Redfall Technologies Inc.

Condensed Interim Consolidated Financial Statements

(in Canadian dollars)

(unaudited)

For the three and six months ended June 30, 2014

	June 30 2014 $	December 31 2013 $
ASSETS		
Current assets:		
Cash and cash equivalents (note 16)	**7,687,944**	92,222
Cash held in trust (note 5)	**1,435,872**	1,324,528
Goods and services tax recoverable	**-**	16,514
Notes receivable (note 11 (b))	**150,000**	-
Prepaid expenses and deposits	**18,508**	13,764
	9,292,324	1,447,028
Non-current assets:		
Property and equipment	**20,760**	24,251
Long-term investment	**145,000**	145,000
	165,760	169,251
Total assets	**9,458,084**	1,616,279
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade and other payables (note 6)	**892,068**	500,244
Share subscription deposit (note 16)	**5,665,000**	-
Trust liabilities (note 5)	**1,435,872**	1,324,528
Convertible debentures (note 7)	**-**	199,273
Royalty financing liability (note 12)	**-**	218,192
Total liabilities	**7,992,940**	2,242,237
Shareholders' Equity (Deficiency)		
Share capital (note 8)	**6,274,850**	1,161,164
Convertible debentures - equity portion (note 7)	**-**	15,464
Warrants (note 9)	**1,000,640**	-
Contributed surplus (note 9)	**491,510**	-
Deficit	**(6,301,856)**	(1,802,586)
Total shareholders' equity (deficiency)	**1,465,144**	(625,958)
Total liabilities and shareholders' equity (deficiency)	**9,458,084**	1,616,279

Going concern (note 2(c))
Commitments (note 13)
Subsequent events (notes 2 (c) and 18)

Approved on behalf of the Board

(signed) “Cameron Chell”
Director

(signed) “Geoff Gordon”
Director

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

	3 months ended June 30, 2014	3 months ended June 30, 2013	**6 months ended June 30, 2014**	6 months ended June30, 2013
REVENUE	**$ 68,767**	$ 9,892	**$ 188,896**	$ 23,551
EXPENSES				
General and administrative (note 8(ix) and 11(a))	**517,311**	211,165	**1,019,956**	263,328
Sales and marketing	**318,745**	61,768	**409,375**	119,879
Research and development	**423,510**	69,196	**576,845**	306,861
Stock-based compensation (note 10)	**483,782**	-	**1,935,802**	-
Transaction costs (note 17)	**370,154**	-	**370,154**	-
Amortization	**2,422**	4,867	**4,844**	9,735
	2,115,924	346,996	**4,316,976**	699,803
Loss from operations	**(2,047,157)**	(337,104)	**(4,128,080)**	(676,252)
Accretion (note 7)	**-**	(1,537)	**(282,169)**	(5,403)
Interest and bank charges	**(13,176)**	(7,126)	**(27,599)**	(7,465)
Net loss and comprehensive loss	**(2,060,333)**	(345,767)	**(4,437,848)**	(689,120)
Loss per share – basic and diluted (note 8)	**(0.06)**	(0.02)	**(0.20)**	(0.05)

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

	Share Capital $	Convertible Debentures - Equity Portion $	Contributed Surplus $	Warrants $	Deficit $	Total $
Balance, December 31, 2012	685,903	-	-	-	(754,606)	(68,703)
Equity portion of convertible debentures (note 7)	-	15,464	-	-	-	15,464
Issuance of shares net of share issue cost	383,664	-	-	-	-	383,664
Net loss and comprehensive loss	-	-	-	-	(689,120)	(689,120)
Balance, June 30, 2013	1,069,567	15,464	-	-	(1,443,726)	(358,695)
Balance, December 31, 2013	**1,161,164**	**15,464**	**-**	**-**	**(1,802,586)**	**(625,958)**
Issuance of shares (note 8)	**693,000**	**-**	**-**	**-**	**-**	**693,000**
Equity portion of convertible debentures (note 7)	**-**	**316,435**	**-**	**-**	**-**	**316,435**
Issuance of shares on conversion of debentures (note 8)	**2,588,814**	**(227,700)**	**-**	**-**	**-**	**2,361,114**
Share-based compensation (note 10)	**-**	**-**	**1,935,802**	**-**	**-**	**1,935,802**
Exercise of stock options (note 8 and 10)	**1,752,020**	**-**	**(1,452,020)**	**-**	**-**	**300,000**
Issuance of units (notes 8 and 10)	**54,338**	**-**	**-**	**95,662**	**-**	**150,000**
Exercise of warrants (notes 8 and 10)	**309,092**	**-**	**-**	**(59,731)**	**-**	**249,361**
Issuance of agents warrants (note 10)	**-**	**(96,471)**	**-**	**964,709**	**-**	**868,238**
Transfer of equity portion of convertible debentures on repayment (note 7)	**-**	**(7,728)**	**7,728**	**-**	**-**	**-**
Repurchase of shares (note 8)	**(283,578)**	**-**	**-**	**-**	**(61,422)**	**(345,000)**
Net loss and comprehensive loss	**-**	**-**	**-**	**-**	**(4,437,848)**	**(4,437,848)**
Balance, June 30, 2014	**6,274,850**	**-**	**491,510**	**1,000,640**	**(6,301,856)**	**1,465,144**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

	3 months ended June 30, 2014 $	3 months ended June 30, 2013 $	**6 months ended June 30 2014 $**	6 months ended June 30 2013 **$**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss and comprehensive loss	**(2,060,333)**	(345,767)	**(4,437,848)**	(689,120)
Add back (deduct) items not involving cash:				
Amortization	**2,422**	4,867	**4,844**	9,735
Accretion	**-**	1,537	**282,169**	5,403
Interest on royalty financing	**1**	-	**11,508**	-
Stock-based compensation (note 10 and 8(ix))	**483,782**	-	**2,150,802**	-
	(1,574,128)	(339,363)	**(1,988,525)**	(673,982)
Changes in non-cash working capital items:				
Goods and services tax recoverable	**30,230**	13,609	**16,514**	15,799
Trade and other payables	**777,546**	(134,254)	**391,824**	98,353
Notes receivable	**(150,000)**	-	**(150,000)**	-
Prepaid expenses and deposits	**49,422**	(1,124)	**(4,744)**	8,876
	707,198	(121,769)	**253,594**	123,028
Net cash used in operating activities	**(866,930)**	(461,132)	**(1,734,931)**	(550,954)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	**(1,353)**	-	**(1,353)**	-
Net cash used in investing activities	**(1,353)**	-	**(1,353)**	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of convertible debentures (note 7)	**-**	-	**3,164,345**	200,000
Repayment of royalty financing liability (note 12)	**(229,700)**	-	**(229,700)**	-
Repayment of convertible debentures (note 7)	**-**	-	**(100,000)**	-
Re purchase of shares (note 8)	**-**	-	**(345,000)**	-
Proceeds from the issuance of shares, net of share issue costs (note 8)	**433,000**	383,664	**478,000**	383,664
Proceeds from share subscription deposits	**5,665,000**	-	**5,665,000**	-
Proceeds from exercise of options (note 8(xiv))	**300,000**	-	**300,000**	-
Proceeds from exercise of warrants (note 8(xiii))	**249,361**	-	**249,361**	-
Proceeds from issuance of units (note 8 (xiii))	**150,000**	-	**150,000**	-
Net cash generated by financing activities	**6,567,661**	383,664	**9,332,006**	583,664
Net increase in cash and cash equivalents for the period	**5,699,378**	77,468	**7,595,722**	32,710
Cash and cash equivalents, beginning of the period	**1,988,566**	147,580	**92,222**	37,402
Cash and cash equivalents, end of the period	**7,687,944**	70,112	**7,687,944**	**70,112**
Supplemental cash flow information:				
Interest paid	**-**	-	**2,916**	-

	June 30, 2014	June 30, 2013
Cash and cash equivalents is comprised of:		
Cash held in bank accounts	**2,041,694**	70,112
Cash held in trust by an equity trust entity (note 16)	**5,646,250**	-
	7,687,944	(70,112)

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Redfall Technologies Inc. (the "Corporation" or "Redfall"), was incorporated under the *Business Corporations Act* (Alberta) on January 23, 2008. Vogogo Canada Inc. was incorporated under the *Business Corporations Act* (Alberta) on July 26, 2010 and is a wholly-owned subsidiary of the Corporation. In addition, on August 13, 2012 the Corporation incorporated Vogogo USA Inc., a wholly-owned subsidiary and Delaware company. The head office is located at 400, 320 – 23rd Avenue SW, Calgary, AB T2S 0J2.

The Corporation is in the payment technology and transaction processing business. The Corporation develops software that administers multiple electronic payments including card payments, pre-authorized debit, direct deposit, peer-to-peer and online banking payments for both the U.S. and Canadian markets.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on September 2, 2014.

(b) Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements unless otherwise indicated.

The condensed interim consolidated financial statements have been prepared under the historical cost convention.

(c) Going concern

These condensed interim consolidated financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. As at June 30, 2014, the Corporation has cash and cash equivalents of $7,687,944 (December 31, 2013 - $92,222) and has a positive net working capital position of $1,299,384 (December 31, 2013 - $795,209 negative net working capital position). However, the Corporation has an accumulated deficit of $6,301,856 (December 31, 2013 - $1,802,586) as at June 30, 2014 and had a net loss of $4,437,848 (2013 - $689,120) for the six month period ended June 30, 2014. The Corporation has not yet been able to generate the transaction volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows or raise sufficient equity or debt financing in order to pay for its expenditures and settle its obligations as they fall due subsequent to June 30, 2014 is uncertain.

In addition, on July 31, 2014 the Corporation filed a joint information circular with Southtech Capital Corporation ("Southtech") to obtain shareholder's approval of the Corporation and Southtech shareholders to proceed with a proposed business combination between the Corporation and Southtech (the "Proposed Transaction"). The Proposed Transaction would take the form of an amalgamation, resulting in the Corporation and Southtech continuing as one corporation (the "Resulting Issuer"). The joint general meeting of the shareholders is scheduled for September 10, 2014 and is subject to TSX Venture approval. In connection with this Proposed Transaction the Corporation completed a Private Placement and has raised $8.47 million on a brokered and non-brokered basis during and subsequent to June 30, 2014 (notes 16 and 18). These funds are held in trust and will be received by the Corporation in exchange for 11.29 million Class A common shares of the Corporation if all shareholder and TSX Venture approvals are received. Management expects this to be closed by the middle of September 2014.

2. BASIS OF PRESENTATION *(continued)*

In connection with the amalgamation, each Redfall shareholder would receive one (1) common share in the Resulting Issuer ("Resulting Issuer Share") at a deemed price of $0.75 per Resulting Issuer Share for every one (1) common share of Redfall (a "Redfall Share") held by such Redfall shareholder for deemed aggregate consideration of approximately $20 million exclusive of Resulting Issuer Shares exchanged for Redfall Shares issued pursuant to the Private Placement. The Redfall Shares so exchanged would be cancelled without reimbursement of the capital represented by such securities. In addition, each Southtech shareholder would receive one (1) Resulting Issuer Share for every five (5) common shares in the capital of Southtech ("Southech Shares") held by such Southtech shareholder, and the Southtech Shares so exchanged would be cancelled without reimbursement of the capital represented by such securities.

The Proposed Transaction is subject to a number of conditions for the Corporation and Southtech which have not been met as of the date of these condensed interim consolidated financial statements. There is no assurance that the Proposed Transaction will be completed as contemplated, or at all.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

(d) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the Corporation and Vogogo Canada Inc. The functional currency of Vogogo USA Inc. is U.S. dollars ("USD").

(e) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions have been eliminated in these condensed interim consolidated financial statements. Subsidiaries are those entities that the Corporation controls by having the power to govern the financial and operating policies of the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the condensed interim consolidated financial statements on the date that control ceases. The accounting policies of the subsidiaries are consistent with the policies adopted by the Corporation.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Corporation’s annual consolidated financial statements for the year ended December 31, 2013.

The Corporation continues to assess the impact of adopting the pronouncements from the IASB as described below:

Financial Instruments

IFRS 9, “Financial Instruments” provides a comprehensive new standard for accounting for all aspects of financial instruments. It includes a logical model for classification and measurement, a single, forward-looking ‘expected-loss’ impairment model and a substantially reformed approach to hedge accounting. The new standard is effective for years beginning on or after January 1, 2018.

3. ACCOUNTING POLICIES *(continued)*

Revenue Recognition

IFRS 15, "Revenue from Contracts with Customers" provides a comprehensive new standard on revenue recognition. It specifies how and when to recognize revenue as well as requiring entities to provide more informative and relevant disclosure. The new standard is effective for years beginning on or after January 1, 2017.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Corporation's condensed interim consolidated financial statements. Further, the Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets, liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its condensed interim consolidated financial statements.

(a) Areas of judgment

(i) Investments in equity instruments

Investments in equity instruments classified as available-for-sale are measured at cost when there is no quoted price in an active market and fair value cannot be reliably measured. Judgment is required to assess whether the fair value of the equity instruments can be measured reliably. This involves an assessment of whether the variability in the range of reasonable fair value estimates is significant for the instrument or whether the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

(ii) Impairment tests

Management exercises judgment to determine whether there are factors that would indicate that an asset or a CGU is impaired. The determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about the Corporation's operations.

(iii) Going concern

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern. Further disclosure is included in note 2(c).

(iv) Share-based compensation and warrants

Estimates are arrived at through the use of the Black-Scholes option-pricing model. The valuation of both warrants and share-based compensation transactions requires the input of highly subjective assumptions including the expected stock price volatility and forfeiture rates.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(b) Assumptions and critical estimates

(i) Useful lives of property and equipment

The Corporation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Compound financial instruments

Certain financial instruments are comprised of a liability and an equity component. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible debentures.

(iii) Impairment of property and equipment

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less disposal costs and its value in use. The fair value less disposal costs estimate is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use estimate is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the performance of the asset or CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(iv) Tax assets and liabilities

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

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

5. TRUST ASSETS AND LIABILITIES

Cash held in trust consists of cash held in bank accounts and represent amounts collected from customers of clients which are held in trust until being paid out to clients.

6. TRADE AND OTHER PAYABLES

	June 30, 2014 $	December 31, 2013 $
Trade accounts payable	**241,221**	**407,595**
Accrued payables	**623,622**	**39,302**
Payroll	**23,463**	**48,237**
Other	**3,762**	**5,110**
	892,068	**500,244**

Trade accounts payable are non-interest bearing and are normally settled on 30 to 60 day terms.

7. CONVERTIBLE DEBENTURES

On January 25, 2013 the Corporation issued an unsecured convertible debenture with a principal amount of $100,000. The principal bore interest at a rate of 10% per annum and was convertible into Class A common shares, at any time, at the option of the holder at $0.52 per share. Unless earlier repaid, at the option of the Corporation, or demanded, in the event of default, the principal was due and payable in full on January 25, 2014. Interest was due and payable quarterly on each of April 25, 2013, July 25, 2013, October 25, 2013 and January 25, 2014. The debenture was repaid in full along with accrued interest on January 25, 2014.

On March 6, 2013 the Corporation issued a second unsecured convertible debenture with a principal amount of $100,000. The principal bore interest at a rate of 10% per annum and was convertible into Class A common shares, at any time, at the option of the holder at $0.52 per share. Unless earlier repaid, at the option of the Corporation, or demanded, in the event of default, the principal was due and payable in full on March 6, 2014. Interest was due and payable quarterly on each of June 6, 2013, September 6, 2013, December 6, 2013 and March 6, 2014. This debenture was converted into Class A common shares on March 5, 2014 and a total of 192,307 common shares were issued from Treasury (note 8(viii)).

On February 11, 2014, the Corporation issued a secured convertible debenture in the amount of $2,000,000. On March 17, 2014, the Corporation amended this convertible debenture, increasing the amount of the convertible debenture issued to $3,164,345. The debenture was secured by a first charge against all of the Corporation's present and after-acquired property and was scheduled to mature August 11, 2014. The principal bore interest at a rate of 10% per annum. The debenture was convertible into Class A common shares of the Corporation at the option of the holder at $0.33 per share. The corporation issued 2,275,000 warrants in connection with the convertible debenture with a fair value of $964,709 (note 10), of which $868,238 was allocated to the debt component of the convertible debenture and $96,471 was allocated to the equity component of the debenture. On March 26, 2014, the Corporation issued 9,588,924 Class A common shares upon conversion of the full $3,164,345 convertible debenture. Upon conversion, the debt and equity portions of the convertible debenture, net of the warrant costs and associated accretion of the liability portion of the warrants to the conversion date of $281,442 were reclassified to share capital (note 8(x)).

The Corporation determined that the convertible debentures meet the definition of a compound financial instrument and determined the fair value of the liability and the resulting equity component by discounting the expected future cash flows of each convertible debenture using an interest rate of 20% representing management's estimate of the fair value interest rate for a similar instrument without the convertibility feature.

8. SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Class "A" and Class "B" common voting shares and an unlimited number of Class "C", Class "D" and Class "E" redeemable preferred shares. The Corporation has the following Class "A" common voting shares issued and outstanding:

	Number of Shares #	Share Capital $
Balance, December 31, 2012	**13,856,000**	**685,903**
Shares issued through re-pricing of existing shares (i)	576,361	-
Shares issued for cash (ii)	1,031,012	478,550
Share-based payments (iii)	203,401	105,769
Share-based payments (iv)	9,836	5,114
Share-based payments (v)	19,697	6,500
Share issue costs (iii)	-	(105,769)
Share issue costs (vi)	-	(14,903)
Balance, December 31, 2013	**15,696,307**	**1,161,164**
Buy-back of shares for cash (vii)	(3,833,334)	(345,000)
Fair value adjustment of buy-back of shares (vii)	-	61,422
Shares issued on conversion of convertible debenture (viii)	192,307	100,000
Equity component of conversion of convertible debenture (viii)	-	7,736
Shares issued for cash (ix)	500,000	45,000
Fair value adjustment of shares issued (ix)	-	215,000
Shares issued on conversion of convertible debenture (x)	9,588,924	2,481,078
Shares issued for cash (xi)	432,692	225,000
Shares issued for cash (xii)	400,000	208,000
Units issued for cash (xiii)	288,462	150,000
Warrant component of units issued (xiii)	-	(95,662)
Shares issued on exercise of stock options (xiv)	3,333,334	300,000
Fair value on exercise of stock options (xiv)	-	1,452,020
Shares issued on exercise of share purchase warrants (xiii)	479,540	249,361
Fair value on exercise of share purchase warrants (xiii)	-	59,731
Balance, June 30, 2014	**27,078,232**	**6,274,850**

(i) On April 9, 2013 the Corporation issued 576,361 Class A common shares to all existing shareholders who paid $0.93 per share during 2012 in order to revalue their share purchase price from $0.93 per share to $0.52 per share.

(ii) The Corporation issued a total of 1,031,012 Class A common shares for cash during the year ended December 31, 2013 at an average price of $0.46 per share.

(iii) The Corporation issued 203,401 Class A common shares to an employee and a consulting firm during the year ended December 31, 2013 in exchange for assistance in raising the Class A common share financing. The fair value of the Class A common shares of $0.52 per share, which is equal to the amount paid by arms length parties, was recorded as share issue costs.

(iv) The Corporation issued 9,836 Class A common shares to a consulting firm during the year ended December 31, 2013 for consulting services performed. The fair value of the Class A common shares of $0.52 per share, which is equal to the amount paid by arms length parties, was recorded as general and administrative expenses.

8. SHARE CAPITAL *(continued)*

(v) The Corporation issued 19,697 Class A common shares to a consulting firm during the year ended December 31, 2013 in exchange for services performed related to the royalty financing (note 12). The fair value of the Class A common shares of $0.33 per share, which is equal to the amount paid by arms length parties, was recorded as general and administrative expenses.

(vi) The Corporation incurred $14,903 in share issue costs during the year ended December 31, 2013 which consist of legal fees.

(vii) On February 21, 2014 the Corporation repurchased 3,833,334 Class A common shares at $0.09 per share for total proceeds of $345,000. The carrying value of share capital as at the date of the buy-back was calculated at $0.07 per share, resulting in a premium of $0.02 per Class A common share. The resulting premium of $61,422 was charged to deficit, accordingly.

(viii) On March 5, 2014, the Corporation issued 192,307 Class A common shares at $0.52 upon conversion of a $100,000 convertible debenture (note 7).

(ix) On March 17, 2014, the Corporation issued 500,000 Class A common shares at $0.09 for total cash proceeds of $45,000. The fair value of these shares at the time was determined to be $0.52 per common share. These shares were issued below the market value by $0.43 per share, the total discount of $215,000 was credited to share capital and recorded as commission expenses and is included in the general and administration expense for the period.

(x) During 2014, the Corporation issued a secured convertible debenture in amount of $3,164,345 (note 7). The debenture was convertible into Class A common shares of the Corporation at the option of the holder at $0.33 per share. On March 26, 2014, the Corporation issued 9,588,924 Class A common shares upon conversion of the full $3,164,345 convertible debenture.

In connection with the issuance of the convertible debenture on February 11, 2014, the Corporation issued an aggregate of 2,275,000 agent warrants to acquire Class A common shares of the Corporation for a period of five years at a price of $0.33 per Class A common share expiring five years from the date of grant. Fair value of these agent warrants were calculated using the Black-Scholes option-pricing model and recorded as debenture transaction costs. The fair value of the agent warrants was determined to be $964,709, which was allocated to the debt and equity components of the convertible debenture.

(xi) On April 2, 2014, the Corporation issued a total of 432,692 Class A common shares for cash at $0.52 per share for total proceeds of $225,000.

(xii) On April 7, 2014, the Corporation issued a total of 400,000 Class A common shares for cash at $0.52 per share for total proceeds of $208,000.

(xiii) On April 30, 2014, the Corporation issued 288,462 units at $0.52 per unit for total proceeds of $150,000. Each unit is comprised of one Class A common share and 2.6624 share purchase warrants, for a total issuance of 288,462 Class A common shares and 768,002 share purchase warrants. Each share purchase warrant entitles the holder to purchase one Class A common share at an exercise price of $0.52 per Class A common share for up to three years following the issuance date. Fair value of these share purchase warrants were calculated using the Black-Scholes option-pricing. The fair value of these share purchase warrants was determined to be $95,662, which was allocated to warrants from share capital.

On June 27, 2014, 479,540 of the total 479,540 warrants were exercised at $0.52 per warrant for total proceeds of $249,361. The value of these warrants of $59,731 was transferred from warrants to share capital on exercise of these warrants.

(xiv) On April 30, 2014, 3,333,334 stock options were exercised at $0.09 per stock option for total proceeds of $300,000. The value of the stock options of $1,452,000 was transferred from contributed surplus to share capital on exercise of these options.

8. SHARE CAPITAL *(continued)*

The weighted average number of common shares outstanding used to calculate basic and diluted loss per share for the three and six months ended June 30, 2014 are 25,380,223 and 20,091,414, respectively (three and six months ended June 30, 2013 - 15,229,460 and 14,542,730).

9. CONTRIBUTED SURPLUS AND WARRANTS

The contributed surplus and warrants reserve is used to recognize the fair value of stock options and warrants granted. When options and warrants are subsequently exercised, the fair value of such options in contributed surplus and warrants is credited to share capital. Refer to note 10 for further details on these plans.

Contributed Surplus

	$
Balance, December 31, 2013	-
Share-based compensation expense	1,935,802
Equity component of convertible debenture transferred on repayment at maturity	7,728
Exercise of stock options	(1,452,020)
Balance, June 30, 2014	**491,510**

Warrants

	$
Balance, December 31, 2013	-
Agent warrants issued	964,709
Share purchase warrants issued	95,662
Exercise of warrants	(59,731)
Balance, June 30, 2014	**1,000,640**

10. STOCK-BASED COMPENSATION AND WARRANTS

The Corporation has a stock option plan ("the Plan") under which the Board of Directors of the Corporation may grant to directors, officers, employees and technical consultants to the Corporation, non-transferable options to purchase common shares, exercisable for a period of up to ten years from the date of grant.

A summary of the Plan transactions for the six months ended June 30, 2014 and 2013 are as follows:

		For the six months ended June 30, 2014		**For the six months ended June 30, 2013**
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding at beginning of period	-	-	-	-
Options granted to employees, consultants, directors and officers	5,183,334	0.19	-	-
Options exercised during the period	(3,333,334)	(0.09)	-	-
Outstanding at end of period	1,850,000	0.37	-	-

10. STOCK-BASED COMPENSATION AND WARRANTS *(continued)*

The following provides a summary of the Plan as at June 30, 2014:

Options outstanding			Options exercisable	
Outstanding at June 30, 2014	**Weighted average remaining contractual life**	**Weighted average exercise price $**	**Number exercisable at June 30, 2014**	**Weighted average exercise price $**
1,850,000	4.57 years	$0.37	1,050,000	$0.40

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the six months ended June 30, 2014	**For the six months ended June 30, 2013**
Exercise price	$0.19	-
Share price	$0.52	-
Dividend yield	0%	-
Forfeiture %	0%	-
Risk-free interest rate	1.24%	-
Expected life of options	2.3 years	-
Expected volatility factor of the future expected market price of Company shares	115%	-

The Corporation's shares are not publically traded; therefore the Corporation has used the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model.

The Corporation recorded share-based compensation expense for options of $1,935,802 (2013 - $Nil) with an offsetting increase to contributed surplus in respect of the share options granted during the six month period ended June 30, 2014. 3,333,334 stock options were exercised during the period and as a result $1,452,020 was transferred to share capital from contributed surplus.

The Corporation issued 2,275,000 warrants as compensation to agents to purchase common shares in conjunction with share issuances during the six month period ended June 30, 2014. 758,334 of these warrants were issued to an entity related by common officers and directors. The Corporation issued 768,002 share purchase warrants as part of a unit offering. 479,540 of these share purchase warrants were exercised during the period.

A summary of warrant transactions for the six months ended June 30, 2014 and 2013 are as follows:

		For the six months ended June 30, 2014		**For the six months ended June 30, 2013**
	Number of warrants	**Weighted average exercise price $**	**Number of warrants**	**Weighted average exercise price $**
Outstanding at beginning of period	-	-	-	-
Agents warrants granted	2,275,000	0.33	-	-
Warrants granted	768,002	0.52	-	-
Warrants exercised	(479,540)	0.52	-	-
Outstanding at end of period	2,563,462	0.35	-	-

10. STOCK-BASED COMPENSATION AND WARRANTS *(continued)*

The following provides a summary of agent warrants as at June 30, 2014:

Agent warrants outstanding			Agent warrants exercisable	
Outstanding at June 30, 2014	**Weighted average remaining contractual life**	**Weighted average exercise price $**	**Number exercisable at June 30, 2014**	**Weighted average exercise price $**
2,563,462	4.77 years	$0.35	2,536,462	$0.35

The fair value of each warrant was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

	For the six months ended June 30, 2014	**For the six months ended June 30, 2013**
Exercise price	$0.38	-
Share price	$0.52	-
Dividend yield	0%	-
Forfeiture %	0%	-
Risk-free interest rate	1.08%	-
Expected life of warrants	4.5 years	-
Expected volatility factor of the future expected market price of Company shares	105%	-

The Corporation's shares are not publically traded; therefore the Corporation has used the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model.

The Corporation recorded debenture issue costs for agent warrants of $964,709 (2013 - $Nil) with an offsetting increase to warrants during the period ended June 30, 2014. The Corporation recorded $95,662 (2013 - $Nil) to warrants on the issue of share purchase warrants with an offset to share capital. On exercise of 479,540 of these share purchase warrants $59,731 (2013 - $Nil) was transferred from warrants to share capital during the period ended June 30.

11. RELATED PARTY TRANSACTIONS

(a) Key management compensation is composed of consulting fees paid to companies controlled by key management. During the three and six months ended June 30, 2014, consulting fees paid to key management amounted to $205,500 and $319,750, respectively (June 30, 2013 - $Nil and $Nil).

Total personnel expenses for employees, consultants, directors and management included in expenses in the condensed consolidated statement of loss and comprehensive loss for the three and six months ended June 30, 2014 was $560,132 and $1,073,359, respectively (June 30, 2013 - $342,833 and $655,542).

(b) On April 28, 2014, the Corporation provided loans to two companies controlled by two key management personnel for $75,000 each for a total of $150,000. These companies provided promissory notes to the Corporation. These two loans bear interest at 3 percent per annum and are payable on maturity on April 28, 2015.

12. ROYALTY FINANCING LIABILITY

The Corporation entered into a $1 million investment agreement with AVAC Ltd. to help fund the development and commercialization of the Corporation's web-based payment service provider technology. The proceeds are available to the Corporation if and when certain pre-determined milestones are achieved. Any amount drawn pursuant to the investment agreement is repayable in the form of a 3.5% royalty based on quarterly gross revenues, beginning with the quarter ending December 31, 2014 until twice the gross amount received is remitted or until the Corporation has repaid all advances received plus 20% interest compounded annually from the date each advance is received, less royalties paid. During the year ended December 31, 2013, the Corporation received $200,000 as part of this arrangement. This $200,000 liability plus $29,699 of interest was fully repaid on April 24, 2014.

13. COMMITMENTS

The Corporation is committed under a lease on their office space, expiring July 31, 2017 for future minimum rental payments exclusive of occupancy costs as follows:

	$
2014	37,752
2015	76,934
2016	78,936
2017	46,046
	239,668

14. CAPITAL MANAGEMENT

The Corporation optimizes its capital structure with a view to ensure a strong financial position to support its operations and growth strategies. The Corporation's capital structure is made up of share capital, warrants, contributed surplus and deficit as equity components and the Corporation strives to maximize the value associated with its capital. In order to maintain or adjust its capital structure, the Corporation may from time to time issue shares and adjust its spending.

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remained unchanged during the periods presented.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's risk management policies are established to identify, analyze and manage the risks faced by the Corporation and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Corporation's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Corporation's use of financial instruments include credit risk, liquidity risk, market risk and currency risk. These risks, and the actions taken to manage them, include:

(a) Fair value

Due to the short-term nature of cash and cash equivalents, cash held in trust, notes receivable, trade and other payables and trust liabilities, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value. Long-term investment consists of common shares held in a private corporation. The Corporation has determined that the fair value of these common shares cannot be reliably determined and as such the long-term investment is carried at cost.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions and notes receivable. The maximum exposure to credit risk is equal to the carrying value of the Corporation's cash and cash equivalents, cash held in trust and notes receivable.

The Corporation minimizes credit risk associated with its cash balance substantially by dealing with major financial institutions in Canada and the United States. The notes receivable are due from key management personnel and the Corporation minimizes the associated credit risk by monitoring the amount receivable and the financial position of the debtors.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they come due. As at June 30, 2014, the Corporation has cash and cash equivalents of $7,687,944 (December 31, 2013 - $92,222) and has a positive net working capital position of $1,299,384 (December 31, 2013 - $795,209 negative net working capital position) in order to manage liquidity risk.

(d) Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies, other than the functional currency of the Corporation, will fluctuate due to changes in foreign currency exchange rates. As at June 30, 2014, the Corporation's exposure to currency risk is limited to cash and cash equivalents denominated in US dollars in the amount of US $2,995 (December 31, 2013 - US $228). A 1% change in the exchange rate between the Canadian and US dollar would have a negligible impact on the net income and cash flows of the Corporation.

(e) Interest rate risk

Interest rate risk is the risk that the fair value and cash flows associated with the Corporation's interest bearing financial assets and liabilities will fluctuate due to changes in market interest rates. As at June 30, 2014, the Corporation is not exposed to any interest rate risk.

16. SHARE SUBSCRIPTION DEPOSIT

During the six month period ended June 30, 2014, the Corporation received $5,665,000 in cash for the issuance of shares as part of the Private Placement described in note 2(c). As at June 30, 2014, the Corporation has not yet finalized the closing of the Proposed Transaction and has not yet issued shares in line with the Private Placement. $5,646,250 of the cash received for the issuance of shares is held in trust by an equity trust entity at June 30, 2014. The remaining $18,750 is held in one of the Corporation's bank accounts at June 30, 2014.

17. TRANSACTION COSTS

Transaction costs include costs incurred related to the Proposed Transaction (notes 2(c) and 18).

18. SUBSEQUENT EVENTS

On July 31, 2014, the Corporation filed a joint information circular with Southtech to obtain shareholder's approval of the Corporation and Southtech shareholders to proceed with the Proposed Transaction. The joint general meeting of the shareholders is scheduled for September 10, 2014 and is subject to TSX Venture approval. In connection with this Proposed Transaction the Corporation completed a Private Placement and has raised $8.47 million on a brokered and non-brokered basis, $2.81 million of which was received subsequent to June 30, 2014. These funds are held in trust and will be received by the Corporation in exchange for 11.29 million Class A Common Shares of the Corporation once all shareholder and TSX Venture approvals are received. Management expects this to be closed by the middle of September 2014.