or issue date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of a number of assumptions, including expected dividend yield, expected stock price volatility, life of the options, forfeiture rate, and risk-free interest rates.

These assumptions are determined using management's best estimates and involve inherent uncertainties relating to market conditions, forfeitures and exercise which are outside of the control of the Company. Such assumptions are reviewed quarterly and have a significant impact on the estimates of fair value produced by the Black-Scholes option pricing model.

e) Deferred Taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible

temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

Recent accounting pronouncements

A number of new IFRS standards, amendments to standards and interpretations came into effect January 1, 2013, and have been applied in preparing the condensed consolidated interim financial statements. None of these pronouncements are expected to have a significant effect on the consolidated financial statements, other than what is stated below.

- Certain new standards, interpretations and amendments to existing standards have been issued by IASB or IFRIC that have been adopted beginning January 1, 2013. None of these pronouncements had a significant effect on the consolidated financial statements, other than what is stated below. IFRS 10 Consolidated Financial Statements: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. This change was adopted with no effect.
- IFRS 11 Joint Arrangements: IFRS 11 establishes principles to determine the type of joint arrangement, which are classified as either joint operations or joint ventures, and provides guidance for financial reporting. The adoption of IFRS 11 did not have an impact on the Company as the Company does not have any joint arrangements.
- IFRS 12 Disclosure of Interest in Other Entities: IFRS 12 requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement. Expanded disclosure requirements include the significant judgements and assumptions an entity has made in determining whether it has control, joint control or significant influence over another entity; the nature and extent of, and changes in, the risks associated with the entity's interests in both its consolidated and unconsolidated structured entities. This change was adopted with no effect.
- IFRS 13 Fair Value Measurement: IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This change was adopted with no effect.
- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.
- IFRS 9 Financial Instruments: IFRS 9 is part of the IASB's wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on its financial position.