



# **SARATOGA ELECTRONIC SOLUTIONS INC.**

## **Management's Discussion and Analysis**

**For the Six-month Period Ended September 30, 2013**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management's Discussion and Analysis of Saratoga Electronic Solutions Inc. ("Saratoga" or the "Company") was prepared in accordance with Regulation 51-102 "Respecting Continuous Disclosure Obligations" and should be read in conjunction with the unaudited and unreviewed by the Company's auditors condensed consolidated interim financial statements and related notes thereto of the Company for the six-month periods ended September 30, 2013 and 2012. The Company files its condensed consolidated interim financial statements, press releases and other required disclosure documents on the SEDAR database at [www.sedar.com](http://www.sedar.com).

The Company prepares its unaudited and unreviewed by the Company's auditor's condensed consolidated interim financial statements on the basis of International Financial Reporting Standards ("IFRS"). Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars.

This MD&A may contain information and declarations on the future performance of the Company that are by nature forward looking. These declarations reflect management's expectations regarding future events based on assumptions and uncertainties that are subject to the risk factors identified in the "Risks and Uncertainties" section of this MD&A. Readers are hereby cautioned.

The condensed consolidated interim financial statements and MD&A of the Company in respect of the six-month periods ended September 30, 2013 and 2012 were reviewed by the Audit Committee and approved by the Board of Directors of the Company on November 26, 2013.

### **OVERVIEW**

The Company is incorporated under the *Canada Business Corporations Act* and is listed on the TSX Venture Exchange under the symbol "SAR". The Company is headquartered in Montreal, Quebec, Canada.

#### **Business Overview**

The Company as at and for the six-month periods ended September 30, 2013 and 2012 comprise the Company and its subsidiary 9261-5277 Québec Inc. (together referred to as the "Group" and individually as "Group entities").

The Company, through its subsidiary 9261-5277 Québec Inc., is in the business of office space leasing, which the Company derives rental income.

The address of the registered office is 2975 Hochelaga, Montreal, QC, H1W 1G1.

All of the Company's business units operated solely in Canada. The accounting policies used to prepare the information by business unit is the same as those used to prepare the unaudited and unreviewed by the auditors condensed consolidated interim financial statements of the Company.

### **Going concern**

These condensed consolidated interim financial statements have been prepared on the going concern basis, which presumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Group has incurred substantial recurring losses to date and has an accumulated deficit of \$1,946,563 at September 30, 2013. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Group's ability to continue as a going concern is dependent upon its ability to raise additional capital and find new investing opportunities. There is no assurance that the Group will be able to materialize its plan.

The condensed consolidated interim financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Group be unable to achieve its plan to find new investing opportunities given that the majority shareholder of the Company has attested to provide all funding necessary for the Company to continue as a going concern. If the going concern assumption were not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the condensed consolidated interim statements of financial position classifications used. The impact on the condensed consolidated interim financial statements could be material.

## Quarterly results

Quarter	Revenues	Net income (loss)	Net earnings (loss) per share - basic and diluted
	\$	\$	\$
<i>Year ended March 31, 2014</i>			
Second Quarter	4,767	(47,844)	(0.00259)
First Quarter	4,767	(63,938)	(0.00346)
<i>Year ended March 31, 2013</i>			
Fourth Quarter	5,767	(71,099)	(0.00385)
Third Quarter	7,937	323,089	0.01750
Second Quarter	14,277	(556)	(0.00003)
First Quarter	14,278	(106,480)	(0.00577)
<i>Year ended March 31, 2012</i>			
Fourth Quarter	968,090	3,949,729	0.21395
Third Quarter	8,898,342	(684,475)	(0.03708)

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's condensed consolidated interim financial statements for the six-month periods ended September 30, 2013, 2012 and 2011.

	Three-month period			Six-month period		
	September 30, 2013 (unaudited)	September 30, 2012 (unaudited)	September 30, 2011 (unaudited)	September 30, 2013 (unaudited)	September 30, 2012 (unaudited)	September 30, 2011 (unaudited)
	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)
Total assets	1,273,265	1,441,106	6,510,445	1,273,265	1,441,106	6,510,412
Bank loans	-	-	1,476,545	-	-	1,476,545
Long-term debt	-	-	629,775	-	-	629,775
Revenue	4,767	14,277	14,277	9,535	28,555	28,555

	Three-month period			Six-month period		
	September 30, 2013 (unaudited)	September 30, 2012 (unaudited)	September 30, 2011 (unaudited)	September 30, 2013 (unaudited)	September 30, 2012 (unaudited)	September 30, 2011 (unaudited)
	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)	\$ (except for share information)
Operating income (loss) before finance expenses and income taxes	(47,484)	418	(62,821)	(109,981)	(104,000)	(124,198)
Net finance expense	360	974	20,939	1,801	3,036	48,222
Loss before income taxes	(47,844)	(556)	(83,760)	(111,782)	(107,036)	(172,420)
Income (recovery) taxes expense	-	-	7,401	-	-	(16,762)
Net income (loss) from continuing activities	(47,844)	(556)	(91,161)	(111,782)	(107,036)	(155,658)
Net income (loss) from discontinued activities	-	-	135,102	-	-	318,188
Comprehensive income (loss)	(47,844)	(556)	43,941	(111,782)	(107,036)	162,530
Earnings (loss) per share basic	(0.00259)	(0.00003)	0.00238	(0.00605)	(0.00580)	0.00880
Earnings (loss) per share diluted	(0.00259)	(0.00003)	0.00237	(0.00605)	(0.00580)	0.00876
Weighted average number of common shares outstanding						
Basic	18,461,300	18,461,300	18,461,300	18,461,300	18,461,300	18,461,300
Diluted	18,461,300	18,461,300	18,551,300	18,461,300	18,461,300	18,551,300

## Results of operations

### Revenues

Revenues for the three-month period ended September 30, 2013 are \$4,767 compared to the three-month period ended September 30, 2012 of \$14,277, a year over year decrease of \$9,510 (66.61%). These rental revenues decreases are explained by the departure of Saratoga Blindé Inc., as per sale agreement of the ATM business.

Revenues for the six-month period ended September 30, 2013 are \$9,535 compared to the six-month period ended September 30, 2012 of \$28,555, a year over year decrease of \$19,020 (66.61%). These rental revenues decreases are explained by the departure of Saratoga Blindé Inc., as per sale agreement of the ATM business.

## **Administrative expenses**

Administrative expenses for the three-month period ended September 30, 2013 were \$46,900, compared to \$146,741 for the three-month period ended September 30, 2012. Administrative expenses decreased year-over-year by \$99,841 (68.04%). This year-over-year decrease of \$99,841 is explained by a decrease in closing expenses of the sale of the assets ATM business of \$4,576 (100.00%), in insurance of \$957 (39.84%), in professional fees of \$63,836 (68.17%), in office salaries and benefits of \$28,121 (92.69%), in utilities of \$2,333 (46.31%) and in other administration expenses of \$18 (0.01%). The Company is reducing administrative expenses to reflect the downsizing of the Company's activities.

Administrative expenses for the six-month period ended September 30, 2013 were \$104,576, compared to \$259,576 for the six-month period ended September 30, 2012. Administrative expenses decreased year-over-year by \$155,201 (59.74%). This year-over-year decrease of \$155,201 is explained by a decrease in closing expenses of the sale of the assets ATM business of \$11,371 (100.00%), in insurance of \$4,823 (55.51%), in professional fees of \$70,957 (50.96%), in office salaries and benefits of \$58,542 (90.79%), in utilities of \$8,109 (56.51%) and in other administration expenses of \$1,399 (0.90%). The Company is reducing administrative expenses to reflect the downsizing of the Company's activities.

## **Depreciation of property, equipment**

Depreciation of property, equipment for the three-month period ended September 30, 2013 decreased to \$8,959 from \$9,601 for the three-month period ended September 30, 2012, representing a year-over-year decrease of \$642 (6.69%). The amount of \$8,959 of depreciation is the aggregate of the 2975 Hochelaga, Montreal building in the amount of \$8,638 (2012 - \$9,189) and of \$321 (2012 - \$412) in other fixed assets.

Depreciation of property, equipment for the six-month period ended September 30, 2013 decreased to \$17,918 from \$19,203 for the six-month period ended September 30, 2012, representing a year-over-year decrease of \$1,285 (6.69%). The amount of \$17,918 of depreciation is the aggregate of the 2975 Hochelaga, Montreal building in the amount of \$17,276 (2012 - \$18,379) and of \$642 (2012 - \$824) in other fixed assets.

## **Money remittance costs**

Money remittance costs recovery of \$3,608 for the three-month period ended September 30, 2013, compared to money remittance costs recovery of \$2,150 for the three-month period ended September 30, 2012, representing a year-over-year increase in costs recovery of \$1,458 (67.81%).

Money remittance costs recovery of \$2,978 for the six-month period ended September 30, 2013, compared to money remittance costs recovery of \$6,132 for the six-month period ended September 30, 2012, representing a year-over-year decrease in costs recovery of \$3,154 (51.44%).

### **Strategic revision process costs**

Strategic revision process costs recovery reported from continuing operations for the six-month period ended September 30, 2013 of nil, compared to \$140,293 strategic revision process costs recovery for the six-month period ended September 30, 2012, representing a year-over-year costs recovery decrease of \$140,293 (100.00%). The strategic revision costs for the completed sale of the assets of the ATM business were reduced by a recovery of \$140,293 through negotiations with lawyers and finder's fee consultant.

### **Finance costs**

Finance costs for six-month period ended September 30, 2013 decreased to \$1,801 from \$3,036 for the six-month period ended September 30, 2012, representing a year-over-year decrease of \$1,235 (40.68%).

### **Total comprehensive income**

The Company realized a net loss for the three-month period ended September 30, 2013 of \$47,844, compared to a net loss for the three-month period ended September 30, 2012 of \$556, representing an increase in net loss of \$47,288 (8,505.04%).

The Company realized a net loss for the six-month period ended September 30, 2013 of \$111,782, compared to a net loss for the six-month period ended September 30, 2012 of \$107,036, representing an increase in net loss of \$4,746 (4.43%).

### **Earnings per share**

The loss per share - basic and diluted for the three-month period ended September 30, 2013 was \$0.00259, compared to a loss per share - basic and diluted of \$0.00003 for the three-month period ended September 30, 2012, respectively, calculated on a basic and diluted weighted average number of 18,461,300 outstanding common shares at September 30, 2013 and September 30, 2012.

The loss per share - basic and diluted for the six-month period ended September 30, 2013 was \$0.00605, compared to a loss per share - basic and diluted of \$0.00580 for the six-month period ended September 30, 2012, respectively, calculated on a basic and diluted weighted average number of 18,461,300 outstanding common shares at September 30, 2013 and September 30, 2012.

## CHANGE IN FINANCIAL POSITION

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's condensed consolidated interim financial statements for the six and three-month periods ended September 30, 2013 and 2012.

	For the three-month period ended		For the six-month period ended	
	September 30, 2013 (unaudited)	September 30, 2012 (unaudited)	September 30, 2013 (unaudited)	September 30, 2012 (unaudited)
	\$	\$	\$	\$
Cash flow used in operating activities of continuing operations	(77,526)	(71,328)	(146,142)	(109,666)
Cash flow from (used in) investing from continuing activities	-	-	-	-
Cash flow (used in) from financing continuing activities	-	-	-	(630,955)
Net decrease in cash and cash equivalents	(77,526)	(71,328)	(146,142)	(740,621)

### Operating activities

Cash flows used in operating activities were \$77,526 for the three-month period ended September 30, 2013, compared to cash flows used of \$71,328 for the three-month period ended September 30, 2012. The increase of \$6,198 (8.69%) in cash flows used from operating activities is primarily attributable to an increase generated loss of \$47,288 (8,505.04%), to a decrease in generated cash flow from items not involving cash of \$643 (6.70%) and a decrease in used non-cash working capital items of \$41,733 (51.92%).

Cash flows used in operating activities were \$146,142 for the six-month period ended September 30, 2013, compared to cash flows used of \$109,666 for the six-month period ended September 30, 2012. The increase of \$36,476 (33.26%) in cash flows used from operating activities is primarily attributable to an increase generated loss of \$4,746 (4.43%), to a decrease in generated cash flow from items not involving cash of \$1,285 (6.69%) and an increase in used non-cash working capital items of \$30,445 (139.44%).

### Financing activities

Cash flows used in financing activities were nil for the six-month period ended September 30, 2013, compared to cash flows used in financing activities \$630,955 for the six-month period ended September 30, 2012. This decrease of \$630,955 (100.00%) in



used financing activities is mainly explained by a decrease in bank indebtedness of \$40,955 (100.00%) and in repayment of short-term loans of \$590,000 (100.00%).

### **Consolidated statements of financial position**

The total assets of the Company amounted to \$1,273,265 as at September 30, 2013, compared to \$1,422,208 as at March 31, 2013, representing a decrease of \$4,915 (0.35%). This decrease of \$4,915 is mainly explained by the increase in trade receivable of \$3,033 (36.34%), in trade receivable from related parties of \$12,967 (35.49%), offset by a decrease in cash of \$144,028 (100.00%), in prepaid expenses of \$2,997 (20.67%) and in property and equipment of \$17,918 (1.53%).

The Company's current liabilities decreased by \$37,161 (27.42%) as at September 30, 2013 to \$98,375, compared to \$135,536 as at March 31, 2012.

### **Equity attributable to Shareholders'**

Equity attributable to shareholders' decreased to \$29,890 as at September 30, 2013, from an equity attributable to shareholders' of \$141,672 as at March 31, 2013, representing a decrease in equity attributable to shareholders' of \$111,782 (78.90%).

### **Issued and outstanding share capital**

As of November 26, 2013, the Company has a weighted average of 18,461,300 issued and outstanding voting participating common shares.

Furthermore, the Company had previously granted stock options under the Company's share compensation plan to the Company's officers, directors and employees. There are no exercisable stock options outstanding as of November 26, 2013.

The Company has two series of preferred shares and is authorized to issue an unlimited number of these shares.

As of November 26, 2013, the Company has not issued any preferred shares.

## **RELATED PARTY TRANSACTIONS**

The Company has entered into the following transactions with related parties:

### ***Companies with common directors***

The Company leases office space to Saratoga Multi-Média Inc., a company related to the Company's principal shareholder and Chief Executive Officer Georges Durst, pursuant to

a ten year lease. During the six-month period ended September 30, 2013, the Company realized rental income of \$4,888 (2012 - \$4,888) from such lease, and, as at September 30, 2013, the Company had a related account receivable of \$21,525 (2012 - \$10,286).

The Company leases office space to Maison du Jazz Inc., a company related to the Company's principal shareholder and Chief Executive Officer Georges Durst, pursuant to a ten year lease. During the six-month period ended September 30, 2013, the Company realized rental income of \$4,647 (2012 - \$4,647) from this lease, and, as at September 30, 2013, the Company had a related account receivable of \$25,970 (2012 - \$15,284).

### ***Directors***

The Company received professional services from the law firm of Seal Seidman S.E.N.C., a firm of which Donald Seal, a director of the Company, is a partner, resulting in accounts payable and accrued liabilities in the amount of \$15,594 as at September 30, 2013 (2012 - \$2,391), and professional fees in the amount of \$12,000 for the six-month period ended September 30, 2013 (2012 - \$12,000).

### ***Compensation costs to key management personnel***

During the six-month period ended September 30, 2013, the Company paid director's fees in the amount of \$1,500 (2012 - \$2,500).

The Company paid key management compensation in the amount of \$4,436 for the six-month period ended September 30, 2013 (2012 - \$55,678) to Georges Durst. These compensations were associated with his role as president and chief executive officer of the Company. Furthermore, an expense for services resulting in accounts payable and accrued liabilities as at September 30, 2013 in the amount of \$1,420 (2012 - \$570) and a receivable of \$2,205 (2012 - Nil).

## **OUTLOOK**

The Company sold its prepaid business entity (Car-Tel) on December 15, 2011 and its ATM business network on March 31, 2012 as part of its strategic review process. The strategic review process will require further Board of Directors decisions for the future outcome of the Company. The Company is seeking the business market for a new opportunity of investment. There is no guarantee that the Company will find or enter in a new investment in the next year. The Company's subsidiary is negotiating and looking forward to close the sale of the Company's head office in the near future. The amount of this sale will be used to redeem the preferred shares in its subsidiary and the residual amount will be injected in the Company's cash flow. Furthermore the Company is negotiating a line of credit with its bankers to maintain its financial obligations. There is no guarantee that the Company will close the sale of its head office or enter in a new line of credit with its bankers.

## **Off Balance Sheet Arrangements**

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

## **Basis of presentation**

The carrying amounts of assets, liabilities, revenues and expenses presented in the audited consolidated financial statements and the statements of financial position classification have not been adjusted as would be required if the going concern assumption was not appropriate.

## **Statement of compliance**

The condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the company and the notes thereto. The condensed consolidated interim financial statements have not been subject of a review or an audit by the company's auditors and have been approved by the Board of directors on November 26, 2013.

## **Basis of measurement**

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

## **Functional and presentation currency**

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

## **Accounting Policies**

These condensed consolidated interim financial statements have been prepared in accordance with IFRS. The Company's IFRS accounting policies presented in note 4 have been applied in preparing the condensed consolidated interim financial statements for the reporting six-month period ended September 30, 2013 and for the comparative information.

## **New standards and interpretations not yet adopted**

The following standards which are relevant but have not been adopted within these consolidated financial statements and may or may not have an effect on the Group's future consolidated financial statements:

- IAS 1 – Presentation of financial statements
- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 12: Disclosure of Interest in Other Entities
- IFRS 13: Fair Value Measurement

More information on the future accounting changes is available in note 4 of the consolidated financial statements at March 31, 2013. The Group has not yet assessed the impact of these standards on its consolidated financial statements or determined whether they will adopt the standards early.

## **Critical accounting estimates, judgements and assumptions**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities at the date of the condensed consolidated interim financial statements and reported amount of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events or actions that are believed to be reasonable under the circumstances. The actual results may differ from these estimates, judgments and assumptions.

The key sources of information about judgments, estimates and assumptions uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated interim financial statements are:

- Trade and other receivables valuation - the recoverability of trade receivables;
- Estimated useful lives – the estimated useful lives of property, equipment and intangible assets and the related depreciation;
- Income taxes valuation – the provision for income tax recovery and the composition of deferred tax assets and liabilities;
- Share-based payments – the inputs used in accounting for share-based payment expense;
- Impairment – the assessment on events or changes in circumstances that indicate that carrying value of property and equipment may not be recoverable; and
- Contingencies – the input used in determining the various contingencies.

## Financial Instruments and other Instruments

Under IFRS, financial instruments are classified into one of the five categories: financial assets at fair value through profit or loss, held to maturity investments, loans and receivables, available-for-sale financial assets and other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

		September 30, 2013	March 31, 2013
		\$	\$
Financial assets at fair value through profit and loss	(1)	50,000	50,000
Loans and receivables	(2)	60,880	188,908
Other financial liabilities	(3)	55,532	92,370

(1) Includes loan receivable from a private company

(2) Includes cash, trade and other receivables, and trade receivables from related parties and funds held in trust.

(3) Includes bank indebtedness, short-term loans, trade and other payables, and trade payable to related parties.

All financial instruments carried at fair value are categorized in three categories, defined below:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2- Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3- Inputs that are not based on observable market data

During the the six-month period ended September 30, 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset that subsequently resulted in a different classification of that asset.

The Company examines the various financial risks to which its operations are exposed. These risks may include credit risk, liquidity risk, currency risk and interest risk. Management reviews these risks on a periodic basis and when material, they are reviewed and monitored by the Board of Directors.

### Fair Value

The carrying values of cash, trade and other receivables, trade receivables from related parties, funds held in trust, loan receivable from a private company, bank indebtedness, short-term loans, trade and other payables, and trade payables to related parties approximate their fair values due to the short-term maturity of these instruments.

## Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents held with banks as well as credit exposure on outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The Company manages credit risk from receivables by continuously monitoring the financial position of its customers and provides allowances for potentially uncollectible accounts receivable.

## Liquidity risk

Liquidity risk arises through an excess of financial obligations over available financial assets due at any point of time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point of time. The Company had a positive working capital of \$24,004 as of September 30, 2013. The maximum exposure to liquidity risk is equal to the carrying value of the financial liabilities. All financial liabilities are short-term in nature and are repayable within 12 months.

The following are the contractual maturities of financial liabilities as at September 30, 2013:

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-4 years
	\$	\$	\$	\$	\$
Trade and other payables	55,532	(55,532)	(55,532)	-	-

While the Company continues to seek alternative financing arrangements, it is not possible to predict whether these efforts will be successful. Moreover, there is no guarantee that the amount of working capital available will be sufficient to support the future working capital needs of the Company, or that the Company would be able, if required, to gain access to additional working capital.

## Risk factors

### New products and technology change risk

The Company operates in a competitive marketplace; there are no guarantees that the Company can maintain or expand its advantages.

**New investment risk**

If the Company decides to pursue new business investment opportunities, it may require additional capital which may entail the issuance of shares and the sale of debt and equity securities. However, there can be no assurance that the Company will be able to raise the required capital to pursue such business opportunities.

**Economic conditions risk**

The Company, at September 30, 2013 owns the building in which its office is located; all office space not occupied by the company is rented to various tenants. The Company's rental income is subject to economic conditions in the Montreal area. Consequently, a downturn in economic conditions could reduce office rental demand for the Company's office rental space that it does not occupy and could have a material adverse effect on the Company's office rental revenues, financial position and operating results.

**Materiality for disclosures**

Management determines whether or not information is material based on whether it believes a reasonable investor's decision to buy, sell or hold securities in the Company would likely be influenced or changed if the information were omitted or misstated.

## **INFORMATION COMMUNICATION CONTROLS AND PROCEDURES**

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian IFRS.

TSX Venture Exchange-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX Venture Exchange-listed issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **FORWARD-LOOKING STATEMENTS**

This report release contains certain forward-looking statements concerning our future operations, economic performance and financial condition. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks, uncertainties and assumptions. Consequently, all of the forward-looking statements in this report are qualified by these cautionary statements. We undertake no obligation and do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law.

This MD&A was prepared on November 26, 2013. Additional information about the Company is available under the Company’s profile on the SEDAR website.

*(signed)* Georges A. Durst  
Chief Executive Officer

*(signed)* Richard Vallée C.A., ICD.D  
Chief Financial Officer