

*This Prospectus is not related to a public offering. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*



## PROSPECTUS

NON-OFFERING PROSPECTUS

February 17, 2016

### **NETCENTS TECHNOLOGY INC. (formerly, 1018758 B.C. LTD.)** (“BC Co”)

This Prospectus is being filed with the British Columbia Securities Commission for the purpose of complying with Notice 2015-003 Regulatory Guidance on Plans of Arrangement and Capital Structure published by the Canadian Securities Exchange.

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the British Columbia Securities Commission for the purpose of providing full public disclosure regarding the amalgamation of 1018758 B.C. Ltd. and a private company, NetCents Systems Ltd., and the Resulting Issuer plans to seek a listing on the Canadian Securities Exchange. As no securities are being offered pursuant to this Prospectus, no proceeds will be raised in connection with this Prospectus.

**There is no market through which the securities of the BC Co may be sold. This may affect the pricing of the BC Co’s securities in the secondary markets; the transparency and availability of trading prices; the liquidity of the BC Co’s Securities; and the extent of issuer regulation. See “Risk Factors”. Listing will be subject to the BC Co fulfilling all of the listing requirements of the Exchange, including without limitation, the distribution of the Resulting Issuer Common Shares to a minimum number of public shareholders and the BC Co meeting certain financial and other requirements.**

**No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.**

As at the date of this Prospectus, neither BC Co nor NetCents has any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of American (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

**NetCents Technology Inc. (formerly, 1018758 B.C. Ltd.)  
Suite 605 - 815 Hornby Street  
Vancouver, BC  
V6Z 2E6**

## TABLE OF CONTENTS

<p><b>CAUTION REGARDING FORWARD-LOOKING STATEMENTS</b> ..... 4</p> <p><b>MARKET AND INDUSTRY DATA</b>.....5</p> <p><b>CONVENTIONS</b>.....5</p> <p><b>GLOSSARY OF TERMS</b>.....5</p> <p><b>SUMMARY OF PROSPECTUS</b>..... 12</p> <p style="padding-left: 20px;">PRINCIPAL BUSINESS OF BC Co ..... 12</p> <p style="padding-left: 20px;">PRINCIPAL BUSINESS OF NETCENTS ..... 12</p> <p style="padding-left: 20px;">FUNDS AVAILABLE AND USE OF AVAILABLE FUNDS... 14</p> <p style="padding-left: 20px;">RISK FACTORS..... 15</p> <p style="padding-left: 20px;">SUMMARY OF FINANCIAL INFORMATION..... 17</p> <p><b>PART I – INFORMATION CONCERNING BC CO</b> ..... 17</p> <p style="padding-left: 20px;">NAME, ADDRESS AND INCORPORATION ..... 17</p> <p style="padding-left: 20px;">THE TRANSACTION ..... 18</p> <p style="padding-left: 20px;">SIGNIFICANT ACQUISITIONS AND DISPOSITIONS ..... 19</p> <p style="padding-left: 20px;">INTELLECTUAL PROPERTY ..... 22</p> <p style="padding-left: 20px;">ESCROW AND RESALE RESTRICTIONS ON THE CSE</p> <p style="padding-left: 20px;">ESCROW SHARES ..... 22</p> <p style="padding-left: 20px;">DIVIDENDS AND DISTRIBUTION ..... 22</p> <p style="padding-left: 20px;">SELECTED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS ..... 22</p> <p style="padding-left: 20px;">MANAGEMENT’S DISCUSSION AND ANALYSIS ..... 22</p> <p style="padding-left: 20px;">DESCRIPTION OF THE SECURITIES ..... 23</p> <p style="padding-left: 20px;">ARM’S LENGTH TRANSACTION..... 24</p> <p style="padding-left: 20px;">LEGAL PROCEEDINGS ..... 24</p> <p style="padding-left: 20px;">AUDITOR ..... 24</p> <p style="padding-left: 20px;">TRANSFER AGENT AND REGISTRAR..... 24</p> <p style="padding-left: 20px;">MATERIAL CONTRACTS ..... 24</p> <p><b>PART II – INFORMATION CONCERNING NETCENTS</b>..... 24</p> <p style="padding-left: 20px;">NAME, ADDRESS AND INCORPORATION ..... 24</p> <p style="padding-left: 20px;">GENERAL DEVELOPMENT OF THE BUSINESS ..... 25</p> <p style="padding-left: 20px;">FINANCING ..... 25</p> <p style="padding-left: 20px;">NARRATIVE DESCRIPTION OF THE BUSINESS ..... 26</p> <p style="padding-left: 20px;">SECURITY ..... 27</p> <p style="padding-left: 20px;">FUNDS ARE PRE-VERIFIED AND VALIDATED IN REAL-TIME..... 27</p> <p style="padding-left: 20px;">NO TRANSMISSION OF PERSONAL DATA ..... 27</p> <p style="padding-left: 20px;">DIGITAL AUTHORIZATION REQUIRED. .... 27</p> <p style="padding-left: 20px;">TRANSACTIONS..... 27</p> <p style="padding-left: 20px;">PRINCIPLE PRODUCTS OR SERVICES..... 28</p> <p style="padding-left: 20px;">INITIAL MARKET ROLLOUT ..... 31</p> <p style="padding-left: 20px;">COMPETITION ..... 33</p> <p style="padding-left: 20px;">MARKET OVERVIEW ..... 36</p>	<p>INTELLECTUAL PROPERTY ..... 39</p> <p>DIVIDENDS AND DISTRIBUTION ..... 39</p> <p>SELECTED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS..... 39</p> <p>MANAGEMENT’S DISCUSSION AND ANALYSIS ..... 39</p> <p>DESCRIPTION OF THE SECURITIES ..... 41</p> <p>WARRANTS..... 43</p> <p>SEE “DESCRIPTION OF THE SECURITIES – COMMON SHARES”..... 44</p> <p>EXECUTIVE COMPENSATION..... 44</p> <p>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS..... 46</p> <p>ARM’S LENGTH TRANSACTION..... 46</p> <p>LEGAL PROCEEDINGS ..... 46</p> <p>AUDITOR ..... 46</p> <p>TRANSFER AGENT AND REGISTRAR..... 47</p> <p>MATERIAL CONTRACTS ..... 47</p> <p><b>PART III – INFORMATION CONCERNING THE RESULTING ISSUER</b>..... 47</p> <p style="padding-left: 20px;">NAME, ADDRESS AND INCORPORATION ..... 47</p> <p style="padding-left: 20px;">INTERCORPORATE RELATIONSHIPS ..... 47</p> <p style="padding-left: 20px;">NARRATIVE DESCRIPTION OF THE BUSINESS ..... 48</p> <p style="padding-left: 20px;">USE OF PROCEEDS ..... 48</p> <p style="padding-left: 20px;">FUNDS AVAILABLE AND USE OF AVAILABLE FUNDS... 49</p> <p style="padding-left: 20px;">BUSINESS OBJECTIVES AND MILESTONES ..... 49</p> <p style="padding-left: 20px;">DIVIDENDS OR DISTRIBUTIONS..... 50</p> <p style="padding-left: 20px;">PRO FORMA CONSOLIDATED FINANCIAL INFORMATION ..... 50</p> <p style="padding-left: 20px;">DESCRIPTION OF SECURITIES ..... 50</p> <p style="padding-left: 20px;">PRO FORMA CONSOLIDATED CAPITALIZATION..... 51</p> <p style="padding-left: 20px;">ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER ..... 52</p> <p style="padding-left: 20px;">THE CSE ESCROW SHARES..... 53</p> <p style="padding-left: 20px;">PRINCIPAL SHAREHOLDERS ..... 53</p> <p style="padding-left: 20px;">DIRECTORS, OFFICERS AND PROMOTERS ..... 54</p> <p style="padding-left: 20px;">DIRECTORS AND MANAGEMENT ..... 56</p> <p style="padding-left: 20px;">CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES..... 59</p> <p style="padding-left: 20px;">PENALTIES OR SANCTIONS..... 59</p> <p style="padding-left: 20px;">PERSONAL BANKRUPTCIES ..... 59</p> <p style="padding-left: 20px;">CONFLICTS OF INTEREST ..... 59</p> <p style="padding-left: 20px;">EXECUTIVE COMPENSATION..... 60</p> <p><b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS</b>..... 62</p> <p><b>AUDIT COMMITTEE AND CORPORATE GOVERNANCE</b> ..... 62</p> <p style="padding-left: 20px;">THE AUDIT COMMITTEE’S CHARTER ..... 63</p>
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COMPOSITION OF THE AUDIT COMMITTEE.....	63	AUDITORS, ACCOUNTANTS, TRANSFER AGENT AND REGISTRAR .....	83
RELEVANT EDUCATION AND EXPERIENCE.....	63	MATERIAL CONTRACTS .....	84
AUDIT COMMITTEE OVERSIGHT .....	63	BOARD APPROVAL .....	84
RELIANCE ON CERTAIN EXEMPTIONS .....	63	<b>EXPERTS.....</b>	<b>84</b>
CORPORATE GOVERNANCE PRACTICES .....	64	<b>OTHER MATERIAL FACTS.....</b>	<b>84</b>
<b>PART IV – RISK FACTORS.....</b>	<b>65</b>	FINANCIAL STATEMENT DISCLOSURE.....	84
<b>PART V – OTHER MATTERS.....</b>	<b>82</b>	OTHER APPENDICES .....	85
PROMOTERS.....	82	<b>CERTIFICATE OF THE RESULTING ISSUER.....</b>	<b>86</b>
LEGAL PROCEEDINGS AND REGULATORY ACTIONS....	82	<b>CERTIFICATE OF THE PROMOTERS.....</b>	<b>86</b>
EXEMPTIVE RELIEF.....	83		
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	83		
APPENDIX “A” 1018758 B.C. Ltd. Audited Financial Statements at January 31, 2015 and Unaudited Interim Financial Statements July 31, 2015		APPENDIX “B1” NetCents Systems Ltd. Management’s Discussion and Analysis for year ended October 31, 2014	
APPENDIX “A1” 1018758 BC Ltd. Management’s Discussion and Analysis for the period ended January 31, 2015		APPENDIX “B2” NetCents Systems Ltd. Management’s Discussion and Analysis for period ended July 31, 2015	
APPENDIX “A2” 1018758 BC Ltd. Management’s Discussion and Analysis for interim period ended July 31, 2015		APPENDIX “C” Resulting Issuer Pro forma Financial Statements as at July 31, 2015	
APPENDIX “B” NetCents Systems Ltd. Audited Financial Statements at October 31, 2014 and Unaudited Interim Financial Statements at July 31 2015		APPENDIX “D” Amalgamation Agreement	
		APPENDIX “E” Stock Option Plan	
		APPENDIX “F” Audit Committee Charter	

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking information, future oriented financial information, or financial outlooks (collectively “**forward-looking statements**”), which include disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action. BC Co, NetCents and the Resulting Issuer are hereby providing cautionary statements identifying important factors that could cause the actual results of BC Co, NetCents or the Resulting Issuer to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “may”, “is expected to”, “anticipates”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, BC Co, NetCents Systems Ltd., and the Resulting Issuer have assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of BC Co, NetCents or the Resulting Issuer. Examples of such forward looking information in this Prospectus includes disclosure relating to the following:

- The business and operations of NetCents and the Resulting Issuer;
- The anticipated revenues and cashflows from operations and consequent funding requirements of the Resulting Issuer;
- The funds available to the Resulting Issuer and the principal purposes of those funds;
- The Resulting Issuer’s ability to secure and complete anticipated contracts;
- The Resulting Issuer’s business objectives and discussion of trends affecting the business of the Resulting Issuer;
- The anticipated revenues to be realized by the Resulting Issuer from future contracts;
- The Resulting Issuer’s anticipated operating expenses.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of BC Co, NetCents or the Resulting Issuer, that could influence actual results include the risk factors under the heading “*Risk Factors*” on page 65.

The forward-looking information contained in this Prospectus is based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about general business and economic conditions, changes in financial markets generally, the Resulting Issuer’s ability to attract and retain skilled staff, the Resulting Issuer’s ability to maintain brand development, changes in laws, and the Resulting Issuer’s capital expenditure program. Although BC Co and NetCents have attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, neither BC Co, NetCents nor the Resulting Issuer undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the businesses of BC Co, NetCents or the Resulting Issuer or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

## MARKET AND INDUSTRY DATA

This Prospectus includes market and industry data that has been obtained from third party sources, including industry publications. BC Co, NetCents and the Resulting Issuer believe that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, BC Co, NetCents and the Resulting Issuer have not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

## CONVENTIONS

Certain terms used herein are defined in the “Glossary of Terms”. Unless otherwise indicated, references to \$ or “dollars” are to Canadian dollars. All financial information with respect to the BC Co and NetCents has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

## GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this Prospectus. This is not an exhaustive list of defined terms used in this Prospectus and additional terms are defined throughout. Terms and abbreviations used in the financial statements of BC Co and NetCents are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

“\$”	Means Canadian dollars.
“ABCA”	Means the <i>Business Corporation Act (Alberta)</i> as amended.
“Affiliate”	<p>Means a company that is affiliated with another company as described below: A company is an “Affiliate” of another company if:</p> <ul style="list-style-type: none"><li>one of them is the subsidiary of the other, or</li><li>each of them is controlled by the same Person.</li></ul> <p>A company is “controlled” by a Person if:</p> <ul style="list-style-type: none"><li>a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and</li><li>b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.</li></ul> <p>A Person beneficially owns securities that are beneficially owned by:</p> <ul style="list-style-type: none"><li>a) a Company controlled by that Person, or</li><li>b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.</li></ul>
“Alberta SubCo”	Means 1887217 Alberta Ltd., the wholly-owned subsidiary of BC Co, prior to the Amalgamation.
“AmalCo”	Means the continuing corporation resulting from the Amalgamated Companies constituted upon completion of the Amalgamation on February 10, 2016, named “NetCents Systems Ltd.”
“AmalCo Shares”	Means all of the outstanding common shares of AmalCo.

<b>“Amalgamation”</b>	Means the amalgamation transaction completed on February 10, 2015 pursuant to the Amalgamation Agreement, structured as a reverse-takeover, specifically, as a three-cornered amalgamation under the <i>Business Corporation Act</i> (Alberta) (the “ <b>ABCA</b> ”) whereby Alberta SubCo amalgamated with NetCents to continue as one corporation (“ <b>AmalCo</b> ”) on terms more particularly set forth in the Amalgamation Agreement., attached as schedule “D” to this Prospectus.
<b>“Amalgamated Companies”</b>	Means NetCents and Alberta SubCo.
<b>“Amalgamation Agreement”</b>	Means an agreement dated May 8, 2015 between BC Co Parent, BC Co, Alberta SubCo, and NetCents, a copy of which is attached as Appendix “D” hereto.
<b>“Arrangement”</b>	Means the plan of arrangement whereby, BC Co, being a wholly-owned subsidiary of UWO Consulting Ltd. (“ <b>BC Co Parent</b> ”), entered into the Canadian Arrangement Agreement with BC Co Parent and nine (9) other wholly owned subsidiaries of BC Co Parent. The Canadian Arrangement Agreement and this Arrangement were approved by BC Co Parent shareholders on December 17, 2014 and approved by the British Columbia Supreme Court on December 19, 2014. The Arrangement is expected to be completed in September 2015 and upon closing BC Co is to issue 1,010,549 BC Co Common Shares to BC Co Parent, which will then be distributed to shareholders of BC Co Parent pursuant to the Canadian Arrangement Agreement.
<b>“Associate”</b>	When used to indicate a relationship with a person or company, means: <ul style="list-style-type: none"> <li>a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,</li> <li>b) any partner of the person or company,</li> <li>c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity,</li> <li>d) in the case of a person, a relative of that person, including <ul style="list-style-type: none"> <li>i. that person’s spouse or child, or</li> <li>ii. any relative of the person or of his spouse who has the same residence as that person; but</li> </ul> </li> <li>e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.</li> </ul>
<b>“Banking Platform”</b>	Means the RBC Corporate Bill Payment Services Platform, provided by the Royal Bank of Canada, through which the NetCents transaction platform utilizes clearing services.
<b>“BCBCA”</b>	Means the <i>Business Corporations Act</i> (British Columbia).

<b>“BC Co” or the “Issuer”</b>	Means NetCents Technology Inc. (formerly, 1018758 B.C. Ltd.)
<b>“BC Co Common Shares”</b>	Means the Class A common shares in the capital of BC Co.
<b>“BC Co Parent”</b>	Means UWO Consulting Ltd., a reporting issuer in British Columbia and Alberta.
<b>“Board” or “Board of Directors”</b>	Means the board of directors of BC Co, NetCents or the Resulting Issuer, as applicable.
<b>“Business Day”</b>	Means a day other than Saturday, Sunday or a statutory holiday in Vancouver, British Columbia, Canada.
<b>“Canadian Arrangement Agreement”</b>	Means the arrangement agreement between BC Co Parent entered into with BC Co, and nine (9) other wholly-owned subsidiaries of BC Co Parent, dated November 12, 2014, as amended on November 14, 2014, January 25, 2015, February 16, 2015 and April 13, 2015, pursuant to which the Arrangement will be effectuated.
<b>“CEO”</b>	Means Chief Executive Officer.
<b>“CFO”</b>	Means Chief Financial Officer.
<b>“Closing”</b>	Means the completion of the transactions contemplated in the Amalgamation Agreement.
<b>“Closing Date”</b>	Means the Business Day on which all conditions set forth in the Amalgamation Agreement (other than those conditions that by their nature are to be satisfied or waived at the Closing, but subject to the satisfaction or waiver of those conditions) are satisfied or waived or such other Business Day as the Parties may agree to in writing.
<b>“Company”</b>	Unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
<b>“Control Person”</b>	Means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
<b>“Cryptocurrency”</b>	Means a medium of exchange using cryptography to secure the transactions and to control the creation of new units. Cryptocurrencies are a subset of alternative currencies, or specifically of digital currencies. Bitcoin became the first decentralized cryptocurrency in 2009. Since then, numerous cryptocurrencies have been created. These are frequently called <i>altcoins</i> , a contraction of <i>bitcoin alternative</i> .
<b>“CSE” or the “Exchange”</b>	Means the Canadian Securities Exchange.
<b>“CSE Escrow Agreement”</b>	Means the escrow agreement to be entered into on the Effective Date, among

	the Resulting Issuer, the Transfer Agent and certain shareholders, pursuant to which 13,075,770 Resulting Issuer Common Shares will be held in escrow pursuant to National Policy 46-201 – <i>Escrow for Initial Public Offerings</i> .
<b>“CSE Escrow Shares”</b>	Means the 13,075,770 Resulting Issuer Common Shares that are held in escrow pursuant to the CSE Escrow Agreement.
<b>“Digital Currency”</b>	Means an internet based medium of exchange (i.e., distinct from physical, such as banknotes and coins) that exhibits properties similar to physical currencies, however, allows for instantaneous transactions and borderless transfer-of-ownership. Both virtual currencies and cryptocurrencies are types of digital currencies. Like traditional money these currencies may be used to buy physical goods and services but could also be restricted to certain communities such as, for example, for use inside an on-line game or social networks. Digital currencies such as bitcoin are known as "decentralized digital currencies," meaning that there is no central point of control over the “money” supply.
<b>“Effective Date”</b>	Means the effective date of the Amalgamation, which shall be the date of filing of the Certificate of Amalgamation with the Alberta Corporate Registry.
<b>“Effective Time”</b>	Means the time set out in the Certificate of Amalgamation for the Amalgamation (Alberta time) on the Effective Date or such other time as BC Co and NetCents may agree.
<b>“Fiat Currency”</b>	Means a currency that a government has declared to be legal tender, but is not backed by a physical commodity. The value of fiat currency is derived from the relationship between supply and demand rather than the value of the material that the money is made of.
<b>“Final Prospectus”</b>	Means the (final) non-offering prospectus of BC Co, prepared in accordance with NI 41-101, relating to the reverse-takeover of BC Co by NetCents effected through the Amalgamation and filed with the Principal Regulator solely for the purpose of complying with Notice 2015-003 Regulatory Guidance on Plans of Arrangement and Capital Structure, published by the CSE.
<b>“Final Receipt”</b>	Means the receipt issued by the Principal Regulator, evidencing that a receipt has been, or has been deemed to be, issued for the Final Prospectus in British Columbia.
<b>“Insider”</b>	If used in relation to an issuer, means: <ul style="list-style-type: none"> <li>a) a director or senior officer of the issuer;</li> <li>b) a director or senior officer of the Company that is an Insider or subsidiary of the issuer;</li> <li>c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or</li> <li>d) the issuer itself if it holds any of its own securities.</li> </ul>



<b>“Material Adverse”</b>	Means, when used in respect of a fact, circumstance, change, effect, occurrence, event or term means a fact, circumstance, change, effect, occurrence, event or term that (a) materially and adversely affects, or would reasonably be expected to materially and adversely affect, the business, assets, liabilities, condition (financial or otherwise) or capital of NetCents, or (b) prevents, or would reasonably be expected to prevent, NetCents from performing its obligations under this Agreement or consummating the transactions contemplated herein; provided, however, that it will not include: (i) any fact, circumstance, event, change, effect, occurrence, event or term relating to the global economy or securities markets in general; or (ii) any fact, circumstance, event, change, effect, occurrence or event affecting the industry in which NetCents operates in general and which, in each case, does not have a materially disproportionate effect on NetCents relative to comparable entities operating in the industry in which NetCents conducts its business.
<b>“Material Adverse Change” or “Material Adverse Effect”</b>	Has the meaning ascribed to it in the Amalgamation Agreement and principally means with respect to BC Co or NetCents, as the case may be, any change (including a decision to implement such a change made by the board of directors or by senior management who believe that confirmation of the decision by the board of directors is probable), event, violation, inaccuracy, circumstance or effect that is Materially Adverse to the business, assets (including intangible assets), liabilities, capitalization, ownership, financial condition or results of operations of BC Co or NetCents, as the case may be, on a consolidated basis.
<b>“Name Change”</b>	Means a change of the name of BC Co from “1018758 B.C. Ltd.” to “NetCents Technology Inc.” effective February 2, 2016.
<b>“Named Executive Officer” or “NEO”</b>	Means: a) the CEO; b) the CFO; c) the Corporate Secretary; d) each of the issuer’s three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus, individually, exceeds \$150,000 per year; or e) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year.
<b>“NetCents”</b>	Means NetCents Systems Ltd., an Alberta incorporated company.
<b>“NetCents Founder”</b>	Means Clayton Moore.
<b>“NetCents Share”</b>	Means the shares of common shares of NetCents.
<b>“NetCents Shareholders”</b>	Means holders of the NetCents Shares.
<b>“NetCents Warrants”</b>	Means the share purchase warrants issued and outstanding in the capital of NetCents. The NetCents Warrants Consist of:  a) December 2015 Private Placement: 1,332,000 warrants, each warrant entitling the holder thereof to acquire one common share at a price of

	<p>\$0.50 per common share for a period of 12 months from the closing date.</p> <p>b) July 2015 Private Placement 1,700,000 warrants. each warrant entitling the holder thereof to acquire one common share at a price of \$0.50 per common share for a period of 12 months from the closing date.</p> <p>c) January 2015, pursuant to a loan contract: 620,161 warrants, each warrant exercisable for a period of 2 years following the date of their issuance at an exercise price equal to the lower of (i) \$0.25 per share and, (ii) the price of the then most recent public offering of the Company common shares, if any.</p>
<b>“NI 41-101”</b>	Means National Instrument 41-101 – <i>General Prospectus Requirements</i> , of the Canadian Securities Administrators.
<b>“NI 45-106”</b>	Means National Instrument 45-106 – <i>Prospectus Exemptions</i> , of the Canadian Securities Administrators.
<b>“NI 52-110”</b>	Means National Instrument 52-110 – <i>Audit Committees</i> , of the Canadian Securities Administrators.
<b>“Options”</b>	Means options granted under the Stock Option Plan to acquire of the Resulting Issuer common shares.
<b>“Person”</b>	Means a includes an individual, corporation, partnership, party, trust, fund, association and any other organized group of persons and the personal or other legal representative of a person to whom the context can apply according to law;
<b>“Preliminary Prospectus”</b>	Means the (preliminary) non-offering prospectus of BC Co, prepared in accordance with NI 41-101, filed with the Principal Regulator solely for the purpose of complying with Notice 2015-003 Regulatory Guidance on Plans of Arrangement and Capital Structure, published by the CSE.
<b>“Preliminary Receipt”</b>	Means the receipt issued by the Principal Regulator, evidencing that a receipt has been, or has been deemed to be, issued for the Preliminary Prospectus in British Columbia.
<b>“Principal Regulator”</b>	Means the British Columbia Securities Commission.
<b>“Prospectus”</b>	Means, collectively, the Preliminary Non-Offering Prospectus and the Final Non-Offering Prospectus (including any Supplementary Material thereto).
<b>“Resulting Issuer”</b>	Means BC Co, upon completion of the Transaction.
<b>“Resulting Issuer Common Shares”</b>	Means the Class A common shares in the capital of the Resulting Issuer.
<b>“Resulting Issuer Warrants”</b>	Means the Class A common share purchase warrants of the Resulting Issuer for which the NetCents Warrants shall be exchanged as provided in the Amalgamation Agreement.
<b>“Related Person”</b>	Means an Insider, which has the meaning set forth in the <i>Securities Act</i> (British Columbia):

	<ul style="list-style-type: none"> <li>a) director or senior officer of the Resulting Issuer;</li> <li>b) a director or senior officer of the company that is an insider or subsidiary of the Resulting Issuer;</li> <li>c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Resulting Issuer; or</li> <li>d) the Resulting Issuer itself if it holds any of its own securities.</li> </ul>
<b>“SEDAR”</b>	Means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrator.
<b>“Stock Option Plan”</b>	Means the incentive stock option plan of the Resulting Issuer as applicable, attached hereto as Appendix “E”.
<b>“Transfer Agent”</b>	Means the transfer agent and registrar of the Resulting Issuer being TMX Equity Transfer Services (Equity Financial Trust Company).
<b>“Transaction”</b>	Means the proposed business combination of NetCents with BC Co, resulting reverse-takeover of BC Co by NetCents, and subsequent listing of the Resulting Issuer on the Exchange, as contemplated by and subject to the terms and conditions of the Amalgamation Agreement.

## SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.*

### **Principal Business of BC Co**

BC Co was incorporated on November 11, 2014 under the BCBCA as 1018758 B.C. Ltd. BC Co changed its name to “NetCents Technology Inc.” prior to listing its Class A common shares on the CSE.

BC Co was incorporated as a wholly-owned subsidiary of UWO Consulting Ltd. (“**BC Co Parent**”). BC Co entered into the Canadian Arrangement Agreement with BC Co Parent and nine (9) other wholly owned subsidiaries of BC Co Parent, dated November 12, 2014, as amended on November 14, 2014, January 25, 2015, February 16, 2015 and April 13, 2015. The Canadian Arrangement Agreement and the associated plan of arrangement were approved by BC Co Parent shareholders on December 17, 2014 and approved by the British Columbia Supreme Court on December 19, 2014. The Arrangement was completed on February 10, 2016.

BC Co has not conducted any material commercial operations other than entering into the Amalgamation Agreement with NetCents. BC Co’s principal business is to identify business assets in companies to merge with and list on the Exchange.

For additional information, please see “*Part I - Information Concerning BC Co*” on page 17.

### **Principal Business of NetCents**

NetCents is an electronic Payment Service Provider (or “**PSP**”). As a PSP, NetCents offers clients and merchants efficient online services for managing electronic payments by a variety of payment methods through its technology that offers a bundled suite of payment services. The system is designed to exploit existing inadequacies in the PSP market space as well as the dynamic opportunities to transition towards any future opportunities in the sector utilizing new technology. The next-generation platform is specifically architected to meet the complexities of the evolving payments environment. It will excel where traditional systems are challenged in delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems.

The NetCents transaction platform utilizes the clearing services and runs through the Banking Platform. The NetCents platform is also integrated with Automatic Clearing House (“ACH”) Network. NetCents is a digital transaction technology company that is specializing in online, mobile and emerging payments.

For additional information, please see “*Part II - Information Concerning NetCents*” on page 24.

### ***The Transaction between BC Co. and NetCents***

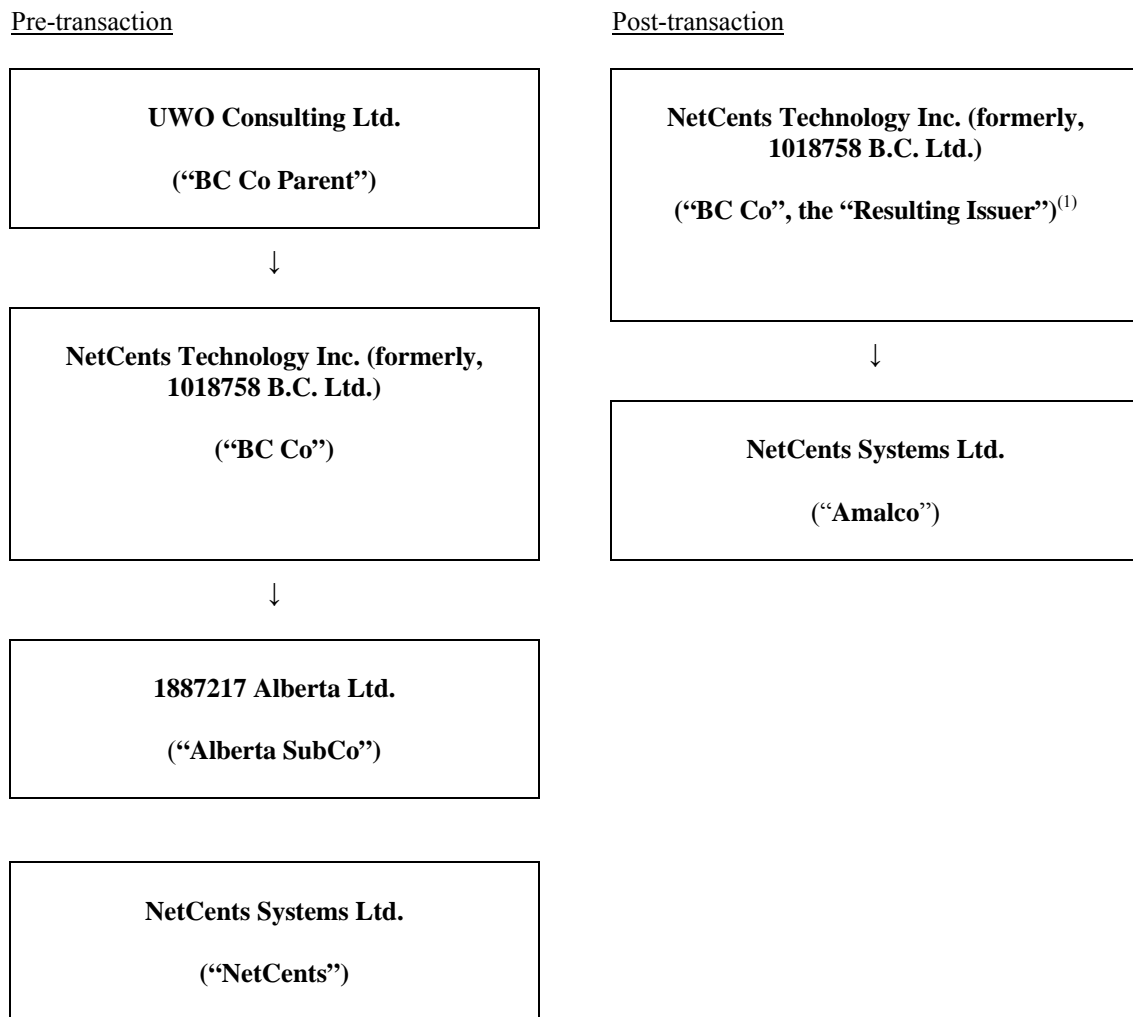
Pursuant to the terms of the Canadian Arrangement Agreement, BC Co Parent caused BC Co to be spun out to its shareholders in advance of the completion of the Amalgamation in reliance on the prospectus and registration exemption set forth in section 2.11 of NI 45-106—*Prospectus Exemptions*, of the Canadian Securities Administrators and as a result thereof BC Co became a reporting issuer in the Provinces of British Columbia and Alberta. BC Co completed this transaction on February 10, 2016.

On March 30, 2015, Alberta SubCo incorporated under the ABCA, as a wholly owned subsidiary of BC Co. for the sole purpose of completing the Amalgamation. BC Co Parent, BC Co, Alberta SubCo and NetCents

entered into the Amalgamation Agreement dated May 8, 2015. The Amalgamation was completed on February 10, 2016.

The Amalgamation was structured as a three-cornered amalgamation under the ABCA whereby Alberta SubCo and NetCents amalgamated and continued as one corporation, AmalCo, on terms more particularly set forth in the Amalgamation Agreement, and resulted in the reverse takeover of BC Co by NetCents. Pursuant to the Amalgamation, BC Co acquired a 100% interest in AmalCo. BC Co issued an aggregate of 27,577,512 Resulting Issuer Common Shares and 2,578,425 Resulting Issuer Warrants to the securityholders of NetCents. The Amalgamation was approved by the shareholders of NetCents on May 29, 2015, and approved by a written consent resolution of the boards of directors of the respective parties. As a result of the Amalgamation, the former securityholders of NetCents became securityholders of the Resulting Issuer.

The diagram below describes the inter-corporate relationship among the entities involved in the Amalgamation Agreement before and after the completion of the Transaction:



<sup>(1)</sup> UWO Consulting Ltd. remains a shareholder of BC Co until the closing of the Arrangement, and will be cancelling its share in NetCents Technology Inc. (formerly, 1018758 B.C. Ltd.) upon and as part of the closing of the Arrangement.

<sup>(2)</sup> BC Co becomes a reporting issuer in Alberta and British Columbia after closing the Arrangement and when it is reported as a reporting issuer in said jurisdictions by the Alberta Securities Commission and British Columbia Securities Commission.

***The Amalgamation Agreement***

BC Co entered into a non-binding letter of intent with NetCents dated October 27, 2014, as amended, which described the principal terms and conditions of the proposed agreement whereby BC Co would acquire all of the issued and outstanding common shares in the capital of NetCents, in connection with a proposed business combination. The Amalgamation Agreement was entered into in furtherance of the transactions contemplated in the letter of intent.

Upon the terms and subject to the conditions set forth in the Amalgamation Agreement, at the Effective Date:

- (i) each one (1) NetCents Share will be exchanged for 0.706 fully paid and non-assessable Resulting Issuer Common Share;
- (ii) the issued and outstanding Alberta SubCo Shares will be exchanged for Amalco Shares on the basis of one Amalco Share for each Alberta SubCo Share held immediately before the Effective Date, and the Alberta SubCo Shares so exchanged will immediately be cancelled;
- (iii) each one (1) NetCents Warrant outstanding immediately prior to the Effective Date shall be exchanged for 0.706 Resulting Issuer Warrant;
- (iv) all NetCents Warrants exchanged for Resulting Issuer Warrants and all NetCents Shares exchanged for Resulting Issuer Common Shares shall be cancelled; and
- (v) AmalCo shall be a wholly-owned subsidiary of the Resulting Issuer.

Upon completion of the Amalgamation, the NetCents Shareholders hold 27,577,512 Resulting Issuer Common Shares and the shareholders of BC Co hold 1,010,549 Resulting Issuer Common Shares and the warrant holders of NetCents will hold 2,578,425 Resulting Issuer Warrants. 13,075,770 Resulting Issuer Common Shares issued to the NetCents Shareholders will be subject to escrow.

The Amalgamation Agreement provides that the first directors of the Resulting Issuer shall be Clayton Moore, Gord Jessop, Robert Meister, and Fraser McDougall. The first officers of the Resulting Issuer shall be Clayton Moore as Chief Executive Officer, Gord Jessop as Chief Operating Officer, and Ryan Cheung as Chief Financial Officer.

**Funds Available and Use of Available Funds**

To the extent that the Resulting Issuer has negative operating cash flow in future periods, the Resulting Issuer may use a portion of the unallocated capital referenced in the table below to fund such negative operating cash flow. Upon completion of the Amalgamation, the Resulting Issuer will have a working capital (deficiency) of approximately (\$46,000). The principal purposes for the use of those funds will be as follows:

Item	\$
<b>Funds Available</b>	
Working capital deficiency of BC Co as at October 31, 2015	(30)
Private Placement Financing (gross) <sup>(1)</sup>	333,000
Working capital (deficiency) of NetCents as at, October 31, 2015 <sup>(2)</sup>	(46,000)
<b>Total</b>	<b>286,970</b>

Item	\$
<b>Principal purposes for the use of available funds</b>	
IT/Platform/Software	100,000
Legal / Accounting	45,000
Sales & Marketing	40,000
General and Administrative <sup>(3)</sup>	69,000
Unallocated Working Capital	32,970
Total	286,970

<sup>(1)</sup> Based on gross proceeds of a private placement of units consisting of one common share and one common share purchase warrant, conducted by NetCents on December 23, 2015, prior to amalgamation.

<sup>(2)</sup> Refer to Liquidity discussion in July 31, 2015 MD&A.

<sup>(3)</sup> General and administrative is broken down as follows: (i) rent (\$5,200 per month), (ii) Misc Office Expenses (\$400 per month)

Netcents has a history of losses, and there can be no assurance that Netcents or the Resulting Issuer will not have losses continue into the future. The Resulting Issuer's prospects must be considered in the context of its development, the risks and uncertainties it faces, and the inability of the Resulting Issuer to accurately predict its operating results or the results of product development and sales and marketing initiatives.

The Resulting Issuer intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons a reallocation of funds may be necessary. Use of net proceeds will be subject to the discretion of management.

See "Appendix B2 - NetCents Systems Ltd. Management's Discussion and Analysis for period ended July 31, 2015".

## Risk Factors

An investment in the Resulting Issuer involves a substantial degree of risk and should be regarded as highly speculative due to the nature of the business of BC Co and NetCents. The risks, uncertainties and other factors, many of which are beyond the control of BC Co, NetCents or the Resulting Issuer, that could influence actual results include, but are not limited to the following ("Netcents", when used in this section, includes the Resulting Issuer after completion of the Transaction):

- Completion of the Transaction is subject to several conditions precedent that must be met and failure to meet such conditions precedent would result in termination of the Transaction.
- Netcents has a limited operating history and may encounter difficulties managing our growth.
- Netcents' financial results may fail to meet or exceed expectations of securities analysts or investors.
- The market for Netcents' services or technology platform is unproven and may not develop at expected levels.
- Netcents may provide poor service or its services may not comply with its customer or other agreements.
- Netcents may not be able to compete successfully against our current and future competitors that would harm its ability to retain and acquire customers.

- Any actual or perceived violations of privacy laws or perceived misuse of data could cause public relations problems and could impair Netcents' ability to obtain users for its services.
- Any unauthorized disclosure or theft of private information Netcents may gather could harm its business.
- Netcents may suffer a technology malfunction caused by various means including natural disaster, cyber attack or human error.
- Netcents is reliant on the clearing services of the Royal Bank of Canada and a loss of or delay in those services could harm its business.
- Netcents may fail to successfully market and develop its brand.
- Netcents may fail to effectively expand its sales and marketing capabilities.
- Netcents may experience system failures or delays in operation of its computer and communication systems.
- Netcents may experience interruptions or delays in services it receives from third-party service providers, or from its own facilities, to host and deliver its services.
- Netcents may fail to respond to technological or privacy requirements developments.
- Netcents may fail to protect and enforce its intellectual property rights.
- Netcents may be subjected to costly and time-consuming litigation or expensive licenses from assertions of intellectual property infringement from third parties.
- Laws, regulations or enforcement actions may limit Netcents' ability to collect and use information from Web users or restrict or prohibit its product offerings.
- Netcents is dependent on the continued growth of the Web as a medium for widespread commerce.
- Netcents may experience an inability to attract or retain qualified personnel.
- Changes in, or interpretations of, accounting methods or policies may require Netcents to reclassify, restate, or otherwise change or revise its financial statements.
- Netcents may have inadequate internal control over financial reporting or significant existing or potential deficiencies or material weaknesses in such controls that it is not currently aware of.
- Netcents may require additional capital to support business growth, and this capital may not be available on acceptable terms or at all.
- A market may not continue to develop or exist for the Resulting Issuer Common Shares.
- Netcents' management has broad discretion over use of proceeds.
- Netcents may issue additional shares in an equity/debt financing that may have the effect of diluting the interest of its shareholders.



- The functionality of Netcents’ services may be compromised should there be a widespread or persistent internet outage.
- Netcents will incur increased costs and demands upon management as a result of becoming a public company.
- Netcents limited experience in market expansion and may be unsuccessful in our efforts.

Please refer to “*Risk Factors - Risks Related to the Resulting Issuer*” on page 66 for further risk factors.

### Summary of Financial Information

The following selected financial information is subject to the detailed information contained in the financial statements of BC Co, NetCents and the pro forma consolidated financial statements for the Resulting Issuer, and notes thereto appearing elsewhere in the Prospectus. The selected financial information is derived from and should be read in conjunction with BC Co and NetCents’ unaudited interim financial statements for the nine month period ended July 31, 2015 and BC Co’s interim financial statements for the period ended July 31, 2015; and NetCents’ audited financial statements for the year ended October 31, 2014; and the pro forma consolidated financial statements of the Resulting Issuer as of July 31, 2015.

July 31, 2015	BC Co (\$)	NetCents (\$)	Pro Forma Adjustments (\$)	Pro Forma (\$)
Cash and cash Equivalents	1.00	230,636	287,583	518,220
Current assets	1.00	230,636	287,583	518,220
Total assets	1	290,437	287,583	578,021
Current liabilities	31	683,391 <sup>(1)</sup>	(30,000)	653,422
Total liabilities	31	683,391	(30,000)	653,422
Shareholders’ Equity (deficit)	(30)	(392,954)	317,583	(75,401)

<sup>(1)</sup> Current liabilities include \$403,021.04 owed to related parties. Subsequent to July 31, 2015, the related parties agreed to defer amounts owed to them to the earlier of April 30, 2017 and the date the company is adequately funded to pay accrued salary. See “*Part II – Information Concerning NetCents – Related Party Transactions*”.

For additional information, please see “*Part I - Information Concerning BC Co – Selected Financial Information and Management’s Discussion and Analysis*” on page 22, “*Part II - Information Concerning NetCents – Selected Financial Information and Management’s Discussion and Analysis*” on page 39, and “*Part III - Information Concerning the Resulting Issuer – Pro Forma Consolidated Financial Information*” on page 50.

## PART I – INFORMATION CONCERNING BC CO

### Name, Address and Incorporation

BC Co was incorporated on November 11, 2014 under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) as 1018758 B.C. Ltd. The Company changed its name to “NetCents Technology Inc.” on February 2, 2016.

BC Co was incorporated as a wholly-owned subsidiary of UWO Consulting Ltd. (“**BC Co Parent**”). BC Co entered into an arrangement agreement with BC Co Parent and nine (9) other wholly owned subsidiaries of BC Co Parent, dated November 12, 2014, as amended on November 14, 2014, January 25, 2015, February 16, 2015 and April 13, 2015 (together, the “**Canadian Arrangement Agreement**”). The Canadian Arrangement Agreement and the associated plan of arrangement were approved by BC Co Parent shareholders on December 17, 2014 and approved by the British Columbia Supreme Court on December 19, 2014. The Arrangement was completed on February 10, 2016.

The head office (and registered office) of BC Co is located at Suite 605 – 815 Hornby Street, Vancouver, British Columbia, V6Z 2E6.

Subsequent to the Amalgamation, NetCents is the only subsidiary of BC Co., and is wholly owned by BC Co.

### **The Transaction**

NetCents and BC Co entered into the Amalgamation Agreement in connection with the Transaction. Pursuant to the Transaction:

- NetCents completed a reverse takeover of BC Co.
- The Resulting Issuer will carry on the business of NetCents under the name “NetCents Technologies Inc.” or another name approved by NetCents.
- Management of NetCents became the management of the Resulting Issuer.
- NetCents Securityholders received .706 of an equivalent security of the Resulting Issuer for each NetCents security held, resulting in NetCents shareholders in aggregate holding approximately 96.4% of the Resulting Issuer Common Shares.
- Prior to the Amalgamation BC Co distributed approximately 1,010,549 common shares to approximately 250 shareholders of BC Parentco, resulting in BC Co becoming a reporting issuer in British Columbia and Alberta, and upon completion of the Amalgamation such BC Co shareholders will hold approximately 3.6% of the outstanding Resulting Issuer Common Shares.
- The Resulting Issuer intends to list on the Exchange and become a reporting issuer in Ontario as well as Alberta and British Columbia.
- 13,075,770 Resulting Issuer Common Shares held or controlled by principals of NetCents will be placed in escrow.

Pursuant to the terms of the Canadian Arrangement Agreement, BC Co Parent caused the shares of BC Co to be distributed to its shareholders in advance of the completion of the Amalgamation in reliance on the prospectus exemption set forth in section 2.11 of NI 45-106—*Prospectus Exemptions*, and as a result thereof BC Co became a reporting issuer in the Provinces of British Columbia and Alberta. The Arrangement was completed on February 10, 2016.

On March 30, 2015, Alberta SubCo incorporated under the ABCA, as a wholly owned subsidiary of BC Co., for the purposes of completing the Amalgamation.

NetCents was incorporated under the ABCA on January 11, 2006.

On October 27, 2014, BC Co and NetCents entered in a letter of intent, as amended setting out the principal terms of the Amalgamation.

On May 8, 2015, BC Co Parent, BC Co, Alberta SubCo, and NetCents entered into the Amalgamation Agreement, which superseded and replaced the letter of intent.

The Amalgamation was structured as a three-cornered amalgamation under the ABCA whereby Alberta SubCo and NetCents amalgamated and continued as one corporation, AmalCo, on terms more particularly set forth in the Amalgamation Agreement, and resulted in the reverse takeover of BC Co by NetCents. Pursuant to the Amalgamation, BC Co acquired a 100% interest in AmalCo. BC Co issued an aggregate of 27,577,512 Resulting Issuer Common Shares and 2,578,425 Resulting Issuer Warrants to the securityholders of NetCents. The Amalgamation was approved by the shareholders of NetCents on May 29, 2015, and approved by the boards of directors of the respective parties. As a result of the Amalgamation, the former securityholders of NetCents became securityholders of the Resulting Issuer.

BC Co has not conducted any material commercial operations other than entering into the Amalgamation Agreement.

### **Significant Acquisitions and Dispositions**

BC Co acquired a 100% interest in NetCents pursuant to and on the terms and subject to the conditions set out in the Amalgamation Agreement, attached as Appendix “D” to this Prospectus. Pursuant to the Amalgamation Agreement, BC Co issued approximately 27,577,512 Resulting Issuer Common Shares and 2,578,425 Resulting Issuer Warrants to the former securityholders of NetCents. The Amalgamation was approved by a special majority of shareholders of NetCents on May 29, 2015, and approved by a written consent resolution of the boards of directors of the respective parties. As a result of the Amalgamation, the former securityholders of NetCents became securityholders of the Resulting Issuer.

### ***The Amalgamation Agreement***

BC Co entered into a non-binding letter of intent with NetCents dated October 27, 2014 as amended, which describes the principal terms and conditions of the Transaction under which BC Co would acquire all of the issued and outstanding common shares in the capital of NetCents, in connection with a proposed business combination. The Amalgamation Agreement was entered into in furtherance of the transactions contemplated in the letter of intent, and supersedes and replaces the letter of intent.

The Amalgamation was completed on February 10, 2015. NetCents Shareholders hold 27,577,512 Resulting Issuer Common Shares and the shareholders of BC Co hold 1,010,549 Resulting Issuer Common Shares and the warrant holders of NetCents hold 2,578,425 Resulting Issuer Warrants. 13,075,770 Resulting Issuer Common Shares issued to the NetCents Shareholders will be subject to escrow. The Amalgamation Agreement provides that the first directors of the Resulting Issuer are Clayton Moore, Gord Jessop, Robert Meister, and Fraser McDougall. The first officers of the Resulting Issuer are Clayton Moore as Chief Executive Officer, Gord Jessop as Chief Operating Officer, and Ryan Cheung as Chief Financial Officer.

### ***Pre-Amalgamation Events***

Upon the terms and subject to the conditions set forth in the Amalgamation Agreement, prior to the Effective Time, and in the following sequence of events:

1. BC Co filed the Preliminary Prospectus with the Principal Regulator;

2. Concurrent with filing the Preliminary Prospectus with the Principal Regulator, BC Co filed the necessary documents with the CSE to receive CSE conditional approval for the listing of the Resulting Issuer Common Shares on the CSE, such approval having been received on January 20, 2016;
3. After receiving CSE conditional approval BC Co Parent completed the spin-out of BC Co to its shareholders in reliance on the prospectus exemption set forth in section 2.11 of NI 45-106, and as a result thereof BC Co will be a reporting issuer in the Provinces of British Columbia and Alberta; and
4. After receiving CSE conditional approval BC Co and NetCents completed the Amalgamation.

#### ***Amalgamation Events***

Upon the terms and subject to the conditions set forth in the Amalgamation Agreement, at the Effective Date:

- (i) each one (1) NetCents Share was exchanged for 0.706 fully paid and non-assessable Issuer Common Share;
- (ii) the issued and outstanding Alberta SubCo Shares were exchanged for Amalco Shares on the basis of one Amalco Share for each Alberta SubCo Share held immediately before the Effective Date, and the Alberta SubCo Shares so exchanged were cancelled;
- (iii) each one (1) NetCents Warrant outstanding immediately prior to the Effective Date was exchanged for 0.706 Issuer Warrant;
- (iv) all NetCents Warrants were exchanged for Resulting Issuer Warrants and all NetCents Shares were exchanged for Issuer Common Shares shall be cancelled; and
- (v) AmalCo became a wholly-owned subsidiary of the Resulting Issuer.

#### ***Effect of Amalgamation***

At the Effective Time:

1. Alberta SubCo and NetCents amalgamated under the ABCA in accordance with the terms and conditions prescribed in the Amalgamation Agreement;
2. all of the property, assets, rights and privileges of Alberta SubCo and NetCents became the property, assets, rights and privileges of AmalCo, and all of the liabilities and obligations of Alberta SubCo and NetCents became the liabilities and obligations of AmalCo;
3. the Articles of Incorporation and the Bylaws of NetCents are deemed to be the Articles of Incorporation and the Bylaws of AmalCo; and
4. the officers and directors of AmalCo were those individuals described in the Amalgamation Agreement.

#### ***Conditions Precedent to the completion of the Amalgamation***

The Amalgamation was subject to the conditions precedent as set out in the Amalgamation Agreement including but not limited to:

#### Conditions for the Benefit of BC Co.

The Transaction is subject to the following conditions to be fulfilled or performed on or prior to the Closing Date, which conditions are for the exclusive benefit of BC Co and may be waived, in whole or in part, by BC Co in its sole discretion:

1. **Truth of Representations and Warranties.** The representations and warranties of NetCents contained in the Amalgamation Agreement shall have been true and correct as of the date of the Amalgamation Agreement and shall be true and correct as of the Closing Date in all material respects with the same force and effect as if such representations and warranties had been made on and as of such Closing Date except as affected by transactions contemplated or permitted by this Agreement and an officer of NetCents shall provide a certificate addressed to BC Co at Closing confirming the foregoing.
2. **Performance of Obligations.** NetCents shall have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in the Amalgamation Agreement to be fulfilled or complied with by them at or prior to the Closing Date and an officer of NetCents shall provide a certificate addressed to BC Co at Closing confirming the foregoing.
3. **Approvals and Consents.** All required approvals, consents and authorizations of third parties in respect of the Transaction, including without limitation all necessary shareholder and regulatory approvals, shall have been obtained on terms acceptable to BC Co acting reasonably, including the approval of the CSE.
4. **No Material Adverse Change.** There shall have been no material adverse change in the business, results of operations, assets, liabilities, financial condition or affairs of NetCents.
5. **Proceedings.** All proceedings to be taken in connection with the transactions contemplated in the Amalgamation Agreement shall be satisfactory in form and substance to BC Co, acting reasonably, and BC Co shall have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or closing of such transactions and the taking of all necessary proceedings in connection therewith.

#### Conditions for the Benefit of NetCents

The Transaction is subject to the following conditions to be fulfilled or performed on or prior to the Effective Date, which conditions are for the exclusive benefit of NetCents and may be waived, in whole or in part, by NetCents in its sole discretion:

1. **Truth of Representations and Warranties.** The representations and warranties of BC Co contained in the Amalgamation Agreement shall have been true and correct as of the date of the Amalgamation Agreement and shall be true and correct as of the Closing Date in all material respects with the same force and effect as if such representations and warranties had been made on and as of such Closing Date except as affected by transactions contemplated or permitted by the Amalgamation Agreement and an officer of BC Co shall provide a certificate to NetCents at Closing confirming the foregoing.
2. **Performance of Obligations.** BC Co shall have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in the Amalgamation Agreement to be fulfilled or complied with by BC Co at or prior to the Closing Date and an officer of BC Co shall provide a certificate to NetCents at Closing confirming the foregoing.

3. **No Material Adverse Change.** There shall have been no material adverse change in the business, results of operations, assets, liabilities, financial condition or affairs of BC Co.

#### **Intellectual property**

All intellectual property is held by NetCents. Please see “*Part II – Information Concerning Netcents – Intellectual Property*”.

#### **Escrow and Resale Restrictions on the CSE Escrow Shares**

In connection with the CSE listing 13,075,770 Resulting Issuer Common Shares will be placed in escrow. See “*Part III - Information Concerning the Resulting Issuer – The CSE Escrow Shares*”.

#### **Dividends and Distribution**

BC Co has neither declared nor paid any dividends on its common shares since its inception.

#### **Selected Financial Information and Management’s Discussion and Analysis**

The following tables set forth selected financial information for BC Co, summarized from its audited financial statements for the period from inception to January 31, 2015 and the unaudited interim financial statements for the nine month period ended July 31, 2015. This selected financial information should be read in conjunction with BC Co’s financial statements, including the notes thereto and the Management’s Discussion and Analysis, which are attached to this Prospectus as Appendices A and A1, respectively.

	<b>July 31, 2015</b>	<b>January 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Total expense	31	-
Cash	1	1
Total assets	1	1
Shareholder’s equity (deficiency)	(31)	1

#### **Management’s Discussion and Analysis**

BC Co’s Management’s Discussion and Analysis provides an analysis of BC Co’s financial results for the period from inception to July 31, 2015, and should be read in conjunction with the financial statements of BC Co for the period, and the notes thereto respectively. BC Co’s Management’s Discussion and Analysis is attached to this Prospectus as Schedule “A2”.

Certain information included in BC Co’s Management’s Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See “Caution Regarding Forward-Looking Statements” for further detail.

### ***Off-Balance Sheet Arrangements***

BC Co has not entered into any off-balance sheet arrangements.

### ***Related Party Transactions***

BC Co has not entered into any related party transactions.

### ***Changes in Accounting Policies Including Initial Adoption***

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management evaluates the estimates periodically. Actual results may differ from these estimates by material amounts.

### **Description of the Securities**

#### ***Common Shares***

BC Co is authorized to issue an unlimited number of Common Shares of which, immediately prior to the Amalgamation, 1 Common Share was issued and outstanding as fully paid and non-assessable. Holders of the Resulting Issuer Common Shares are entitled to dividends if, as and when declared by the directors, to one vote per BC Co Common Share at meetings of shareholders and, upon liquidation, dissolution or winding-up of BC Co, to share rateably the remaining assets of BC Co as are distributable to holders of Issuer Common Shares. The Issuer Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

See “The Transaction” for details of securities issued on closing of the Amalgamation; and see “Part III – Information Concerning the Resulting Issuer, Description of the Securities.”

#### ***Preferred Shares***

BC Co is also authorized to issue an unlimited number of Class B Preferred Shares without par value, issuable in series with special rights or restrictions attached, none of which are issued and outstanding as of the date of this Prospectus and none of which are proposed to be issued in connection with the Transaction.

#### ***Stock Option Incentive Plan***

As of the date of this Prospectus neither BC Co nor NetCents have granted stock options. It is expected that the Resulting Issuer will adopt a rolling stock option plan prior to listing onto the Exchange.

See “Part III – Information Concerning the Resulting Issuer - Options to Purchase Securities” and “Escrowed Securities”.

#### ***Prior Sales***

Immediately prior to the completion of the arrangement pursuant to the Canadian Arrangement Agreement, BC Co had issued 1 BC Co Common Share as follows:

<b>Date</b>	<b>Number of Common Shares</b>	<b>Price per Common Share</b>
November 11,	1 <sup>(1)</sup>	\$0.01

2014		
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Notes:

- (1) Incorporation share issued to UWO Consulting Ltd, which share was cancelled upon Closing.

### **Arm's Length Transaction**

The Transaction was negotiated by the parties dealing at arm's length with each other and in accordance with the policies of the Exchange.

See "*Part I – Information Concerning BC Co – The Transaction*".

### **Legal Proceedings**

BC Co is not a party to any legal proceedings, nor is it aware of any legal proceedings to which any of its property or assets is the subject matter, and it is not aware of any such proceedings known to be contemplated.

### **Auditor**

The auditor of BC Co is Charlton and Company, Chartered Accountants, 555 Burrard Street, Vancouver, B.C., V7X 1M9. Upon Completion of the Amalgamation and as of the date of this Prospectus, it is proposed that the Resulting Issuer's auditor will be NetCents current auditor, DMCL LLP.

See "*Part V – Auditors, Accountants, Transfer Agent and Registrar*".

### **Transfer Agent and Registrar**

The transfer agent and registrar for BC Co's Common Shares is TMX Equity Transfer Services, Suite 2700 – 650 West Georgia Street, Vancouver, British Columbia V6B 4N9, and TMX Equity will continue as transfer agent and registrar of the Resulting Issuer upon Completion of the Amalgamation.

See "*Part V – Auditors, Accountants, Transfer Agent and Registrar*".

### **Material Contracts**

Other than contracts entered into in the ordinary course of business, BC Co has not entered into any contracts material to investors, other than the Amalgamation Agreement.

Copies of these agreements may be inspected, without charge, at the registered office of BC Co at Suite 605 – 815 Hornby Street, Vancouver, British Columbia, V6Z 2E6, during normal business hours until the date of Closing and for a period of 30 days thereafter.

## **PART II – INFORMATION CONCERNING NETCENTS**

### **Name, Address and Incorporation**

NetCents was incorporated on January 11, 2006 under the laws of the *Business Corporations Act* (Alberta), as "Lunapay Ltd." and changed its name to "NetCents Systems Ltd." on November 27, 2006. NetCents amalgamated with SubCo on February 10, 2016 under the name of "NetCents Systems Ltd.".



The head office of NetCents is located at Suite 1500 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. The registered and records office of the Company is located at TD Canada Trust Tower, 421 7<sup>th</sup> Ave SW #1700, Calgary, AB T2P 4K9.

### **General Development of the Business**

NetCents is an electronic online Payment Service Provider (or “PSP”). NetCents offers clients and merchants online services for managing electronic payments by a variety of payment methods through its processing platform. The NetCents transaction platform utilizes clearing services by running on the Banking Platform.

NetCents was incorporated in 2006 and spent the first few years developing a number of beta versions of its transaction processing platform. In early 2010 a final version was developed that was robust enough to simultaneously handle multiple transactions from multiple merchants and be able to scale. Subsequent to this, an agreement with the Royal Bank of Canada was signed in April 2010. This agreement enables the NetCents transaction platform to integrate into and run on the Banking Platform. This integration provides NetCents with the market reach and transaction capabilities to work with every major Bank and Credit Union in Canada. NetCents works to ensure it meets the standards of all compliance and regulatory bodies such as, but not limited to; the Canadian Payment Association (“the CPA”), NACHA as well as the rules and standards which govern “know-your-customer” requirements, anti-money laundering laws and anti-terrorism.

From 2010 until 2012 NetCents began to integrate their software with a number of merchants and/or charities including: Swimco.com, the Alberta Diamond Exchange, GregBuck.ca, Globalstormit.com, ThatChannel.com, The Princess Margaret Hospital Foundation, The Canadian Cancer Society, Mental Health, The Canadian National Institute for the Blind, The Sick Kids Foundation and The Heart & Stroke Foundation. From 2013 until the present, NetCents has continued to evolve and implement changes to its business model including a comprehensive redevelopment and upgrade of the NetCents’ platform which was recently completed in early 2015 to ensure that NetCents’ platform was compliant with recently improved and updated protocols associated with the Banking Platform provider. The Netcents platform is functional but not as yet producing revenue.

NetCents had previously sought to enter into a transaction with On4 Communications Inc. (“On4”), however the transaction was never completed. NetCents entered into a binding letter of intent with On4 on or about November 3, 2011. Under the terms of the letter of intent, On4 was to acquire 100% of the issued and outstanding common shares of NetCents on a 2:1 basis. As part of the transaction, On4 was required to restructure debt that On4 had accumulated; however this restructuring could not be finalized and the parties mutually agreed to terminate the binding letter of intent on or about November 11, 2014. A termination agreement was executed, which released NetCents of any and all financial or legal obligations to On4. NetCents and On4 no longer have any business relationship, and no transaction is contemplated.

### **Financing**

On December 23, 2015, NetCents completed a non-brokered private placement financing to raise gross proceeds of \$333,000 through the issuance of 1,332,000 units, each consisting of one common shares in the capital of Netcents and one common share purchase warrant, at a price of \$0.25 per unit, pursuant to available purchasers who qualified for the “accredited investor” exemption from applicable Canadian prospectus requirements.

On July 6, 2015, NetCents completed a non-brokered private placement financing (the “Private Placement”) to raise gross proceeds of \$425,000 through the issuance of 1,700,000 units (each a “Unit”) at a price of \$0.25 per Unit, to “accredited investors” and other purchasers pursuant exemptions from applicable Canadian prospectus requirements. Each Unit consists of one common share of NetCents and one NetCents common

share purchase warrant (each a “**NetCents Warrant**”). Each NetCents Warrant entitles the holder thereof to acquire one common share at a price of \$0.50 per common share for a period of 12 months.

Pursuant to the Amalgamation Agreement the issued and outstanding common shares and warrants of NetCents were exchanged for common shares and warrants of the Resulting Issuer.

The NetCents Warrants (exchanged for Resulting Issuer Warrants) have an acceleration clause where, once the NetCents warrants are exchanged for Resulting Issuer Warrants, if the closing price of the common shares of BC Co is equal to or greater than \$0.95 for a period of twenty (20) consecutive trading days, BC Co will have the right to accelerate the expiry of the NetCents Warrants by giving notice to the holders of the NetCents Warrants by news release or other form of notice permitted by the certificate representing the NetCents Warrants that the NetCents Warrants will expire at 4:30 p.m. (Vancouver time) on a date that is not less than ten (10) business days from the date notice is given.

On December 10, 2014 NetCents completed a non-brokered private placement financing to raise gross proceeds of \$190,000 through the issuance of 1,900,000 shares at a price of \$0.10 per share. These funds were utilized by NetCents to develop the business and upgrade the existing platform and general working capital.

### **Narrative Description of the Business**

NetCents is a consumer focused payment platform that when fully developed will provide consumers with multiple payment options. As the platform evolves, it will allow for cash, credit cards, debit cards, gift cards, crypto-currencies, as well as Loyalty/Rewards transactions. NetCents is functional and can facilitate the transfer of cash from a users account, into their NetCents account. From there, users can buy goods and/or services online. NetCents account holders can also transfer funds to other NetCents account holders. Or, if they choose to, they can purchase Bitcoins which can be used to buy goods and services. The Bitcoins can also be sold and the user can transfer the net proceeds back into their Netcents account.

The NetCents platform offers merchants a convenient and secure method of receiving payments from customers who prefer to pay through electronic methods. Utilizing the Banking Platform and the ACH network NetCents connects businesses and their customers to facilitate payments. NetCents works to meet the standards of all compliance and regulatory bodies.

The NetCents platform is also integrated with Automatic Clearing House (“ACH”) Network. ACH is an electronic network for financial transactions in the United States. Rules and regulations that govern the ACH network are established by National Automated Clearing House Association (“NACHA”) and the United States Federal Reserve. The NACHA manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data in the United States. It is funded by the financial institutions it governs.

The benefits of using ACH payment Processing is that during an ACH payment, the customer’s account is debited, and the funds are credited to the business, merchant or trader’s bank account. Both the government and the commercial sectors use ACH payments. Businesses increasingly use ACH online to have customers pay, rather than via credit or debit cards<sup>1</sup>. NetCents believes that offering clients the ability to pay through ACH payment will make their business more attractive to customers who do not use credit cards or have reached the limit on their cards. All such consumers need is a valid checking or savings account to access the ACH Network.

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<sup>1</sup> <http://www.rbcroyalbank.com/commercial/cashmanagement/rp-payments.html>

## **Security**

The NetCents Platform protects NetCents account holders from fraud and ID Theft. When using the NetCents platform the consumer's bank account number/credit card numbers are not transmitted over the Internet.

### **Funds are Pre-verified and Validated in real-time.**

Once the account holder has set up their NetCents account, they can transfer funds from their bank account to their NetCents account. The bank then verifies the funds in the users account prior to any funds being transferred out. Once the funds are verified, the account holder may transfer the funds out without any delay. When a purchase is made, funds are validated in real-time. The process eliminates merchant charge backs as well as the requirement for merchants to provide collateral or keep a reserve.

### **No Transmission of Personal Data.**

When a NetCents transaction occurs, there is no personal ID or account information attached to the transaction. This lack of personal information prevents online fraud and ID theft. All customer data (personal and/or account related) remains protected and secure behind the banks firewall and encryption. Mail fraud is also eliminated as no paper statements are issued. The NetCents platform logs all transaction activity and the system maintains a complete audit trail of all transactions, financial and otherwise. There is a daily reconciliation of all NetCents consumer and merchant activity is conducted at the close of each business day. NetCents is also able to place thresholds on user's accounts so as to monitor transactions by type, location and volume so as to ensure compliance with, Know Your Customer (KYC) Anti-money Laundering (AML) and Anti-terrorism guidelines.

### **Digital authorization required.**

NetCents further protects its users by not "reaching" into a user's bank account without the user's authorization. A NetCents account is a separate and secure entity to which the user deposits funds for payment. Payment to a merchant after completion of a transaction is authorized by the NetCents account holder for that amount and that amount only. Additional funds cannot be removed from a NetCents account without the account holder's digital authorization.

### **Transactions.**

The NetCents platform is functional, but not currently earning revenue. NetCents users are able to:

- transfer monies (Fiat money) from their bank account to their NetCents account,
- choose to either buy products and/or services online,
- transfer monies to other parties, and,
- purchase or sell cryptocurrencies.

All transactions occur within the NetCents environment so users do not have to access other sites or platforms to complete their intended transaction. As the current Netcents platform is not credit card based, it is secure from fraud and ID theft resulting from credit card based transactions. NetCents is integrated with Cointrader (a Bitcoin exchange - cointrader.net) which is wholly owned by NewNote Financial Corp. (CSE: NEU). This integration has allowed users to simultaneously view balances in both their cash (Fiat) and cryptocurrency accounts and be able to use cash to purchase additional cryptocurrencies or sell their

cryptocurrencies and transfer the cash back to their accounts in real time. All cryptocurrency transactions are facilitated on the Cointrader platform, and NetCents fulfills the role of the payment processor.

Despite enabling users to purchase or sell cryptocurrencies, NetCents is not a BitCoin exchange: While the NetCents platform allows NetCents account holders (or users) to see their Bitcoin balances in the users designated exchange, at no time during the transaction does NetCents take ownership or liability for any Bitcoin or cryptocurrency regardless of which exchange is being used. Bitcoin or cryptocurrency does not ever enter the Netcents transaction environment. All registration of Bitcoins, holding of Bitcoins, and settlement of the transaction remains with the respective exchange.

The NetCents platform aims to provide merchants and consumers a secure way to purchase, sell, transfer, and transact in stores, online or mobile devices with the currency of their choice. NetCents currently provides its products and services (its payment platform) to customers. However, it does not have revenues as of the date of this Prospectus. The platform is fully operational and available to process payments.

### **Principle Products or Services**

NetCents is an online electronic Payment Service Provider. NetCents offers a payment platform that offers multiple payment and financial services in a single web-based application that is easy to access, simple to setup and effective in its use. NetCents' network builds on and utilizes the existing financial infrastructure of bank accounts to create an efficient cost effective payment solution. NetCents delivers a product ideally suited for any size business, online merchants and consumers currently underserved by traditional payment mechanisms.

It is anticipated that NetCents' revenues will be generated primarily from transaction fees paid by both the merchant and the consumer. Merchant fees are lower than what current payment providers charge, thus making NetCents an attractive additional payment option.

As a Payment Service Provider (PSP), NetCents' application software is currently able facilitate the following types of transactions:

- Transfer funds from their bank account to their NetCents account,
- allows NetCents account holders to transfer funds to another NetCents account holder(s),
- allows Netcents account holders to purchase goods and services online from merchants,
- transfer cash from their NetCents account to purchase crypto-currencies
- sell crypto-currencies (Bitcoins) and transfer the cash back in their NetCents account or bank account
- integrate with existing merchant processing systems;

Netcents is currently developing further platform functionality:

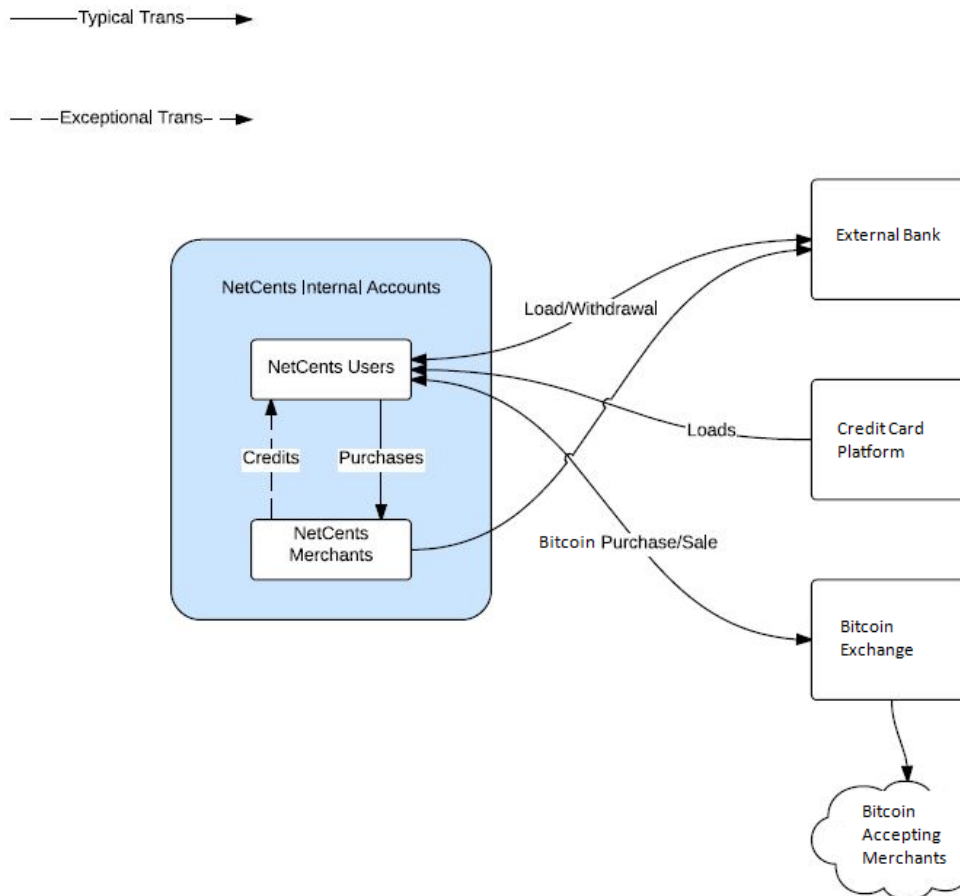
- Peer to peer money transfer, via social media. It is anticipated this integration should be completed by December 1, 2015.
- Integration with a company enabling NetCents account holders to pay for products and service using either Loyalty/Rewards points or coupons.

### *How NetCents Works*

The NetCents platform has been designed to deal with issues of the “here and now” as well as bridge the gap to the “future” of cybercurrency based transactions. Since NetCents is not a credit card based Payment

Service Provider (PSP) platform, many of the inherent shortcomings are avoided or eliminated. The NetCents transaction platform utilizes the clearing services and runs on the Banking Platform. The NetCents transaction platform architecture is designed to minimize risk on a number of levels and is subject to Anti-Money Laundering and Anti-Terrorism regulations with respect to the activities of its Internet payment gateway and as such compartmentalizes, or segments the transaction process. A schematic overview of the platform architecture is depicted to the left.

## NetCents Funds Flow Diagram



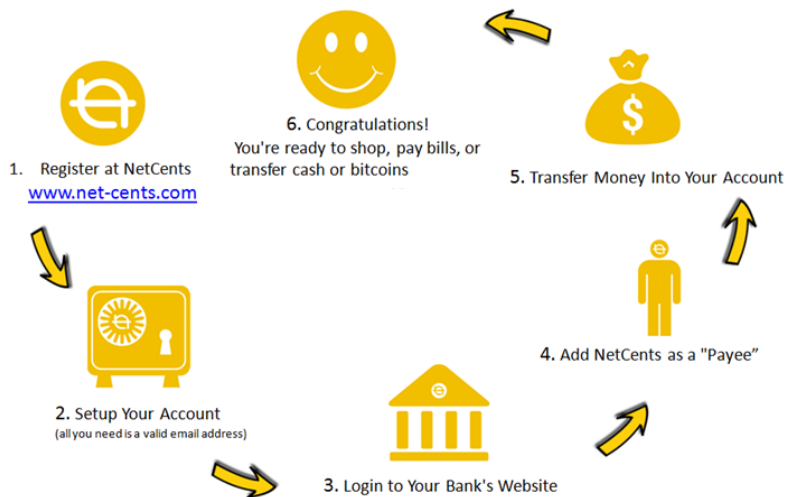
Though users can see their balances in both their cash and Bitcoin accounts, the transaction platform is constructed such that all registration of Bitcoins, holding of Bitcoins, and settlement of the transactions remain with the exchange.

Cash can move freely from the user's bank account, to their Netcents account and back again. The user can also use cash from their Netcents account to purchase digital currencies but, any form of crypto-currency does not and cannot enter into the users NetCents account. Cryptocurrencies never enter the NetCents account environment or ACH Network.

Setting up a NetCents account is simple and can be done in a few minutes. To set up an account the user requires a bank account and a valid email address.

### Setting Up a NetCents Account:

- 1) Go to [www.net-centrs.com](http://www.net-centrs.com)
- 2) Set up a NetCents Account
- 3) User is assigned a unique NetCents account number
- 4) Once your NetCents account is set up, log in to your Bank's website
- 5) Go to the "Add Bill Payee" & add Netcents as a "Payee"
- 6) Transfer cash into your Netcents Account
- 7) User is now able to purchase and/or transfer funds online



Once the user has their NetCents account set up they will be able to purchase goods and services online, in store or via a mobile device (to be developed) using Bitcoins or cash as a method of payment. This method of payment is safe, secure and anonymous. NetCents' platform will facilitate the exchange between Bitcoin or, any other digital (fiat) currency of the user's choice.

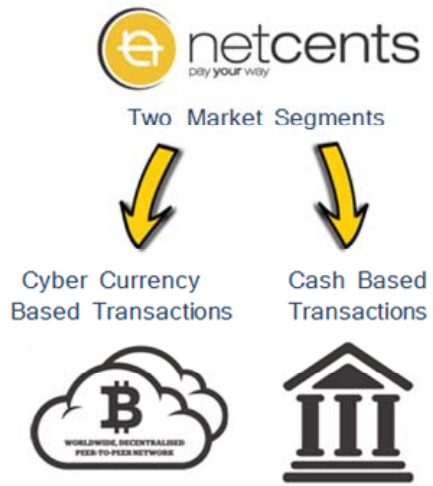
NetCents is subject to regulations that affect the payments industry either directly through their banking agreements or through their merchant operating agreements. In particular, many of NetCents' customers are subject to regulations applicable to banks and other financial institutions in Canada and abroad, and, as a consequence, NetCents is impacted by such associations and regulations and must comply accordingly. NetCents works to meet the standards of all compliance and regulatory bodies such as, but not limited to: the Canadian Payment Association ("CPA"), National Automated Clearing House Association ("NACHA") as well as the rules and standards which govern "know-your-customer" requirements, anti-money laundering laws and anti-terrorism.

### ***Method of Distribution***

NetCents is an online payment processor and its' core service is, payment processing. This service can be delivered online over the internet via a desktop PC, laptop or tablet. The payment may be made with cash or Bitcoin. The actual "distribution" is achieved through the integration of an application programming interface ("API") which is a software application which enables the data base from one company to speak to the data base of another company. As an example, one channel of distribution would be with Cointrader. The integration between NetCents and Cointrader allows NetCents access to all of the customers in the Cointrader customer data base.

As NetCents continues to integrate with additional online merchants, bitcoin exchanges and other financial institutions, the “distribution channels” are direct to consumers/clients/customers. Once the NetCents platform is integrated with either a financial institution, or related payment processor, NetCents has access to the existing client/customer base. NetCents will leverage its connection with ACH network and its secure payment transfer system that connects to numerous financial institutions.

The ACH Network supports more than 20 percent of all electronic payments in the U.S. and facilitates 22 billion electronic financial transactions each year for a value of over \$39 Trillion. This includes Direct Deposit via ACH, government benefits, electronic bill payments such as utility and mortgage payments, and person-to-person (P2P) and business-to-business (B2B) payments.<sup>2</sup> NetCents will continue to expand its’ distribution channels through the integration of merchant platforms, financial institutions and the introduction of its’ mobile delivery platform.



**Marketing**

NetCents’ strategy is to promote, advertise and increase its brand equity and visibility through innovation, excellent service, security and customer protection as well as a variety of marketing and promotional techniques; advertising on leading web sites and other media, conducting ongoing public relations campaigns and developing business alliances and partnerships. The majority of advertising and/or marketing dollars and effort will be directed at, and spent with key relationship partners that will allow for the targeted cross promotion of products & services.

Effective marketing together with consistent promotion are the keys to online success. The Company will focus on a comprehensive web marketing strategy designed to build

company awareness, attract new customers, convert leads into sales, and maximize revenue. In the start-up phase it is and will continue to be a central task of the marketing concept to establish name recognition and associated trade mark. This will be achieved through Search Engine Optimization (“SEO”) and Social Marketing Optimization (“SMO”). Several marketing and sales promotion strategies are available in the online industry. The Company just completed a complete rebranding and website redevelopment ([www.netcents.com](http://www.netcents.com)) to coincide with its platform upgrades to ensure all aspects of the website and transaction platform are compliant with the recently improved and updated protocol of the Banking Platform provider. The Company’s rebranding and website redevelopment was carried out by a web company which specializes in all aspects of web development and SEO/SMO marketing.

NetCents will also utilize marketing and distribution alliances with other electronic businesses to generate cost savings and increase marketing efficiency. Sales promotions will be used for a limited time to increase the number of customers but will be positioned as part of our market alliance program.

**Initial Market Rollout**

NetCents will begin with a structured and targeted North American rollout, building market share and revenues from both online public transactions, as well as private enterprises. NetCents segments the payment market somewhat differently than other payment providers. Rather than look at usage characteristics, as in specific user demographics, NetCents views the market in terms of what is the “store” of value which underlies the transaction—that is to say, is the transaction cash based (traditional) or, some form of digital (cyber) currency (non-traditional) based transaction?

NetCents will utilize the scalability, flexibility and security of their platform to enter those markets which are in transition in terms of moving from traditional cash based currencies to ones which are digitally based and facilitate both cash and digital (Bitcoin) based transactions. NetCents has already partnered with, and will enter into additional agreements with other digital currency companies to capture a share of the rapidly growing digital currency market segment. NetCents will be the transaction processor for Bitcoin currency exchanges & Cash/Bitcoin ATM's.

Company success is predicated on driving increasing levels of transaction volume through the platform. To achieve this NetCents will initially deploy a Netcents branded solution. Once revenue numbers are significant and NetCents has attained name and brand recognition, the company may look to provide a "white label" solution which will be branded by third parties to further drive transaction volume and revenues.

There is a broad range of online marketing opportunities. Successful online marketing depends largely on the ability to identify marketing services that provide the best opportunity to reach customers in a cost effective manner. Initial roll out strategies will be focused on channel partners and accessing existing customer bases through platform integrations. NetCents will benefit from the direct marketing that the initial merchants will provide by advising their customers that NetCents option is available to them. While print advertising, newspapers, magazines, and published information targets a large potential customer group, it does so at a relatively high cost and will be used on a very limited basis until such time that NetCents has established strong revenue growth.

#### ***Bitcoin/Crypto-Currency Market Segment***

The emerging acceptance of the cryptocurrency segment represents a valid market opportunity. The Yankee Group estimates that by 2017 the demand for cybercurrencies will exceed \$55 Billion US and many mainstream retailers such as Home Depot, Sears and Amazon are moving to accept Bitcoins as a legitimate payment source. The Bitcoin transaction has to be fulfilled at some point by the exchange of cash for Bitcoin. It is this transaction that NetCents will facilitate. It will be non-credit card based so all the attributes which NetCents' platform affords users in cash transactions are prevalent in Bitcoin based ones.

Presently it appears that there is a move by the regulatory authorities to enact regulation to control the Bitcoin market. Rather than this being a negative, it is very positive as Government acknowledgement legitimizes the trend toward the widespread acceptance of Bitcoins and digital currencies in general. With Governments and Regulatory bodies moving to oversee the cryptocurrency market there will be a continued uptake of this product.

#### ***Growth of Online Transactions***

The actual size of the consumer transaction market worldwide is estimated to be \$30 trillion. One area where it is anticipated that there will be the greatest rates of growth in the consumer transaction market will be in the number of both online and mobile transactions. It is estimated that by 2017 global mobile based consumer transactions will be valued at \$1.5 trillion (Gartner Inc.). In the US alone, mobile transaction value will be \$214 billion and is estimated to exceed \$244 billion by 2017 (Gartner Inc.). NetCents expects to be able to facilitate the transactions process and integrate into either 3rd party payment providers and/or provide their services directly to merchants and consumers.

The main drivers of market adoption for mobile payments are the penetration of smartphone use and the adoption of businesses of mobile point of sale tools. Both of these factors are not deemed to be detriments as smartphone penetration and the adoption of mobile POS systems are well accepted. In terms of NetCents specifically, the drivers of adoption will be: NetCents eliminates credit card fraud and ID theft, low transaction costs for merchants thereby increasing their bottom line, and enabling a large consumer



demographic who do not have access to credit cards to shop online or mobile. The greatest barrier to market adoption would be the lack of consumer and merchant uptake or acceptance of NetCent's solution.

### ***Revenues from principal products or services***

NetCents does not currently have revenues as of the date of this Prospectus. NetCents is active in developing its platform to accept clients.

### ***The Service***

Merchants are able to maintain a NetCents account, which allows them to both accept payments and conduct transactions, including the payment of their bills. Individual users can use the system to set up individual accounts, which allow them to transfer money from their bank or other deposit taking institution, and conduct transactions online. Individual users will be able to make online purchases from merchant websites either through using a 'NetCents Payment Button' on the merchant website, or by logging in through the NetCents website. Recurring payments, money transfers, and withdrawn of funds can all be effected through the NetCents website.

### ***Employees***

As at the end of the most recent financial year end October 31, 2014, NetCents had two (2) Senior Officers (CEO and a President) and two (2) consultants. At the time of listing on the CSE, NetCents will have two (2) consultants, in addition to the board of directors and senior officers set out on page 56 of this Prospectus. Until such time that Netcents has revenues the company will continue to outsource and utilize the services of consultants on an as needed basis.

### **Competition**

#### ***Industry Overview***

As internet, and particularly broadband internet, penetration increases across the world, it is estimated that online and mobile payment revenue growth rates in regions such as Europe and Asia will exceed those of the United States. An e-commerce payment system facilitates the acceptance of electronic payment for online transactions. Also known as Electronic Data Interchange (EDI), e-commerce payment systems have become increasingly popular due to the widespread use of internet-based shopping and banking. In the early years of business-to-consumer (B2C) transactions, many consumers were apprehensive of using their credit and debit cards over the internet because of the perceived increased risk of fraud.

There are numerous different payment systems available for online merchants. These include the traditional credit, debit and charge cards but also new technologies such as digital-wallets, e-cash, mobile payment and e-checks. Another form of payment system is allowing a third party to complete the online transaction for the end user. These companies, like NetCents, are called Payment Service Providers ("PSP"). Examples of PSPs are PayPal or Google Checkout. A PSP offers merchants online services for accepting electronic payments by a variety of payment methods including credit card, bank-based payments such as direct debit, bank transfer, and real-time bank transfer based on online banking. Some PSPs provide unique services to process other next generation methods including cash payments, wallets such as PayPal, prepaid cards or vouchers, and even paper or e-check processing.

Typically, a PSP can connect to multiple acquiring banks, credit cards and payment networks. In many cases, the PSP will fully manage these technical connections, relationships with the external network and bank accounts. This makes the merchant less dependent on financial institutions and free from the task of establishing these connections directly, especially when operating internationally.

Furthermore, a full service PSP can offer risk management services for card and bank based payments, transaction payment matching, reporting, fund remittance and fraud protection in addition to multi-currency functionality and services. PSP fees are typically levied in one of two ways: as a percentage of each transaction or a low fixed cost per transaction. US-based on-line payment service providers are supervised by the Financial Crimes Enforcement Network (or FinCEN), a bureau of the United States Department of the Treasury that collects and analyzes information about financial transactions in order to combat money laundering, terrorist financiers, and other financial crimes. Additional regulatory compliance faces the industry such as PCI/DSS, FINTRAC, CPA (Canadian Payments Association-standards for inter-bank transactions), Basel II Accord Regulations and European Union EDI international compliance.

There are a number of issues in the PSP market which are not being addressed by the existing competitors. Some of the current competitors who offer similar services are:

- Vogogo (vogogo.com) (TSX.V: VGO) –Vogogo is focused on compliance and risk management aspect of the payment process.
- PayPal ([www.paypal.com](http://www.paypal.com)) (NASDAQ: PYPL) - is an international e-commerce business allowing payments and money transfers to be made through the Internet. PayPal is one of the largest financial transaction tools available online. PayPal is a dominate leader in online commerce.
- Braintree ([www.braintree.com](http://www.braintree.com)) - Braintree is focused on technology developers allowing NetCents to differentiate based on market focus. Braintree is currently offered in the U.S. only and has no PSP capabilities in Canada.
- Dwolla ([www.dwolla.com](http://www.dwolla.com)) - Dwolla remains focused on peer to peer payments. NetCents intends to differentiate itself from Dwolla by maintaining focus on traditional payment networks with technology. Dwolla is offered in the U.S. only and has no current focus on Canada.
- Wepay ([www.wepay.com](http://www.wepay.com)) - Wepay is a similar service to the NetCents service. Wepay is focused on small businesses allowing NetCents to differentiate based on market focus. Wepay is offered in the U.S. only and has no current focus on Canada.
- Stripe ([www.stripe.com](http://www.stripe.com)) - Stripe offers a similar service to NetCents. Stripe remains focused on technology developers, allowing NetCents to differentiate based on market focus.
- Bancbox ([www.bancbox.com](http://www.bancbox.com)) - Bancbox is focused on niche web developers. Bancbox is offered in the U.S. only and has no current focus on Canada.
- Balanced Pay ([www.balancedpayments.com](http://www.balancedpayments.com)) - Balanced Pay is focused on small businesses allowing NetCents to differentiate based on market focus. Balance Pay is offered in the U.S. only and has no current focus on Canada.

Providing users with a consumer-centric simple web application allows NetCents entrance to a demographic in the market that does not have the technical sophistication to integrate to a payment gateway. With a simple sign-up and login, NetCents is a web application in the financial services market designed for non-technical users.

Some of NetCents' other competitive advantages are set out below.

### **1. NetCents Allows Users a Variety of Transaction Options**

Bitcoins as well as other cybercurrencies have been at the forefront of much of the current financial news. At first glance it would appear there are numerous entrants into the crypto-currency market place. However, the majority of these companies are providing an incomplete solution. Their focus tends to be on the currency trading aspect of the digital currency market place. These companies are usually:

- Linked to or associated to a crypto currency exchange
- They are producing wallets to get people to buy and sell bitcoin or some other form of cyber-currency
- And many of these companies are trying to establish banking relationships
- Their end game is to be able to have the ability to purchase bitcoins so they can be purchased and traded via the exchanges.

The NetCents business model is different than those trying to capture the currency trading market. The NetCents platform is fully functional and provides a complete end to end, either cash to bitcoin or bitcoin to cash transaction opportunity. The market opportunity for NetCents is anticipated to be positively affected as a result of this business model.

- NetCents already has a bank integrated, fully functioning, transaction platform the other entrants are attempting to establish what NetCents already has achieved. This will take a considerable amount of time (barrier to entry)
- NetCents links to the exchanges to not only allow people the ability to purchase and trade their bitcoin but to also, allow consumers the ability to purchase goods and services with crypto currencies.
- A NetCents account holders will have a cash balance and be able to simultaneously see their crypto-currency balance and buy crypto-currencies from their NetCents account

NetCents facilitates the exchange between Bitcoin or any digital currency and the users domestic or currency of choice. So with a NetCents based transaction, there truly are lower transaction costs. Both the Merchant/seller as well as the consumers are protected from credit card fraud, identity theft as well as charge backs.

Another aspect of a NetCents based transaction is that due to the fact that the consumer or, purchaser, does not divulge any personal information, a certain degree of anonymity is maintained. Now because Netcents will be able to act as a consumers personal “bank” whereby their account will show their cash balance as well as their digital (Bitcoin) currency balance, the account holder will be able to buy, sell , lend or transfers cash or digital currency either, online, in store, in person, email or mobile device to mobile device.

## **2. Security**

NetCents acknowledges that security and the protection of sensitive customer information is paramount. This is why the NetCents platform works in conjunction with security and encryption capabilities of the Canadian banking system. The base level of security for NetCents is provided by this system. These security features are also enhanced by the NetCents architecture. Specifically the consumer's bank account number/credit card numbers are NOT transmitted over the internet. The consumer authorizes payment by responding to the NetCents system prompts and then an automated funds transfer transaction is generated between the merchant's and NetCents' banks. The consumer's bank is never involved in the transfer of funds from account holder to merchant. The consumer’s financial institution is only involved in the transfer of funds direct from their bank or credit card account to NetCents. This program architecture is what makes NetCents *truly unique* in the world of EP processing. The consumer is in control of the payment process at all times with vital information *always protected* by the consumer’s bank. NetCents is simply the *e-transporter* of funds from B2C or C2B.

## **3. Reduced Operating Costs**

The use of credit cards represents for merchants and retailers, represents a very real two edge sword. While the acceptance of credit cards greatly enhances the potential consumer pool for any respective merchant, the costs associated with accepting those cards is very costly. In today’s current business environment it is

essential for businesses to reduce costs and drive as much return to the bottom line as possible. Unfortunately, the true cost to the merchant for a credit card based online transaction is often much higher than what the merchant is aware of. Rates quoted in contracts by payment service providers often do not include fees charged over and above the quoted rate for; initial application, returned items, charge backs, annual fees and fees assessed on a per authorization basis.

Effective credit card transactions costs which are incurred by many businesses can represent a substantive portion of their bottom line. In some instances the associated transaction costs can exceed 3% or 3.5% or more of the transaction amount. Setup fees, minimum transaction volumes and monthly fees may also apply.

Because NetCents is Non Credit Card based, our transactions costs are significantly lower. Depending on the sales volume and the competitive environment transaction costs for merchants who use can be as low as 1% or 1.25%. No other fees apply, except for \$1.50 charged to the consumer each time they credit or debit their NetCents account with funds.

#### **4. Increased Consumer Base for Merchants**

NetCents also enables the merchant to access a new market segment of online shoppers. One of the largest untapped demographics in terms of purchasing power is the group of potential consumers who not have access to a credit card either due to poor credit rating and/or existing credit card protocols. It is estimated this demographic is twice as large as the consumer group which is currently shopping online. With a Netcents account this large consumer group would be able to shop online and in store.

Consumers who are not eligible for credit cards, who are uncomfortable with exposing their credit card information on the Internet and who prefer to pay with cash, now have a convenient and secure method for online shopping.

#### **5. Direct Connection with Customers**

Customer retention and loyalty will be enhanced through the NetCents website. Each NetCents merchant is a tenant in the NetCents Virtual Mall. Consumers are able to browse through the mall by product category or store name and then hot-link to the desired merchant websites. NetCents also provides the internet merchants access to their individual transaction data. Merchants are able to analyze this data to better understand their customers' behavior patterns and to use this information to cross sell or offer incentive programs.

#### **6. Flexibility of NetCents Platform**

The NetCents platform is sufficiently flexible to process both traditional cash based transactions and cyber-currency based ones. The future of online payments is the mobile market place and mobile applications. NetCents will have the processing flexibility and scalability to deliver payment processing solutions in a variety of formats including cash, Digital, Near Field Communication (NFC) amongst others.

### **Market Overview**

#### ***General Market Overview***

The NetCents platform utilizes the existing financial infrastructure of bank accounts to create a better payment solution. NetCents delivers a product ideally suited for any size business, online merchants and consumers currently underserved by traditional payment mechanisms. NetCents revenues are generated from transaction fees paid by both the merchant and the consumer. Merchant fees are lower than current payment providers charge, thus making NetCents an attractive additional payment option.

The platform can be quickly and easily utilized via any online PC, laptop or smart phone (to be developed). Prior to NetCents, typical online purchases entailed the user electing to make a payment for a purchase, being connected to a secure server to perform authentication and authorization, and subsequently being presented with confirmation of the completed transaction. NetCents provides all of these functions and more *without* the necessity of disclosing vital financial and personal information over the internet. NetCents enables any business or consumer with an email address to securely, conveniently and cost-effectively send and receive payments online.

Online shopping is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service, over the internet. An online shop, e-shop, e- store, internet shop, web-shop, web store, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or in a shopping mall. The process is called Business-to-Consumer (B2C) online shopping. When a business buys from another business it is called Business-to-Business (B2B) online shopping. Both B2C and B2B online shopping are forms of e-commerce.

Online Services are services which are available on the Worldwide Web and consist of hard goods or an “abstract” service. Memberships to content websites are the most common amongst these abstracts. A content website is a collection of related web pages, images, videos or other digital assets that are addressed relative to a common Uniform Resource Locator (URL). Currently, the standard practice among these websites that provide a content service for payment is to request credit card or bank account information in order to debit subscribers for payment of said service. Unfortunately for the content providers, the overwhelming majority of content consumers choose *not* to disclose any such information and often move on in search of another alternative or reject the content service all together.

With NetCents, *no* personal or credit information is required for payment of web services. An account holder provides their account number then verifies and authorizes the purchase with the entry of their secret password. The transaction is then complete. Additionally, a paper statement of charges is not issued or mailed. An account user’s transaction history is available *only* to NetCents Account Holder online and is provided only with the correct entry of an account number and the corresponding secret password. *Purchase privacy is assured.*

This revolution in consumer technologies has given rise to a global and networked and cooperative consumer who has continuous access to the retail channel. But what is just as critical as “how they shop” and “why they shop” is “who is shopping” and “how they are paying.”

The growth in the number of online transactions has increased over 170% since 2005 and is projected to continue to increase well into the future. According to eMarketer, total retail sales in the US topped \$4.53 trillion in 2013, and the 268 billion ecommerce transactions accounted for nearly \$40 billion in sales and that total represented an almost 17% from the prior year<sup>2</sup>.

Ecommerce still represents a small portion of overall retail sales and as of 2013 it was only 5.8% of total retail sales. However, ecommerce transactions will continue to increase and year over year increases of 7% to 8% are expected through to 2018 eMaketer<sup>3</sup>.

Retail mcommerce (mobile transactions) is on a rapid rise as well. In 2013, retail mcommerce—which includes products and services ordered on mobile devices, including tablets—increased 70.0% to reach \$42.13 billion. eMarketer estimates that in 2014, that figure will increase another 37.2% to total \$57.79

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<sup>2</sup> <http://www.emarketer.com/Article/Total-US-Retail-Sales-Top-3645-Trillion-2013-Outpace-GDP-Growth/1010756>

<sup>3</sup> <http://www.emarketer.com/Article/Total-US-Retail-Sales-Top-3645-Trillion-2013-Outpace-GDP-Growth/1010756>

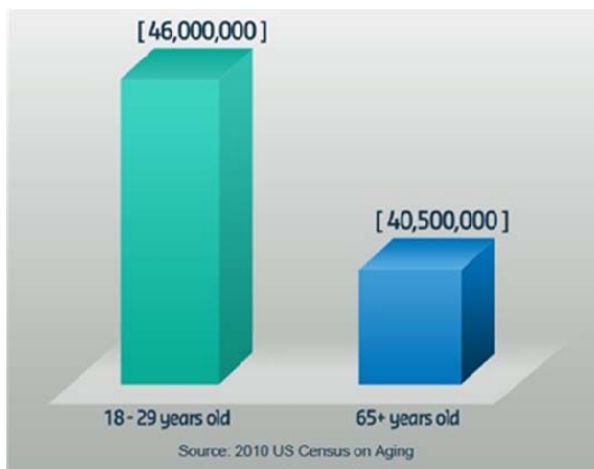
billion, or about one-fifth of all retail ecommerce sales and 1.2% of total retail sales. In 2014, tablet sales will account for nearly two-thirds of mcommerce sales<sup>4</sup>.

### *Customer Analysis*

Alternative payment methods have increasingly become more popular with merchants as more options means more sales and because nearly all alternative payments offer a variety of service specific features that addresses a global online marketplace. Geo-location software, automatic language translations, instant currency exchange and worldwide support are generally included to allow foreign buyers to make use of their domestic payment solution while shopping outside of their country of origin with a foreign based web merchant.

Alternative payments have, in many areas, become the dominant form of online payment for consumers. Alternative payments give consumers more options to pay and allow them to select payment methods that they are comfortable with. Language, domestic applications and familiarity with the payment method, coupled with the trust they place in their own bank, increases usage. Furthermore, consumers may simply elect to use alternative payment methods due to security concerns with credit card purchases. Many alternative payments often require additional security steps, such as a username, password or PIN to further protect the consumer.

Consumer demand for alternative payment methods continues to grow. As an example, while much is made



and written about the purchasing power of the 65+ senior demographic a more critical demographic is the size and purchasing habits of the 18-29 cohorts. This demographic is a key group to ingratiate your product with because they will continue to drive purchasing and consumption habits for years to come. In addition to the relative size and purchasing power of this group it is the composition of the goods and services which they will acquire over their lifetime which is also important.

In the 18-29 age bracket that as of 2012, approximately 16% of these consumers do not have a credit card, not because they cannot get one, but they choose to seek alternative payment methods.

This a trend which is growing and is demonstrated by the credit score collector FICO which states that as of 2007, only about 8% of this key demographic segment did not have a credit card. So the obvious question is, “What are they using?” According to FICO this age group prefers, debit cards, pre-paid cards, mobile based payment methods or simply stated, alternative payment methods.

Further, as online retailers expand globally they are also beginning to discover that cultural differences may impact upon payment method preferences. For example, in the developing markets where credit cards and bank accounts are scarcer, consumers may prefer to pay in person, at a bank or by postal order. Electronic bank transfers and billing goods to phone accounts are examples of frustrating alternative payment methods.

The payment market is primed for the introduction of the NetCents payment platform. The consumer and merchant are seeking new payment methods that reduce or eliminate the complexities and security issues

<sup>4</sup> <http://www.emarketer.com/Article/Total-US-Retail-Sales-Top-3645-Trillion-2013-Outpace-GDP-Growth/1010756>

surrounding e-payments. Online retailers and consumers are turning to outsourced payment processing companies to manage their e-payment solutions.

All NetCents technology is managed in-house. As well, NetCents' software must be combined with significant banking and processing infrastructure to be relevant.

In summary, NetCents has the following key competitive advantages:

- higher efficiency due to advanced banking structure combined with advanced technology; and
- multiple payment services in a single web application.

#### ***Intercorporate Relationships***

As of the date of this Prospectus, NetCents has no subsidiaries.

#### **Intellectual Property**

NetCents holds all intellectual property. The intellectual property developed by NetCents consists of copyright in the development of its technology, as well as trade secrets and marks associated with the company. NetCents protects its intellectual property through the use of confidentiality provisions in its agreements with employees and contractors, and the assignment of all work products created by the employees and contractors to NetCents.

#### **Dividends and Distribution**

NetCents has neither declared nor paid any dividends on its common shares since its inception.

#### **Selected Financial Information and Management's Discussion and Analysis**

The following tables set forth selected financial information for NetCents, summarized from its audited financial statements for the period from October 31, 2012 to October 31, 2014 and the unaudited interim financial statements for the nine-month period ended July 31, 2015. This selected financial information should be read in conjunction with NetCents' financial statements, including the notes thereto and Management's Discussion and Analysis, which are attached to this Prospectus as Appendices B, B1 and B2.

	<b>October 31, 2014</b>	<b>July 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Total expense	410,311	(1,721,960)
Cash	5.00	224,136
Total assets	5.00	290,437
Total liabilities	1,112,440	683,391
Shareholder's equity	(1,112,435)	(392,954)

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

NetCents Management's Discussion and Analysis is attached to this Prospectus as Appendices B1 and B2.

Certain information included in NetCents' Management's Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Caution Regarding Forward-Looking Statements" for further detail.

### *Off-Balance Sheet Arrangements*

NetCents has not entered into any off-balance sheet arrangements.

### *Related Party Transactions*

(a) Related party transactions

Transactions with related parties for the periods ended July 31, 2015 and 2014 are as follows:

	<b>July 31,</b>	<b>July 31,</b>
	<b>2015</b>	<b>2014</b>
Consulting fees incurred to officers and directors of the Company	\$ 152,500	\$ 125,000
Consulting fees paid to the chief executive officer of the Company in the form of common shares (note 6)	300,000	-
Consulting fees paid to the president of the Company in the form of common shares (note 6)	75,000	150,000
Consulting fees paid to a director of the Company in the form of common shares (note 6)	85,000	-
Interest accrued on loan due to the Company's president	4,500	-
	<b>\$ 617,000</b>	<b>\$ 275,000</b>

\$45,000 of the consulting fees incurred to officers and directors of the Company for the nine month period ended July 31, 2015 was allocated to software development costs and capitalized (note 3).

(b) Related party balances

Included in accounts payable and accrued liabilities as at July 31, 2015 is \$223,835 (October 31, 2014: \$277,519) to a director and the CEO of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at July 31, 2015 is \$7,000 (October 31, 2014: \$7,000) due to a relative of a director and the CEO of the Company. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in loans payable as at July 31, 2015 is \$72,500 (October 31, 2014: \$72,500) plus accrued interest of \$16,270 (October 31, 2014: \$11,770). The lender was appointed as president of the Company during the year ended October 31, 2014. The loan is not secured. \$60,000 of the loan bears interest at 10% per year and was repayable on May 14, 2013. The remainder of the loan is non-interest bearing with no fixed terms of repayment.



Included in accounts payable as at April 30, 2015 is \$90,416 (October 31, 2014: \$50,000) due to the president of the Company relating to unpaid salary and expenses. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Pursuant to agreements entered into between Netcents and certain employees of Netcents as of October 30, 2015, \$403,021.04 representing salary obligations to the employees have been deferred until April 30, 2017.

(c) Commitments with related parties

Pursuant to an employment agreement (the "Agreement") effective January 1, 2014, the Company will remunerate the president of the Company as follows:

- Salary of:
  - o \$5,000 per month for the 12 month period ended December 31, 2014;
  - o \$7,500 per month for the 12 month period ended December 31, 2015; and
  - o \$12,000 per month thereafter;
  
- Common share issuances (all issued on May 4, 2015 – note 6):
  - o 750,000 shares on or before March 31, 2014;
  - o 750,000 shares on or before June 30, 2014;
  - o 750,000 shares on or before September 30, 2014; and
  - o 750,000 shares on or before December 31, 2014.

In the event that the President is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

Pursuant to an employment agreement (the "Agreement") effective January 1, 2014, the Company will remunerate the Chief Executive Officer of the Company as follows:

- Salary of:
  - o \$10,000 per month for the 24 month period ended December 31, 2015;
  - o \$15,000 per month thereafter;

In the event that the CEO is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

***Changes in Accounting Policies Including Initial Adoption***

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management evaluates the estimates periodically. Actual results may differ from these estimates by material amounts.

**Description of the Securities**

***Common Shares***

The authorized capital of NetCents consists of an unlimited number of common shares without par value. At this time the following table represents the NetCents Shares issued and outstanding including restricted. The following table represents the NetCents Common Shares issued since incorporation:

<b>Date</b>	<b>Price Per Share</b>	<b>Number</b>
01/11/06	\$0.25	100
01/28/08	\$0.25	50,000
01/29/08	\$0.001	9,600,000 <sup>(1)</sup>
07/01/08	\$0.25	80,000
08/31/08	\$0.10	200,000
10/31/08	\$0.25	555,000 <sup>(2)</sup>
11/04/08	\$0.25	56,000
11/05/08	\$0.25	20,000
09/03/09	\$0.25	200,000
04/02/09	\$0.25	40,000
05/15/09	\$0.25	200,000
07/28/09	\$0.25	8,000
08/19/09	\$0.25	40,000
09/28/09	\$0.25	24,000
09/28/09	\$0.25	40,000
09/30/09	\$0.25	120,000
10/19/09	\$0.25	20,000
10/28/09	\$0.25	2,500
12/05/09	\$0.25	100,000
12/12/09	\$0.25	40,000
02/05/10	\$0.25	3,000,000 <sup>(3)</sup>
02/08/10	\$0.25	40,000
02/16/10	\$0.25	60,000
03/19/10	\$0.25	10,000
06/21/10	\$0.25	60,000
08/23/10	\$0.25	268,000
11/09/10	\$0.25	91,500
11/10/10	\$0.35	15,000
11/25/10	\$0.35	125,887
01/17/11	\$0.35	43,000
01/20/11	\$0.35	28,629
02/10/11	\$0.25	20,000
03/03/11	\$0.35	72,000

06/06/11	\$0.25	88,572
08/02/11	\$0.25	220,000
09/07/11	\$0.25	40,000
09/17/11	\$0.25	2,800,000 <sup>(4)</sup>
09/23/11	\$0.25	20,000
09/26/11	\$0.25	428,821
10/28/11	\$0.25	20,000
11/01/11	\$0.25	40,000
11/17/11	\$0.25	4,000
11/25/11	\$0.25	40,000
06/12/13	\$0.25	68,000
12/10/14	\$0.10	1,900,000
05/04/15	\$0.12	291,667
05/04/15	\$0.01	8,000,000
05/04/15	\$0.05	14,793,000
05/04/15	\$0.10	620,161 <sup>(5)</sup>
05/04/15	\$0.15	62,220
05/04/15	\$0.25	1,020,000 <sup>(6)</sup>
06/07/15	\$0.25	1,700,000 <sup>(7)</sup>
12/23/15	\$0.25	1,332,000 <sup>(8)</sup>
02/02/16	\$0.01	750,000
02/02/16	\$0.10	30,000
02/02/16	\$0.25	10,000
02/02/16	\$0.15	285,175
Total issued and outstanding:		39,061,644

- (1) Issued to Clayton Moore as founder's shares upon Mr. Moore's takeover of NetCents.
- (2) 20,000 shares issued on this date were later retracted by NetCents.
- (3) 3,000,000 shares issued on this date were later retracted by NetCents.
- (4) Issued for services provided to NetCents.
- (5) Debt settlement of units consisting of one common share and one common share purchase warrant. The issue part per share was negotiated as a term of the debt settlement.
- (6) 500,000 shares issued to a service provider as part of the distribution on May 4, 2015 were cancelled by NetCents on February 2, 2016 and 750,000 shares issued to such service provider on the same date in connection with the release of any outstanding obligations owed by NetCents to the service provider.
- (7) Private placement of units consisting of one common share and one common share purchase warrant.
- (8) Private placement of units consisting of one common share and one common share purchase warrant.

## Warrants

At this time the following table represents the NetCents Warrants issued and outstanding. The following table represents the NetCents Warrants issued since incorporation:

<b>Date</b>	<b>Number</b>
04/05/15	620,161
06/07/15	1,700,000
12/23/15	1,332,000
	<b>3,652,161</b>

See in “Part III – Information Concerning the Resulting Issuer—Description of the Securities”.

#### ***Stock Option Incentive Plan***

NetCents does not have a stock option plan in place as of the time of this Prospectus. However, BC Co does have a stock option plan in place but no incentive stock options are outstanding as of the time of this Prospectus.

See “Part III – Information Concerning the Resulting Issuer—Stock Option Plan.”

#### ***Prior Sales***

See “Description of the Securities – Common Shares”.

#### **Executive Compensation**

The summary compensation table sets out particulars of compensation paid for the financial years ended October 31, 2014, the individuals who were Clayton Moore (CEO) and Gord Jessop (President & COO) (the “**Named Executive Officers**”) during such period. NetCents does not have any other executive officers whose total salary and other compensation during such period exceeded \$150,000.

#### ***Compensation Discussion and Analysis***

NetCents does not have a compensation committee or a formal compensation policy. NetCents relies solely on the Board of Directors to determine the compensation of the Named Executive Officers. In determining compensation, the Board of Directors considers industry standards and NetCents’ financial situation but does not currently have any formal objectives or criteria. The performance of each Named Executive Officer is informally monitored by the Board of Directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer. The Resulting Issuer is expected to rely solely on the Board to determine the compensation of the executive officers. In determining compensation, the Board will consider industry standards and the Resulting Issuer’s financial situation without any formal objectives or criteria.

#### ***Option-based Awards***

Please see “*Options to Purchase Securities*”. In considering new grants to executive officers, the Board of Directors considers the number of options, if any, previously granted to each executive officer.

#### ***Summary Compensation Table***

The following table sets out particulars of compensation paid to the Named Executive Officers for the fiscal year ended October 31, 2014.

Name and Principal Position	Year (or part)	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Clayton Moore, CEO	2014	\$49,059	300,000	Nil	Nil	Nil	Nil	Nil	\$349,059
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gord Jessop, President/COO	2014	\$60,000	\$225,000	Nil	Nil	Nil	Nil	Nil	\$285,000
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### ***Incentive Plan Awards***

NetCents does not have any option-based awards, granted to the Named Executive Officers and outstanding as at October 31, 2014.

Please see “Options to Purchase Securities” for options anticipated to be held by the officers of the Resulting Issuer.

### ***Incentive plan awards - value vested or earned during the year***

The following table sets out the value of option-based awards which vested in the Named Executive Officers for the financial year ended October 31, 2014.

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Clayton Moore	Nil	\$300,000	Nil
Gord Jessop	Nil	\$225,000 <sup>(1)</sup>	Nil

<sup>(1)</sup> Mr. Jessop’s shares were earned the calendar year 2014 but issued in June 2015. Fair value assigned to the shares at the time of issue was \$0.10 per share.

### ***Pension Plan Benefits***

NetCents does not have any pension plan, retirement plan or any deferred compensation plan.

### ***Termination and Change of Control Benefits***

NetCents does not have any contract, agreement, plan or arrangement that provides for payments to the Named Executive Officers at, following, or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of NetCents or a change in a Named Executive Officer’s responsibilities, other than with Mr. Moore and Mr. Jessop. For further clarification please see Note # 7 of Related Party Transactions in the October 31, 2014 Audited Financial Statements (Appendix “B”).

### ***Director Compensation***

There was no compensation provided to a director, who is not a Named Executive Officer, for the fiscal year ended October 31, 2014.

### ***Share-based awards, option-based awards and non-equity incentive plan compensation***

NetCents does not have any option-based awards, share-based awards or non-equity incentive plan compensation granted to directors, other than directors who are also Named Executive Officers, outstanding as at April 30, 2015.

Please see “*Options to Purchase Securities*” for options anticipated to be held by directors of the Resulting Issuer. It is anticipated that the Resulting Issuer will have a share-based awards incentive plan compensation in the 12 months following completion of the Transaction.

### ***Incentive plan awards - value vested or earned during the year***

NetCents does not have any option-based awards, share-based awards or non-equity incentive plan compensation which was vested or earned by each director, who is not a Named Executive Officer, for the fiscal year ended October 31, 2014.

### **Indebtedness of Directors and Executive Officers**

As at the date of this Prospectus, none of the directors and executive officers of NetCents or associates of such persons is indebted to NetCents or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by NetCents.

### **Arm’s Length Transaction**

The Transaction was negotiated by the parties dealing at arm’s length with each other and in accordance with the policies of the Exchange.

See “Part I – Information Concerning BC Co – The Transaction”.

### **Legal Proceedings**

NetCents is not a party to any legal proceedings, nor is it aware of any legal proceedings to which any of its property or assets is the subject matter, and it is not aware of any such proceedings known to be contemplated.

### **Auditor**

The auditor of NetCents is DMCL LLP, located at:

**Dale Matheson Carr-Hilton LaBonte LLP**  
1140 West Pender Street  
Vancouver, B.C., V6E 4G1

Upon Completion of the Amalgamation and as of the date of this Prospectus, it is proposed that the Resulting Issuer’s auditor will be NetCents’ current auditor, DMCL LLP.

See “Part V – Auditors, Accountants, Transfer Agents and Registrars”.

### **Transfer Agent and Registrar**

NetCents currently has no transfer agent and registrar for its shares. The transfer agent and registrar for BC Co's Common Shares is TMX Equity Transfer Services, Suite 2700 – 650 West Georgia Street, Vancouver, British Columbia V6B 4N9, and TMX Equity will continue as transfer agent and registrar of the Resulting Issuer upon Completion of the Amalgamation.

See “Part V – Auditors, Accountants, Transfer Agents and Registrars”.

### **Material Contracts**

Other than contracts entered into in the ordinary course of business, NetCents has not entered into any contracts material to investors, other than the Amalgamation Agreement.

Copies of these agreements may be inspected, without charge, at the registered office of NetCents at TD Canada Trust Tower, 421 7<sup>th</sup> Ave SW #1700, Calgary, AB T2P 4K9 during normal business hours until the date of Closing and for a period of 30 days thereafter.

## **PART III – INFORMATION CONCERNING THE RESULTING ISSUER**

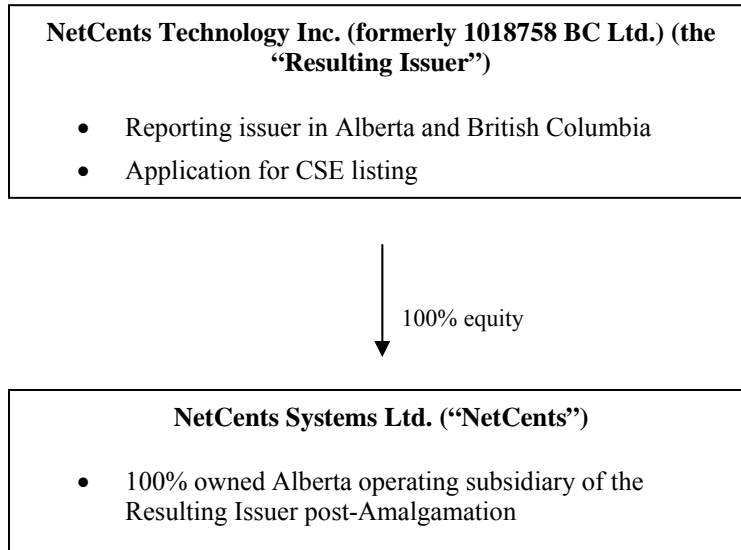
### **Name, Address and Incorporation**

Following completion of the Transaction, the corporate structure of the Resulting Issuer will be the corporate structure of NetCents. Subject to Exchange acceptance, and concurrent with completion of the Transaction, BC Co (then the Resulting Issuer) intends to change its name to “NetCents Technology Inc.”

The Resulting Issuer's head office will be located at Suite 1500 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 Canada and its registered office will be located at Royal Centre, 1055 W. Georgia Street, Suite 1500, PO Box 11117, Vancouver, BC V6E 4N7.

### **Intercorporate Relationships**

The diagram below describes the inter-corporate relationship between the Resulting Issuer and NetCents post-Amalgamation:



### **Narrative Description of the Business**

Assuming completion of the Transaction and upon issuance of the Final Exchange Bulletin, the Resulting Issuer will be a technology issuer pursuant to the policies of the Exchange and intends to implement the business plan of NetCents.

See “Business Objectives and Milestones”, which follows, and see also “Part II – Information Concerning NetCents– Narrative Description of the Business”.

### **Use of Proceeds**

This is a non-offering prospectus. The Resulting Issuer is not raising any funds in conjunction with this Prospectus. Accordingly, there are no proceeds to BC Co, NetCents or the Resulting Issuer in connection with the filing of this Prospectus.

As of July 31, 2015, NetCents had negative cash flow. NetCents did not have any revenue from operations during this time, and continues not to have revenue from operations as of the date of this Prospectus. It is anticipated that the Resulting Issuer will have negative cash flow for the foreseeable future.

On December 23, 2015, NetCents completed a non-brokered private placement financing to raise gross proceeds of \$333,000, through the issuance of 1,332,000 units at a price of \$0.25 per unit, consisting of one common share of NetCents and one NetCents common share purchase warrant, with such warrant entitling the holder thereof to acquire one common share at a price of \$0.50 for a period of 12 months. Additionally, on July 6, 2015, NetCents completed a non-brokered private placement financing to raise gross proceeds of \$425,000 through the issuance of 1,700,000 units at a price of \$0.25 per unit, each unit consisting of one NetCents common share and one NetCents common share purchase warrant, entitling the holder thereof to acquire one common share at a price of \$0.50 per common share for a period of 12 months. Each of these private placements resulted in securities being distributed to “accredited investors” and other purchasers pursuant to exemptions from applicable Canadian prospectus requirements.

The warrants issued pursuant to the December 23, 2015 and July 6, 2015 private placements (the “**NetCents Warrants**”) (exchanged for Resulting Issuer Warrants) have an acceleration clause whereby if the closing price of the common shares of the Resulting Issuer is equal to or greater than \$0.95 for a period of twenty



(20) consecutive trading days, the Resulting Issuer will have the right to accelerate the expiry of the NetCents Warrants by giving notice to the holders of the NetCents Warrants by news release or other form of notice permitted by the certificate representing the NetCents Warrants that the NetCents Warrants will expire at 4:30 p.m. (Vancouver time) on a date that is not less than ten (10) business days from the date notice is given. In December 2014, NetCents completed a non-brokered private placement financing to raise gross proceeds of \$190,000 through the issuance of 1,900,000 shares at a price of \$0.10 per share. These funds have been utilized by NetCents to develop the business and upgrade the existing platform and general working capital.

### **Funds Available and Use of Available Funds**

To the extent that the Resulting Issuer has negative operating cash flow in future periods, the Resulting Issuer may use a portion of the unallocated capital referenced in the table below to fund such negative operating cash flow. Upon completion of the Amalgamation, the Resulting Issuer will have working capital of approximately \$46,000. The principal purposes for the use of those funds will be as follows:

<b>Item</b>	<b>\$</b>
<b>Funds Available</b>	
Working capital deficiency of BC Co as at October 31, 2015	(30)
Private Placement Financing (gross) <sup>(1)</sup>	333,000
Working capital (deficiency) of NetCents as at, October 31, 2015 <sup>(2)</sup>	(46,000)
<b>Total</b>	<b>286,970</b>
<b>Principal purposes for the use of available funds</b>	
IT/Platform/Software	100,000
Legal / Accounting	45,000
Sales & Marketing	40,000
General and Administrative <sup>(3)</sup>	69,000
Unallocated Working Capital	32,970
<b>Total</b>	<b>286,970</b>

<sup>(1)</sup> Based on gross proceeds of a private placement of units consisting of one common share and one common share purchase warrant, conducted by NetCents on December 23, 2015, prior to amalgamation.

<sup>(2)</sup> Refer to Liquidity discussion in July 31, 2015 MD&A.

<sup>(3)</sup> General and administrative is broken down as follows: (i) rent (\$5,200 per month), (ii) Misc Office Expenses (\$400 per month)

Netcents has a history of losses, and there can be no assurance that Netcents or the Resulting Issuer will not have losses continue into the future. The Resulting Issuer's prospects must be considered in the context of its development, the risks and uncertainties it faces, and the inability of the Resulting Issuer to accurately predict its operating results or the results of product development and sales and marketing initiatives.

The Resulting Issuer intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons a reallocation of funds may be necessary. Use of net proceeds will be subject to the discretion of management.

See "Appendix B2 - NetCents Systems Ltd. Management's Discussion and Analysis for period ended July 31, 2015".

### **Business Objectives and Milestones**

Following Completion of the Transaction, the Resulting Issuer's primary business objectives and milestones are the following:

Objective	Timeline	Cost (\$)
Legal / Accounting	September 2015 to August 2016	45,000
IT/Platform/Software	September 2015 to August 2016	100,000
Sales & Marketing	September 2015 to August 2016	40,000
General & Administrative	September 2015 to August 2016	69,000
<b>Total</b>		254,000

See “Part II - Information Concerning NetCents – Narrative Description of the Business”.

#### **Dividends or Distributions**

The Resulting Issuer intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on the Resulting Issuer Common Shares in the foreseeable future.

#### **Pro Forma Consolidated Financial Information**

The following table sets forth selected pro forma consolidated financial information of NetCents and BC Co as at July 31, 2015, as if the Transaction has been completed as at July 31, 2015.

	BC Co	NetCents	Pro Forma Adjustments	Pro Forma
<b>Balance sheet</b>				
Current assets	1.00	230,636	287,583	518,220
Total assets	1.00	290,437	287,583	578,021
Current liabilities	31	683,391	(30,000)	653,422
Total liabilities	31	683,391	(30,000)	653,422
Shareholders' Equity (deficit)	(30)	(392,954)	317,583	(75,401)

#### **Description of Securities**

##### ***Authorized and Issued Share Capital***

The Resulting Issuer will be authorized to issue an unlimited number of Resulting Issuer Common Shares of which, as of the date of this Prospectus and giving effect to the completion of the Transaction, approximately 27,241,604 Resulting Issuer Common Shares will be issued and outstanding as fully paid and non-assessable, on a non-diluted basis. The authorized share capital of the Resulting Issuer will include Class B preferred shares of which no Class B preferred shares will be issued and outstanding.

The holders of the Resulting Issuer Common Shares are entitled to vote at all meetings of shareholders of the Resulting Issuer, to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Resulting Issuer Common Shares, to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other

dissolution of the Resulting Issuer. The Resulting Issuer Common Shares are not subject to any future call or assessments and do not have any pre-emptive rights or redemption rights.

See “*Part III – Pro Forma Consolidated Capitalization, and – Fully Diluted Share Capital*”, which follow; and see also in “*Part I – Information Concerning BC Co – Description of the Securities*”, and “*Part II – Information Concerning NetCents – Description of the Securities*”.

**Options to Purchase Securities**

As noted previously, as of the date of this Prospectus, no incentive stock options are outstanding.

See “*Part I – Information Concerning the Resulting Issuer – Description of Securities – Options and Stock Option Incentive Plan*”.

The Board of Directors of the Resulting Issuer do not intend to grant any incentive stock options to purchase Resulting Issuer Common Shares until such time following Completion of the Transaction as the trading price of the Resulting Issuer Common Shares on the Exchange has stabilized such that a fair market value exercise price for incentive stock options can be determined.

See “*New Stock Option Plan*”, which follows. See also “*Part III – Information Concerning the Resulting Issuer – Fully Diluted Share Capital*”.

**Pro Forma Consolidated Capitalization**

The following table sets out the share capitalization of the Resulting Issuer after giving effect to the Transaction:

Designation of Security	Amount authorized or to be authorized	Amount outstanding after giving effect to the Transaction
Common Shares	Unlimited	28,588,061
Preferred Shares	Unlimited	Nil

**Fully Diluted Share Capital**

The following table sets out the anticipated fully diluted share capital of the Resulting Issuer after giving effect to the Transaction:

	Number of Securities Issued as of the closing of the Transaction	% of total issued and outstanding as of the closing of the Transaction (fully diluted)
BC Co’s Shares issued immediately prior to Amalgamation <sup>(1)</sup>	1,010,549	3.24%
The Resulting Issuer Common Shares to be issued on closing of the Transaction to the NetCents Shareholders	27,577,512	88.48%
Shares to be issued on exercise of Resulting Issuer Warrants	2,578,425	8.27%
Total	31,166,486	100%

<sup>(1)</sup> This figure excludes the one (1) BC Co Share issued to the incorporator. Such BC Co Share will be cancelled upon Closing.

***Options to Purchase Securities***

As at the date of this Prospectus neither BC Co nor NetCents have stock options outstanding. The Resulting Issuer’s Stock Option Plan will be a “rolling” stock option plan, pursuant to which the Board may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officer, employees and consultants, non-assignable and non-transferable options to purchase the Resulting Issuer Common Shares, provided that the number of Resulting Issuer Common Shares reserved for issuance will not exceed 15% of the then issued and outstanding shares. The options will be exercisable up to 10 years from the date of grant, so long as the optionee maintains the optionee’s position with the Resulting Issuer.

Under the proposed plan, the number of Resulting Issuer Common Shares reserved for issuance to any optionee will not exceed 5% of the then issued and outstanding shares and the number of Resulting Issuer Common Shares reserved for issuance to consultants will not exceed 2% of the then issued and outstanding shares. Furthermore, the minimum exercise price of an option granted under the Stock Option Plan must not be less than the Discounted Market Price (as such term is defined in the policies of the Exchange and other applicable regulatory authorities).

Options that will be granted to an optionee who does not continue as a director, officer, employee or consultant of the Resulting Issuer will expire 30 days after such optionee ceases to be a director, officer, employee or consultant of the Resulting Issuer.

On completion of the Transaction the Resulting Issuer will not have any options outstanding.

It is anticipated that all Officers and Directors will enter into an option agreement with the Resulting Issuer.

The Resulting Issuer Common Shares are not subject to any future call or assessments and do not have any pre-emptive rights or redemption rights.

See “Part III – Pro Forma Consolidated Capitalization, and – Fully Diluted Share Capital”, which follow; and see also in “Part I – Information Concerning the Resulting Issuer – Description of the Securities”.

**Escrowed Securities and Securities Subject to Contractual Restriction on Transfer**

***Escrowed Shares***

The following table sets out, as at the date of this Prospectus, the number and percentage of common shares of NetCents held in escrow prior to giving effect to the Transaction, and the number and percentage of the Resulting Issuer Common Shares that will be held in escrow after giving effect to the Transaction, but before giving effect to the initial release of the escrowed Resulting Issuer Common Shares under the new escrow agreement.

		Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
Name and Municipality of Residence of Security holder	Designation of Class	Number of NetCents shares held in escrow	Percentage of class	Number of Resulting Issuer Common Shares to be held in escrow <sup>(1)</sup>	Percentage of class

Clayton Moore, Vancouver, B.C.	Common	Nil	Nil	8,189,670	28.65%
Insite West Services Inc.	Common	Nil	Nil	706,000	2.47%
Gordon Jessop Delta, B.C.	Common	Nil	Nil	2,118,000	7.41%
Robert Meister North Vancouver, B.C.	Common	Nil	Nil	600,100	2.10%
Fraser McDougall, Vancouver, B.C.	Common	Nil	Nil	1,412,000	4.94%
Ryan Cheung Burnaby, B.C.	Common	Nil	Nil	50,000	0.02%

<sup>(1)</sup> Escrowed Resulting Issuer Common Shares will be held by the Transfer Agent. Such escrowed Resulting Issuer Common Shares will be escrowed on Closing per National Policy 46-201 – *Escrow for Initial Public Offerings* and released pursuant to that Policy. See “The CSE Escrow Shares”.

### The CSE Escrow Shares

The CSE Escrow Shares will be held in escrow pursuant to the CSE Escrow Agreement. There are to be 13,075,770 Resulting Issuer Shares to be held in escrow. These are held in escrow as required by CSE policy on completion of the Transaction.

The CSE Escrow Shares are to be subject to the release schedule set out in the form of escrow required by CSE pursuant to National Policy 46-201. Ten (10%) percent of the CSE Escrow Shares are to be released upon the date of listing on the CSE and an additional 15% are to be released every 6 months thereafter until all CSE Escrow Shares have been released (36) months following the date of listing on the CSE.

The CSE Escrow Agreement provides that the CSE Escrow Shares are held in escrow pursuant to its terms and the beneficial ownership thereof may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the prior written consent of the CSE. In the event of the bankruptcy of an escrow shareholder, provided the CSE does not object, the CSE Escrow Shares held by such escrow shareholder may be transferred to the trustees in the bankruptcy or such person legally entitled to the CSE Escrow Shares which shares will remain in escrow subject to the escrow agreement. In the event of the death of an escrow shareholder, provided the CSE does not object, the CSE Escrow Shares held by the escrow shareholder will be released from escrow.

### Principal Shareholders

Name	Ownership as at the date of this Prospectus	Number of NetCents Shares prior to Amalgamation	Number of Resulting Issuer Common Shares After Giving Effect to the Transaction	Percentage After Giving Effect to the Transaction <sup>(1)</sup>
Clayton Moore	28.65%	11,600,100	8,189,620	28.65%

(1) Upon Closing the Resulting Issuer is expected to have a fully diluted share capital of 31,166,486 Resulting Issuer Common Shares, see “– Fully Diluted Share Capital”.

## Directors, Officers and Promoters

The following table sets out the name, municipality and province of residence, position to be held with the Resulting Issuer, current principal occupation, and the number and percentage of the Resulting Issuer's Shares which will be beneficially owned, directly or indirectly, or over which control or direction is proposed to be exercised, by each of the Resulting Issuer's proposed directors and officers following completion of the Transaction.

Name and Municipality of Residence	Position to be held with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Resulting Issuer Common Shares after Completion of the Transaction	Percentage of class after Completion of the Transaction
Clayton Moore Vancouver, B.C.	CEO, Director, Promoter	During the last five years, Mr. Moore has been CEO of NetCents Systems Ltd.	8,189,620	28.65%
Gordon Jessop, Delta, B.C.	President, COO and Director	During the last five years Mr. Jessop provided business consulting services to SME's through his consulting company, for Ether Media & Consulting Inc. of which he is its President/Owner.	2,118,000	7.41%
Robert Meister, North Vancouver	Director	Mr. Meister is a director and Capital Markets / Corporate Development consultant to the Company.  During the past five years, Mr. Meister worked for Alpha Exploration (previously Alpha Minerals and ESO Uranium), helping that organization with Capital Markets, Corporate Development and Corporate Communications services.	600,100	2.10%
Fraser McDougall, Vancouver, B.C.	Director	During the last five years, Mr. McDougall has been Vice-President of Sales at Equities.com (previously Vantagepoint), which is an advanced financial data portal and social network designed to connect self-directed investors	1,412,000	4.94%

Name and Municipality of Residence	Position to be held with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Resulting Issuer Common Shares after Completion of the Transaction	Percentage of class after Completion of the Transaction
		with the world's most innovative startup and small cap companies.		
Ryan Cheung, Burnaby, British Columbia	CFO	Ryan Cheung, CA, CPA, is the founder and managing partner of Midland Chartered Accountants Ltd. in Vancouver, B.C. Leveraging his experience as a former auditor of junior mining and resource companies, Mr. Cheung serves as a director and/or officer or consultant for public and private companies providing financial reporting, taxation and strategic guidance.	50,000	0.17%

At the Completion of the Transaction, the directors and officers of the Resulting Issuer as a group will beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 13,075,770 of the Resulting Issuer Common Shares, representing 45.74% of the issued and outstanding the Resulting Issuer Common Shares (on an undiluted basis). Each director's term of office will expire at the next annual meeting of the shareholders unless re-elected at such meeting.

The Resulting Issuer's audit committee will comprise Robert Meister, Gordon Jessop, and Fraser McDougall. Robert Meister and Fraser MacDougall will be independent members. All members are considered financially literate. There are no other committees of the Board at this time. It is not anticipated that the Resulting Issuer will have any other committees upon the completion of the Transaction. All compensation and corporate governance matters will be overseen by the Board of Directors of the Resulting Issuer.

The board of directors of the Resulting Issuer takes the position that Robert Meister is currently an independent director. Robert Meister is party to a consulting agreement dated January 1, 2015, pursuant to which Mr. Meister received 850,000 common shares in the capital of NetCents, which have been exchanged for 600,100 common shares in the capital of the Resulting Issuer, for services rendered. The services performed by Mr. Meister in connection with this consulting agreement include assistance with the completion of the Transaction. In addition, for the eleven month period commencing December 2014 and ending 1 October 31, 2015, Mr. Meister has received four payments consisting of \$5,000 each CDN, for services relating to the completion of the Transaction. It is the position of the board of directors of the Resulting Issuer that Mr. Meister is not currently in a material relationship with the Resulting Issuer, or any subsidiaries of the Resulting Issuer, and that Mr. Meister is independent.

The Resulting Issuer is expected to enter into management agreements with the senior officers of the Resulting Issuer on the same terms as the management agreements disclosed in "*Part II – Information Concerning Netcents – Executive Compensation*". Except for Mr. Moore and Mr. Jessop none of the other directors will be employees of the Resulting Issuer.

See “*Part III – Information Concerning the Resulting Issuer– Executive Compensation*”. Other than these agreements, none of the directors or officers is expected to enter into a non-competition or non-disclosure agreement with the Resulting Issuer at this time. See also “Directors and Management” below for additional biographic information about the proposed directors and officers.

## **Directors and Management**

### Clayton Moore, (Age: 38) CEO and Director

NetCents was built from its visionary founder Clayton Moore (NetCents Founder & CEO). He founded NetCents in 2006. In 2003, Mr. Moore created paying "as you go" for the development of what he named Cybux. Cybux was a payment platform. It was tested in the B.C. school systems and later to select schools in Ontario, which led to the foundation of a payment system with "total anonymity" for buying goods and services over the Internet. The Cybux transaction system was based on a secure prepaid electronic card. Cybux was sold and Mr. Moore began the development of NetCents Systems Ltd. Which was incorporated in January of 2006 to incorporate Mr. Moore's desire delivering a totally anonymous PSP System to the Internet. Since that time Mr. Moore has recruited, mentored and developed members of the NetCents teams to provide the platform that is NetCents today.

Mr. Moore studied Business Administration at College of New Caledonia in Prince George, British Columbia. Mr. Moore is a party to a non-competition and non-disclosure agreement with the Resulting Issuer. It is expected that Mr. Moore will devote approximately 100% of his time to the business of the Issuer to effectively fulfill his duties as an officer and director. Mr. Moore is an employee of the Company.

### Ryan Cheung, (Age: 37) CFO

Ryan Cheung, CA, CPA, is the founder and managing partner of Midland Chartered Accountants Ltd. in Vancouver, B.C. Leveraging his experience as a former auditor of junior mining and resource companies, Mr. Cheung serves as a director and/or officer or consultant for public and private companies providing financial reporting, taxation and strategic guidance. He has been an active member of the Institute of Chartered Accountants of British Columbia since January, 2008. Mr. Cheung holds a diploma in accounting from the University of British Columbia and a bachelor of commerce in international business from the University of Victoria.

Mr. Cheung is not a party to a non-competition and non-disclosure agreement with the Resulting Issuer. It is expected that Mr. Cheung will devote approximately 20% of his time to the business of the Resulting Issuer to effectively fulfill his duties as an officer.

See below “*Other Reporting Issuer Experience*” for Mr. Cheung’s professional experience with respect to listed companies for the past five years.

### Gordon Jessop, (Age: 56) COO, President and Director

Mr. Jessop has worked closely with Mr. Moore for more than 2 years assisting to develop the NetCents product offering, business model, and branding. For the past five years, Mr. Jessop has been the owner and president of Ether Media & Consulting Inc., which provides management consulting service to small and medium sized businesses regarding budgeting, financing, corporate structuring, industry analysis, patent development, SEC Filings, XBRL formatting for audits/filings, and listing requirements.

Mr. Jessop has worked for a number of large corporations such as: London Life Mortgages, TD Canada Trust and GE Capital Mortgage Insurance. He also owned and operated the first Thrifty Foods retail Grocery Store in Lower mainland which had in excess of 180 employees. As well as having been an Officer and Director of a publically traded company On4 Communications, Inc. He has also been a Board Member of a Non-



Profit Society. Mr. Jessop has received a Bachelor of Arts, Economics from Simon Fraser University, a Diploma in Urban Land Economics from the University of British Columbia, a Diploma in Arts and Sciences from Vancouver Community College, and a Diploma in Marketing Management, Real Estate Finance from the British Columbia Institute of Technology.

Mr. Jessop is a party to a confidentiality and non-compete agreement with the Issuer. It is expected that Mr. Jessop will devote approximately 100% of his time to the business of the Issuer to effectively fulfill his duties as a director and an officer.

See below “*Other Reporting Issuer Experience*” for Mr. Jessop’s professional experience with respect to listed companies for the past five years.

Robert Meister, (Age: 43) Independent Director

Mr. Meister has nearly 20 years of experience working with public and private companies and has developed and managed numerous businesses, including in all aspects of marketing and capital raising at both the institutional and retail levels, corporate communications and corporate development. In the past five years, Mr. Meister had been involved with Alpha Exploration Inc. (TSXV: AEX) (previously Alpha Minerals which was acquired by Fission Uranium Corp. in 2013), a mineral exploration and development business, where he provides capital markets, corporate development, and corporate communications services.

Mr. Meister is a Marketing Management graduate from the British Columbia Institute of Technology. Mr. Meister is not a party to any non-competition or confidentiality agreement with the Resulting Issuer. It is expected that Mr. Meister will devote approximately 75% of his time to the business of the Resulting Issuer to effectively fulfill his duties as a director.

Fraser McDougall, (Age: 31) Independent Director

Mr. McDougall is Vice-President of Sales at Equities.com (previously Vantagewire) which is an advanced financial data portal and social network designed to connect self-directed investors with innovative startup and small cap companies. He has been involved with and a member of the payments & crypto community for over three years having executed on a number of marketing campaigns for companies in the space. He has worked with NetCents in repositioning the NetCents' platform into the crypto space having helped build its merchant base and strategic partnerships to date.

Mr. McDougall attended Dalhousie University and Langara University where he studied Business Management. Mr. McDougall is not a party to a non-competition and non-disclosure agreement with the Resulting Issuer. It is expected that Mr. McDougall will devote approximately 40% of his time to the business of the Company to effectively fulfill his duties as a director.

***Other Reporting Issuer Experience***

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Other Reporting Issuers	Name of Exchange or Market	Position	From	To
Clayton Moore	On4 Communications, Inc.	OTC:BB	Director/CEO	November 2011	March 2015

Gordon Jessop	On4 Communications, Inc.	OTC: BB	Director/President	October 2010	April 30, 2011
Ryan Cheung	Canex Energy Corp.	CSE	CFO	July 2015	Present
	SecureCom Mobile Inc.	CSE	CFO	July 2015	Present
	Senator Minerals Inc.	TSX.V	Director	December 2014	Present
	UWO Consulting Ltd.	Private	Director	August 2014	Present
	SG Spirit Gold Inc.	TSX.V	Director	September 2014	Present
	Greenflag Ventures Inc.	TSX.V	Director/CFO	May 2014	July 2014
	Greenock Ventures Inc.	TSX.V	Director/CFO	May 2014	Present
	Xemplar Energy Inc.	TSX.V	Director/CEO	April 2013	April 2015
	Jet Gold Corp.	TSX.V	Director/CFO	May 2012	Present
	Shamrock Enterprises Inc.	CSE	CFO	January 2010	August 2014
Fraser McDougall	Nil	Nil	Nil	Nil	Nil
Robert Meister	Navy Resources (Canada)	TSX.V	President, Chief Executive Officer, Secretary & Director	May 2011	Present
	Patriot Petroleum	TSX.V	Director	December 2010	September 2015
	Bethpage Capital	TSX.V	Director	September 2011	July 2015

### **Corporate Cease Trade Orders or Bankruptcies**

Other than as disclosed below, to the best of the Resulting Issuer's knowledge, no existing or proposed director, officer of the Resulting Issuer, nor any shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, or within the ten years prior to the date hereof has been, a director or CEO or CFO of any corporation (including the Resulting Issuer) that, while that person was acting in the capacity of director or CEO or CFO of that corporation, was the subject of a cease trade order or similar order or an order that denied the corporation access to any exemption under securities legislation for a period of more than 30 consecutive days.

Clayton Moore was a director of On4 Communications Inc. when it was cease traded by the British Columbia Securities Commission on March 10, 2014 for failure to file financial statements. Mr. Moore has since resigned from the board of directors of On4 Communications Inc. On4 Communications Inc. remains cease traded in British Columbia as a result of the aforementioned order originally given on March 10, 2014.

### **Penalties or Sanctions**

To the best of the Resulting Issuer's knowledge, no existing or proposed director or officer of the Resulting Issuer, nor any shareholder holding sufficient securities of the Resulting Issuer to materially affect control of BC Co has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### **Personal Bankruptcies**

To the best of the Resulting Issuer's knowledge, no existing or proposed director or officer of the Resulting Issuer, nor any shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, nor any personal holding company of any such person has, within the ten years before the date of this Prospectus become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### **Conflicts of Interest**

The directors of the Resulting Issuer are required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Resulting Issuer's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest among the Resulting Issuer, its promoters, directors and officers or other members of management of the Resulting Issuer or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

## **Executive Compensation**

The summary compensation table sets out particulars of compensation paid for the fiscal years ended October 31, 2014 to the individuals who were Chief Executive Officer and the Chief Financial Officer (the “**Named Executive Officers**”) during those periods. BC Co does not have any other executive officers whose total salary and other compensation during such period exceeded \$150,000.

### ***Compensation Discussion and Analysis***

The Resulting Issuer does not have a compensation committee or a formal compensation policy and relies solely on the Board of Directors to determine the compensation of the Named Executive Officers. In determining compensation, the Board of Directors considers industry standards and financial situation but does not currently have any formal objectives or criteria. The performance of each Named Executive Officer is informally monitored by the Board of Directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer. The Resulting Issuer is expected to rely solely on the Board to determine the compensation of the executive officers. In determining compensation, the Board will consider industry standards and the Resulting Issuer’s financial situation without any formal objectives or criteria.

### ***Option-based Awards***

Please see “*Options to Purchase Securities*”. In considering new grants to executive officers, the Board of Directors considers the number of options, if any, previously granted to each executive officer.

### ***Summary Compensation Table***

Please see “*Part II – Information Concerning NetCents – Summary Compensation Table*”. BC Co did not pay any compensation to the named executive officers for the fiscal year ended October 31, 2014.

The following table sets out the anticipated compensation to the Resulting Issuer’s CEO CFO, and COO for the 12-month period after giving effect to the Transaction.

Name and Principal Position	Year (or part)	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Clayton Moore, CEO	Nil	\$180,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gordon Jessop, COO & President	Nil	\$144,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ryan Cheung, CFO and Corporate Secretary	Nil	\$30,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil

***Incentive Plan Awards***

NetCents does not have any option-based awards, granted to the Named Executive Officers outstanding as at April 30, 2015. No outstanding incentive plans for NetCents, at April 30, 2015. BC Co does not have any share-based awards.

Please see “Options to Purchase Securities” for options anticipated to be held by the officers of the Resulting Issuer. It is not anticipated that the Resulting Issuer will have any share-based or non-equity incentive plan compensation in the 12 months following completion of the Transaction.

***Incentive plan awards - value vested or earned during the year***

NetCents does not have any option-based awards which vested in the Named Executive Officers for the fiscal year ended October 31, 2014. BC Co does not have any share-based awards or non-equity incentive plan compensation.

***Pension Plan Benefits***

The Resulting Issuer does not have any pension or retirement plan or any deferred compensation plan. It is not anticipated that the Resulting Issuer will have any pension or retirement plan or deferred compensation plan in the 12 months following completion of the Transaction.

***Termination and Change of Control Benefits***

The Resulting Issuer has contracts that provide for payments to the Named Executive Officers at, following, or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Resulting Issuer or a change in a Named Executive Officer’s responsibilities. It is not anticipated that the Resulting Issuer will enter into any such agreement with its CFO in the 12 months following completion of the Transaction.

The President and the CEO have the following change of control benefits in their employment agreements: Upon a change of control, the officer has the option of declaring in writing that his employment has been terminated without cause, pursuant to which he will receive full benefits until the earlier of attaining

alternative employment or 18 months following the termination date, as well as a lump sum payment in the amount of 200% of the sum of his base salary and the average of annual incentive bonuses paid to the officer for the two fiscal years immediately preceding the fiscal year in which the change of control occurred. If no annual incentive bonuses have been paid, then the termination payment is 250% of the annual base salary of the officer.

#### ***Director Compensation***

There was no compensation provided to the directors, who are not Named Executive Officers, for the financial year ended October 31, 2014. It is anticipated that the Resulting Issuer will not pay directors for attending meetings in their capacity as directors.

#### ***Share-based awards, option-based awards and non-equity incentive plan compensation***

NetCents does not have any option-based awards granted to directors, other than directors who are also Named Executive Officers, outstanding as at October 31, 2014. BC Co does not have any share-based awards or non-equity incentive plan compensation.

Please see “*Options to Purchase Securities*” for options anticipated to be held by directors of the Resulting Issuer. It is not anticipated that the Resulting Issuer will have any share-based awards or non-equity incentive plan compensation in the 12 months following completion of the Transaction.

#### ***Incentive plan awards - value vested or earned during the year***

NetCents does not have any option-based awards which vested in each director, who is not a Named Executive Officer, for the fiscal year ended October 31, 2014. BC Co does not have any share-based awards or non-equity incentive plan compensation.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at the date of this Prospectus none of the directors and executive officers of BC Co, proposed directors and officers for the Resulting Issuer, or associates of such persons is indebted to BC Co, NetCents or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by BC Co or NetCents.

### **AUDIT COMMITTEE AND CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Resulting Issuer.

National Policy 58-201 Corporate Governance Guidelines establishes corporate governance guidelines which apply to all public companies. It is anticipated that the Resulting Issuer will not adopt certain guidelines, as they are not suitable for the Resulting Issuer at the current stage of development of the business. For example, the following guidelines may be adopted when the Resulting Issuer has more resources at its disposal, considering that the guidelines are not intended to be prescriptive and issuers are only encouraged to consider the guidelines in developing their own corporate governance practices.

- 1) Pursuant to Section 3.4 of National Policy 58-201, the Board should adopt a written mandate explicitly acknowledging responsibility for the stewardship of the Resulting Issuer, including responsibility for succession planning, developing the Resulting Issuer’s

approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Resulting Issuer, and measures for receiving feedback from stakeholders;

- 2) Pursuant to Section 3.7 of National Policy 58-201, the Board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Resulting Issuer's business remains current;
- 3) Pursuant to Section 3.10 of National Policy 58-201, the Board should appoint a nominating committee composed entirely of independent directors;
- 4) Pursuant to Section 3.18 of National Policy 58-201, the Board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution.

### **The Audit Committee's Charter**

The text of the audit committee's charter is attached hereto as Appendix "F". It is anticipated that the Resulting Issuer will adopt this charter.

### **Composition of the Audit Committee**

The members of the audit committee of the Resulting Issuer will consist of Robert Meister, Gordon Jessop and Fraser McDougall.

### **Relevant Education and Experience**

All members of the audit committee the Resulting Issuer have been involved or had experience with public companies. In particular, Gordon Jessop and Robert Meister have had experience as public company officers and directors dealing with financial statements.

Robert Meister is currently on the audit committee for Navy Resources and Patriot Petroleum.

Gordon Jessop has industry experience in auditing and financial analysis from his experienced in Business Banking at TD Canada Trust and GE Capital.

Each audit committee member has had extensive experience reviewing financial statements. Each member has an understanding of the Resulting Issuer's business and has an appreciation for the relevant accounting principles for that business.

### **Audit Committee Oversight**

At no time since the beginning of the fiscal year completed October 31, 2014 was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the beginning of the fiscal year ended October 31, 2014 has BC Co or NetCents relied on the exemption provided in section 2.4 of NI 52-110 (De Minimis Non-Audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*). It is not anticipated that the Resulting Issuer will rely on any of the above exemptions.

The Resulting Issuer will rely on the exemption contained in section 6.1 of National Instrument 52-110, as only two of the three members of the audit committee are anticipated to be independent directors. Robert Meister and Fraser McDougall are considered independent directors, however Gord Jessop is a senior officer of NetCents and is anticipated to continue serving as a senior officer for the Reporting Issuer upon completion of the Transaction.

***Pre-Approval Policies and Procedures***

The audit committees of BC Co or NetCents have not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to the prior approval of the audit committee. It is not anticipated that the Resulting Issuer will adopt specific policies and procedures.

***External Auditor Service Fees***

The aggregate fees billed by the external auditors of NetCents and BC Co for the fiscal year ended October 31, 2014 for the following fees are:

BC Co

<b>Fiscal Year Ended</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2014	\$0.00 <sup>1</sup>	\$1,000 <sup>2</sup>	\$50.00	Nil

Note 1: BC Co was not incorporated prior to October 31<sup>st</sup>, 2014, so there were not any audit fees

Note 2: Financial statements were reviewed.

NetCents

<b>Fiscal Year Ended</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2014	\$30,000	\$5,000 <sup>(1)</sup>	\$2,050	\$7,050 <sup>(2)</sup>
2013	Nil	Nil	Nil	Nil
2012	Nil	Nil	Nil	Nil

(1) Audit related fees includes items such as creation of statements of financial position as of October 31, 2014, October 31, 2013, and October 31, 2012, and statements of comprehensive loss, changes in equity and cash flows, a summary of significant accounting policies, and other explanatory information as well as the preparation of the pro forma financial statements.

(2) Other fees includes accounting fees for items such as bank reconciliation, trials balance, adjusting journal, journal entries, and the preparation of the balance sheet and income statement.

**Corporate Governance Practices**

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Resulting Issuer. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making. The Board is of the view that the Resulting Issuer’s general approach to corporate governance, summarized below, is appropriate and substantially consistent with objectives reflected in the guidelines for improved



corporate governance in Canada adopted by the Canadian Securities Administrators (the “**National Guidelines**”).

### ***Board of Directors***

The Board is currently composed of 4 directors.

The National Guidelines suggest that the board of directors of every listed company should be constituted with a majority of individuals who qualify as “unrelated” directors. An “unrelated” director is a director who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Resulting Issuer, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, the National Guidelines suggest that the board of directors should include a number of directors who do not have interests in either the company or the significant shareholder.

Robert Meister and Fraser McDougall are considered by the Board to be “unrelated” within the meaning of the Guidelines. In assessing the Guidelines and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

### ***Other Directorships***

See “Part III – Information Concerning the Resulting Issuer – Directors and Officers – Other Reporting Issuer Experience”.

### ***Orientation and Continuing Education***

The Board has not adopted formal steps to orient new board members. The Board’s continuing education is typically derived from correspondence with the legal counsels of BC Co to remain up to date with developments in relevant corporate and securities law matters. It is not anticipated that the board of the Resulting Issuer will adopt formal steps in the 12 months following completion of the Transaction.

### ***Ethical Business Conduct***

The Board has not adopted formal guidelines to encourage and promote a culture of ethical business conduct but does promote ethical business conduct by nominating board members it considers ethical, by avoiding or minimizing conflicts of interest and by having a sufficient number of its board members independent of corporate matters. It is not anticipated that the board of the Resulting Issuer will adopt formal guidelines in the 12 months following completion of the Transaction.

## **PART IV – RISK FACTORS**

The following are certain factors relating to the Transaction and business of the Resulting Issuer assuming completion of the Transaction, which factors investors should carefully consider when making an investment decision concerning the shares of the Resulting Issuer. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to NetCents or which are currently deemed immaterial may also impair the operations of the Resulting Issuer. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

An investment in the Resulting Issuer is speculative. An investment in the Resulting Issuer will be subject to certain material risks and investors should not invest in securities of the Resulting Issuer unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Resulting Issuer.

### ***General***

A purchase of any of the securities of the Resulting Issuer involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Resulting Issuer should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Resulting Issuer's securities prior to purchasing any of the securities.

### **Risks Related to the Transaction**

#### ***The Transaction is Subject to Several Conditions Precedent***

The completion of the Transaction is subject to several conditions precedent certain of which are outside the control of NetCents and BC Co. There can be no assurance that any of the conditions will be met or that the Transaction will be completed on the terms set out in the Amalgamation Agreement. In the event that any of the conditions precedent are not satisfied or waived by the relevant party, the Transaction may not be completed. The Transaction might not be completed, due to failure to obtain consents or approvals, failure to timely satisfy conditions to closing, termination of the Amalgamation Agreement by NetCents or other reasons. There is no guarantee that: (a) the conditions to closing will be timely satisfied; or (b) the circumstances under which NetCents or BC Co may terminate the Amalgamation Agreement will not occur. As such, the Transaction may not occur.

### **Risks Related to the Resulting Issuer**

#### ***Limited Operating History***

Neither NetCents nor BC Co has history of earnings. The Resulting Issuer will be marketing an unproven service which has not yet been deployed and has not achieved any market acceptance, and may never achieve market acceptance. The Resulting Issuer has no present prospect of generating revenue from the sale of products. The Resulting Issuer is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Resulting Issuer will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

#### ***Reliance on Management***

The success of the Resulting Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

### ***Negative Operating Cash Flow and Additional Financing Needs***

NetCents had negative operating cash flow for the financial year ended October 31, 2014. The Resulting Issuer anticipates that it will continue to have negative cash flow for the foreseeable future. To the extent that the Resulting Issuer has negative cash flow in future periods, the Resulting Issuer may need to allocate a portion of its cash reserves to fund such negative cash flow.

The Resulting Issuer will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. If adequate funds are not available, or are not available on acceptable terms, the Resulting Issuer may be required to scale back its business plan or cease operating.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Because of the early stage of the industry in which the Resulting Issuer will operate, the Resulting Issuer expects to face additional competition from new entrants. To become and remain competitive, the Resulting Issuer will require research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

### ***Difficulty to Forecast***

The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

### ***Conflicts of Interest***

Certain of the directors and officers of the Resulting Issuer are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Resulting Issuer and as officers and directors of such other companies.

### ***Litigation***

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer such a decision could adversely affect the Resulting Issuer's ability to continue operating and the market price for the Resulting Issuer Common Shares. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant company resources.

### ***The market price of the Resulting Issuer Common Shares may be subject to wide price fluctuations***

The market price of the Resulting Issuer Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Resulting Issuer and its subsidiaries, divergence in financial results from any analysts' expectations, changes in earnings estimates by any stock market analysts, changes in the business prospects for the Resulting Issuer and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Resulting Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Resulting Issuer Common Shares.

### ***Dividends***

The Resulting Issuer has no earnings or dividend record, and does not anticipate paying any dividends on its common shares in the foreseeable future. Dividends paid by the Resulting Issuer would be subject to tax and, potentially, withholdings.

### ***Limited Market for Securities***

It is proposed that the Resulting Issuer Common Shares will be listed on the CSE, however, there can be no assurance that such listing will be obtained and even if obtained, that an active and liquid market for the common shares will develop or be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer. External factors outside the Resulting Issuer's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward technology sector stocks may have a significant impact on the market price of the Resulting Issuer Common Shares. Global stock markets have, from time to time, experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies.

### ***Dependence on Banking Relationships***

The Resulting Issuer has secured banking relationships in Canada in order to deliver its principal products and services to its clients. The loss of a banking partner of the Resulting Issuer could have an adverse impact on the Resulting Issuer's results of operations. In particular, the Royal Bank of Canada is the sole provider of clearing services required for the functioning of the business of the Resulting Issuer, and the transaction platform utilized by the business of the Resulting Issuer runs on the Banking Platform. While other financial institutions are capable of providing similar services, the approvals process can be onerous and time consuming. Any termination of the relationship between the Resulting Issuer and the Banking Platform can be expected to have a material adverse effect on the business of Resulting Issuer.

### ***Crypto Currency Risks***

A portion of the proposed business of the Resulting Issuer is based upon crypto currency transactions, which are digital or virtual currency transactions that use cryptography for security. The crypto currency market is unregulated and in its infancy. Accordingly, there are certain risks related to crypto currencies, including the risk of regulation reforms which may prohibit payment processing transactions related to the business of the Resulting Issuer. Additionally, financial institutions may impose restrictions on persons that engage in business that is based on crypto currency transactions. Risks related to the acceptance and use of crypto currencies will have a significant impact on the volume of crypto currency transactions. Such acceptance or lack thereof, and reforms in regulation could adversely affect the Resulting Issuer's assets, liabilities, business, financial condition, prospects and results of operations.

### ***Regulatory Regime***

From time-to-time, governments and regulatory bodies may review the legislation and regulations applied to the crypto currency financial services industry and the payment processing industry in which the Resulting Issuer operates. Such reviews could result in the enactment of new laws and/or the adoption of new regulations in Canada, the United States of America, Europe or elsewhere, which might adversely impact businesses in Canada, the USA, Europe or other countries in general and consequently, may threaten the Resulting Issuer's growth prospects. More specifically, the Resulting Issuer is operating in the payment processing industry, which is strictly regulated. Regulation is extensive and designed to protect consumers and the public, while providing standard guidelines for business operations. In the offering of its products, the Resulting Issuer is subject to certain federal and provincial laws and regulations relating to its financial product offerings, including laws and regulations governing such things as Know-Your-Customer (KYC), Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and safeguarding the privacy of customers' personal information. Legislation has been passed in most provinces with respect to prepaid gift or stored-value cards. The Canadian government recently released its consultation paper Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, which contains proposals to strengthen the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Several of the proposals relate to emerging payment technologies and could have a significant impact on the payments and cards industry in Canada. The Resulting Issuer believes that at this time it is in compliance with all laws and regulations although many of the rules that apply to it have only recently been implemented, are complex and sometimes ambiguous and, accordingly, the Resulting Issuer cannot assure that it is in 100% compliance with all applicable laws, much less that all courts, arbitrators and regulators would agree that it is in 100% compliance. Failure to comply with, or changes to, existing or future laws and regulations could result in significant unforeseen costs and limitations, and could have an adverse impact on the Resulting Issuer's business, results of operations and/or financial condition.

### ***Legislative, Regulatory, Normative, and Political Considerations***

The Resulting Issuer is subject to local, provincial, federal and international laws, regulations, rules and policies as well as to social, economical and political contexts prevailing in places where the Resulting Issuer conducts its activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on the Resulting Issuer's results and operations and may require expenditures by the Resulting Issuer in order to adapt or comply with such modification or change. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on the Resulting Issuer's ability to adapt to, comply with and mitigate such changes.

### ***Intellectual Property Rights***

The Resulting Issuer could be adversely affected if it does not adequately protect its intellectual property rights. The Resulting Issuer regards its marks, rights, and trade secrets and other intellectual property rights as critical to its success. To protect its investments and the Resulting Issuer's rights in these various intellectual properties, it may rely on a combination of patents, trademark and copyright law, trade secret protection and confidentiality agreements and other contractual arrangements with its employees, clients, strategic partners, acquisition targets and others to protect proprietary rights. There can be no assurance that the steps taken by the Resulting Issuer to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Resulting Issuer's copyrights, trademarks and similar proprietary rights, or that the Resulting Issuer will be able to detect unauthorized use and take appropriate steps to enforce rights. In addition, although the Resulting Issuer believes that its proprietary rights do not infringe on the intellectual property rights of others, there can be no assurance that other parties will not assert infringement claims against the Resulting Issuer. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

### ***Dependence on Continued Growth of Developing Online Commerce Market***

The market for the sale of industry specific goods over the Internet, particularly through a secure/trusted platform, is an emerging market. NetCents' future revenues and profits are substantially dependent upon the continued widespread acceptance and use of this Internet platform and other online services as a medium for commerce by consumers. Growth in NetCents' user base relies on obtaining consumers who have historically used traditional means of commerce to purchase goods. For NetCents' to be successful, these consumers must accept and use novel ways of conducting business and exchanging information.

To the extent that the Internet continues to experience significant growth in the number of users, their frequency of use or their bandwidth requirements, there can be no assurance that the infrastructure for the Internet and other online services will be able to support the demands placed upon them due to increased governmental regulation. Changes in or insufficient availability of telecommunications services to support the Internet or other online services also could result in slower response times and adversely affect usage of the Internet and other online services generally and the NetCents service in particular. If the infrastructure for the Internet and other online services does not effectively support growth that may occur, or if the Internet and other online services do not become a viable commercial marketplace, NetCents' business, results of operations and financial condition would be materially adversely affected.

### ***Risk of Capacity Constraints***

NetCents seeks to generate a high volume of traffic and transactions on the NetCents platform. Accordingly, the satisfactory performance, reliability and availability of NetCents' website, processing systems and network infrastructure are critical to NetCents' reputation and its ability to attract and retain large numbers of users who transact sales on its platform while maintaining adequate customer service levels. NetCents' revenues depend, in part, on the volume of user transactions that are successfully completed. Any system interruptions that result in the unavailability of NetCents' service or reduced customer activity would ultimately reduce the volume of transactions completed. Interruptions of service may also diminish the attractiveness of NetCents and its services. Any substantial increase in the volume of traffic on NetCents' website or in the number of transactions being conducted by customers will require NetCents to expand and upgrade its technology, transaction processing systems and network infrastructure. There can be no assurance that NetCents will be able to accurately project the rate or timing of increases, if any, in the use of the NetCents platform or timely expand and upgrade its systems and infrastructure to accommodate such increases in a timely manner. Any failure to expand or upgrade its systems could have a material adverse effect on NetCents' business, results of operations and financial condition.

NetCents uses internally developed systems to operate its service and for transaction processing, including collections processing. NetCents must continually enhance and improve these systems in order to accommodate the level of use of NetCents. Furthermore, in the future, NetCents may add additional features and functionality to its services that would result in the need to develop or license additional technologies. NetCents' inability to add additional software and hardware or to develop and further upgrade its existing technology, transaction processing systems or network infrastructure to accommodate increased traffic on the NetCents service or increased transaction volume through its processing systems or to provide new features or functionality may cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality of the user's experience on NetCents' service, and delays in reporting accurate financial information. There can be no assurance that NetCents will be able in a timely manner to effectively upgrade and expand its systems or to integrate smoothly any newly developed or purchased technologies with its existing systems. Any inability to do so would have a material adverse effect on NetCents' business, results of operations and financial condition.

### ***Risk of System Failures***

NetCents' success, and in particular its ability to facilitate transactions successfully and provide high quality customer service, depends on the efficient and uninterrupted operation of its computer and communications hardware systems. Substantially all of NetCents' computer hardware for operating NetCents' service is currently located on dedicated global hosting facilities, specifically located in Texas, USA. These systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism and similar events. NetCents does not presently have fully redundant systems, a formal disaster recovery plan or alternative providers of hosting services and does not carry sufficient business interruption insurance to compensate it for losses that may occur. Despite any precautions taken by, and planned to be taken by NetCents, the occurrence of a natural disaster or other unanticipated problems could result in interruptions in the services provided by NetCents. In addition, the failure to provide the data communications capacity required by NetCents, as a result of human error, natural disaster or other operational disruption, could result in interruptions in NetCents' service. We have tried to minimize this risk by licensing dedicated servers that are replicated in multiple locations globally. Any damage to or failure of the systems of NetCents could result in reductions in, or terminations of, the NetCents service, which could have a material adverse effect on NetCents' business, results of operations and financial condition.

In the case of frequent or persistent system failures, NetCents' reputation and name brand could be materially adversely affected. Although NetCents has implemented certain network security measures, its servers are also vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of data or the inability to complete customer transactions. In addition, although NetCents works to prevent unauthorized access to NetCents data, it is impossible to eliminate this risk completely. The occurrence of any and all of these events could have a material adverse effect on NetCents' business, results of operations and financial condition.

### ***Low Barriers to Entry and Competition from Payment Processing Companies***

There is high potential that NetCents will face competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than NetCents. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of NetCents.

The market for payment processing is rapidly evolving and intensely competitive, and NetCents expects competition to intensify further in the future. NetCents currently or potentially competes with a number of other companies. NetCents believes that there are a number of issues in the PSP market which are not being addressed by the existing competitors. Some of NetCents' current competitors whom offer similar services are:

- Vogogo (vogogo.com) (TSX.V: VGO) – Vogogo is focused on compliance and risk management aspect of the payment sector.
- Braintree (www.braintree.com) - Braintree is focused on technology developers while NetCents to is more focused on consumer transactions. Braintree is offered in the U.S. only and has no PSP capabilities in Canada.
- Dwolla (www.dwolla.com) - Dwolla remains focused on peer to peer payments. NetCents differentiates itself from Dwolla by maintaining focus on traditional payment networks. Dwolla is offered in the U.S. only and has no current focus on Canada.

- Wepay (www.wepay.com) - Wepay is also a very similar service to NetCents. Wepay is focused on small businesses. Wepay is offered in the U.S. only and has no current focus on Canada.
- Stripe (www.stripe.com) - Stripe is a very similar service to NetCents. Stripe remains focused on technology developers. Stripe is the only competitor with PSP status in Canada.
- Bancbox (www.bancbox.com) - Bancbox is focused on niche web developers. Bancbox is offered in the U.S. only and has no current focus on Canada.
- Balanced Pay (www.balancedpayments.com) - Balanced Pay is focused on small businesses. Balance Pay is offered in the U.S. only and has no current focus on Canada.

There is no guarantee that any factors that differentiate NetCents from its competitors will give NetCents a market advantage or continue to be a differentiating factor for NetCents in the foreseeable future. Competitive pressures created by any one of the above mentioned companies (and other direct or indirect competitors), or by NetCents' competitors collectively, could have a material adverse effect on the NetCents' business, results of operations and financial condition.

#### ***Uninsured or Uninsurable Risk***

The Resulting Issuer may become subject to liability for risks against which are uninsurable or against which the Resulting Issuer may opt out of insuring due to the high cost of insurance premiums and other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of the liabilities for which insurance is not carried may have a material adverse effect on the Resulting Issuer's financial position and operations.

#### ***Risks Associated with Brand Development***

NetCents believes that continuing to strengthen its brand is critical to achieving widespread acceptance of NetCents, particularly in light of the competitive nature of NetCents' market. Promoting and positioning its brand will depend largely on the success of NetCents' marketing efforts and the ability of NetCents to provide high quality services. In order to promote its brand, NetCents will need to increase its marketing budget and otherwise increase its financial commitment to creating and maintaining brand loyalty among users. There can be no assurance that brand promotion activities will yield increased revenues or that any such revenues would offset the expenses incurred by NetCents in building its brand. Further, there can be no assurance that any new users attracted to NetCents will conduct transactions over NetCents on a regular basis. If NetCents fails to promote and maintain its brand or incurs substantial expenses in an attempt to promote and maintain its brand or if NetCents' existing or future strategic relationships fail to promote NetCents' brand or increase brand awareness, NetCents' business, results of operations and financial condition would be materially adversely affected.

#### ***Rapid Technological Change***

The business of the Resulting Issuer is subject to rapid technological changes. Failure to keep up with such changes may adversely affect the business of the Resulting Issuer. The Resulting Issuer is subject to the risks of companies operating in the payment processing business.

The market in which NetCents competes is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. NetCents' future success will depend on its ability to adapt to rapidly changing



technologies, to adapt its services to evolving industry standards and to continually improve the performance, features and reliability of its service in response to competitive service and product offerings and evolving demands of the marketplace. The failure of NetCents to adapt to such changes would have a material adverse effect on the NetCents' business, results of operations and financial condition. In addition, the widespread adoption of new Internet, payment processing technologies or other technological changes could require substantial expenditures by NetCents to modify or adapt its services or infrastructure, which could have a material adverse effect on NetCents' business, results of operations and financial condition.

#### ***Risks Associated with New Services, Features and Functions***

NetCents plans to expand its operations by developing and promoting new or complementary services, products or transaction formats or expanding the breadth and depth of services. There can be no assurance that NetCents will be able to expand its operations in a cost-effective or timely manner or that any such efforts will maintain or increase overall market acceptance. Furthermore, any new business or service launched by NetCents that is not favourably received by consumers could damage NetCents' reputation and diminish the value of its brand name. Expansion of NetCents' operations in this manner would also require significant additional expenses and development, operations and other resources and would strain the NetCents' management, financial and operational resources. The lack of market acceptance of such services or NetCents' inability to generate satisfactory revenues from such expanded services to offset their cost could have a material adverse effect on NetCents' business, results of operations and financial condition.

#### ***Risks Related to Consumer Trends***

NetCents expects to derive substantially all of its revenues from fees from successfully completed transactions that utilize its payment processing platform. NetCents' future revenues will depend upon continued demand for the types of goods that are listed by users of the NetCents' service. The value of listed items on the NetCents' platform will fluctuate depending on the listing of inventory for sale by its customers, the frequency of transactions and the expiry dates for certain items. These trends will cause significant fluctuations in NetCents' operating results from one quarter to the next. Any decline in demand for the goods offered through NetCents' service as a result of changes in consumer trends could have a material adverse effect on NetCents' business, results of operations and financial condition.

#### ***Online Commerce Security Risks***

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. NetCents users may authorize NetCents to bill their credit card accounts directly for all transaction fees charged by NetCents. NetCents relies on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by NetCents to protect customer transaction data. If any such compromise of NetCents' security were to occur, it could have a material adverse effect on NetCents' reputation and, therefore, on its business, results of operations and financial condition. Furthermore, a party who is able to circumvent NetCents' security measures could misappropriate proprietary information or cause interruptions in NetCents' operations. NetCents may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. Concerns over the security of transactions conducted on the Internet and other online services and the privacy of users may also inhibit the growth of the Internet and other online services generally, and the Web in particular, especially as a means of conducting commercial transactions. To the extent that activities of NetCents involve the storage and transmission of proprietary information, such as credit card numbers, security breaches could damage NetCents' reputation and expose NetCents to a risk of loss or litigation and possible liability. There can be no assurance that NetCents'

security measures will prevent security breaches or that failure to prevent such security breaches will not have a material adverse effect on NetCents' business, results of operations and financial condition.

#### ***Improper Disclosure of Personal Data***

NetCents stores and processes large amounts of personally identifiable information, consisting primarily of customer information and transactions. It is possible that NetCents' security controls over personal data, training of employees and other practices it follows may not prevent the improper disclosure of personally identifiable information. Such disclosure could harm NetCents' reputation and subject it to liability under laws that protect personal data, which could have a material adverse effect on its business and/or financial condition.

#### ***Software Viruses and Network Intrusion***

The Resulting Issuer maintains many different technologies, and services that require different types of security procedures, and management information systems, and networks (all of which are connected to the Internet or to other external networks). The Resulting Issuer may be susceptible to viruses and network intrusions by third parties. Any intrusion or virus could impact the performance of the transaction processing capabilities of the Resulting Issuer and in a worst case scenario could require temporary shutdown of the affected systems and compromise customer information, users and employees. Systems that are accessed through the internet are also subject to "denial of service" attacks (these attacks do not involve an intrusion into the system but can effectively make the systems unavailable to customers and/or employees).

#### ***Risks associated with Acquisitions***

If appropriate opportunities present themselves, NetCents intends to acquire businesses, technologies, services or products that NetCents believes are strategic. NetCents currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that NetCents will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into NetCents may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of NetCents' business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect NetCents' business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require NetCents to obtain additional equity or debt financing, which might not be available on terms favourable to NetCents, or at all, and such financing, if available, might be dilutive.

#### ***Protection and Enforcement of Intellectual Property Rights***

NetCents regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services.

#### ***Dependence on the Web Infrastructure***

The success of the NetCents service will depend in large part upon the development and maintenance of the Web infrastructure, such as a reliable network backbone with the necessary speed, data capacity and security, or timely development of complementary products such as high speed modems, for providing reliable Web access and services. Because global commerce and the online exchange of information are new and evolving,

it is difficult to predict with any assurance whether the Web will prove to be a viable commercial marketplace in the long term. The Web has experienced, and is expected to continue to experience, significant growth in the numbers of users and amount of traffic. To the extent that the Web continues to experience increased numbers of users, frequency of use or increased bandwidth requirements of users, there can be no assurance that the Web infrastructure will continue to be able to support the demands placed on it by this continued growth or that the performance or reliability of the Web will not be adversely affected. These outages and delays could adversely affect the level of Web usage and also the level of traffic and the processing of auctions on NetCents.

In addition, the Web could lose its viability due to delays in the development or adoption of new standards and protocols to handle increased levels of activity or due to increased governmental regulation. There can be no assurance that the infrastructure or complementary products or services necessary to make the Web a viable commercial marketplace for the long term will be developed or that if they are developed, that the Web will become a viable commercial marketplace for services such as those offered by NetCents. If the necessary infrastructure, standard or protocols or complementary products, services or facilities are not developed, or if the Web does not become a viable commercial marketplace, NetCents' business, results of operations and financial condition will be materially and adversely affected. Even if the infrastructure, standards or protocols or complementary products, services or facilities are developed and the Web becomes a viable commercial marketplace in the long term, NetCents might be required to incur substantial expenditures in order to adapt its service to changing Web technologies, which could have a material adverse effect on NetCents' business, results of operations and financial condition.

#### ***Governmental Regulation and Legal Uncertainties***

In addition to existing and pending laws and policies affecting the payment processing industry and applicable to access to or commerce on the Internet, NetCents is also subject to existing and pending laws applicable to businesses generally. However, due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security.

Several States have also proposed legislation that would limit the uses of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission has also recently settled a proceeding with one online service regarding the manner in which personal information is collected from users and provided to third parties. Changes to existing laws or the passage of new laws intended to address these issues, including some recently proposed changes, could create uncertainty in the marketplace that could reduce demand for the services of NetCents or increase the cost of doing business as a result of litigation costs or increased service delivery costs, or could in some other manner have a material adverse effect on NetCents' business, results of operations and financial condition. In addition, because NetCents' services are accessible worldwide, and NetCents facilitates services to users worldwide, other jurisdictions may claim that NetCents is required to qualify to do business as a foreign corporation in a particular state or foreign country.

Failure by NetCents to qualify as a foreign corporation in a jurisdiction where it is required to do so could subject NetCents to taxes and penalties for the failure to qualify and could result in the inability of NetCents to enforce contracts in such jurisdictions. Any such new legislation or regulation, or the application of laws or regulations from jurisdictions whose laws do not currently apply to NetCents' business, could have a material adverse effect on NetCents' business, results of operations and financial condition.

### ***Economic Environment***

NetCents' operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact NetCents' sales and profitability.

As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Resulting Issuer's management.

### ***Global Economy Risk***

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Resulting Issuer is subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Resulting Issuer's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Resulting Issuer. If uncertain market conditions persist, the Resulting Issuer's ability to raise capital could be jeopardized, which could have an adverse impact on the Resulting Issuer's operations and the trading price of the Resulting Issuer Common Shares on any stock exchange such shares be listed for trading on.

### ***Going-Concern Risk***

The financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Resulting Issuer's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Resulting Issuer will be successful in completing an equity or debt financing or in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Resulting Issuer be unable to continue as a going concern.

### ***Financial Risk Exposures***

The Resulting Issuer may have financial risk exposure to varying degrees relating to the currency of each of the countries where it operates and has financial risk exposure towards digital currencies. The level of the financial risk exposure related to a currency and exchange rate fluctuations will depend on the Resulting Issuer's ability to hedge such risk or use another protection mechanism.

### ***Security and privacy breaches in the Resulting Issuer's electronic transactions may expose it to additional liability and result in the loss of customers, either of which events could harm its business and cause its stock price to decline***

Any inability on the Resulting Issuer's part to protect the security and privacy of its electronic transactions could have a material adverse effect on its profitability. A security or privacy breach could:

- expose the Resulting Issuer to additional liability;
- increase the Resulting Issuer's expenses relating to resolution of these breaches; and

- deter customers from using the Resulting Issuer's product.

The Resulting Issuer cannot assure that its use of applications designed for data security will effectively counter evolving security risks or address the security and privacy concerns of existing and potential customers. Any failures in the Resulting Issuer's security and privacy measures could have a material adverse effect on its business, financial condition and results of operations.

***The Resulting Issuer could incur substantial losses from employee fraud and, as a result, its business would suffer***

The Resulting Issuer cannot assure that its internal security systems will prevent material losses from employee fraud.

***The Resulting Issuer's payment system might be used for illegal or improper purposes, which could expose it to additional liability and harm its business***

Despite measures the Resulting Issuer has taken to detect and prevent identify theft, its payment system remains susceptible to potentially illegal or improper uses. These may include illegal online gaming, fraudulent sales of goods or services, illicit sales of prescription medications or controlled substances, software and other intellectual property piracy, money laundering, bank fraud, child pornography trafficking, prohibited sales of alcoholic beverages and tobacco products and online securities fraud. Despite measures the Resulting Issuer has taken to detect and lessen the risk of this kind of conduct, the Resulting Issuer cannot assure that these measures will succeed. The Resulting Issuer's business could suffer if customers use the Resulting Issuer's system for illegal or improper purposes.

If these merchants are operating illegally, the Resulting Issuer could be subject to civil and criminal lawsuits, administrative action, and prosecution for, among other things, money laundering or for aiding and abetting violations of law, including laws related to gambling. The Resulting Issuer would lose the revenues associated with these accounts and could be subject to material penalties and fines, both of which would seriously harm its business.

***The Resulting Issuer relies on financial institutions, including several current or potential competitors, to process its payment transactions. Should any of these institutions decide to stop processing the Resulting Issuer's payment transactions, its business could suffer***

Because the Resulting Issuer is not a bank, it cannot belong to and directly access the credit card associations or payment networks. As a result, the Resulting Issuer must rely on banks or their independent service operators to process its transactions. The Banking Platform currently processes the Resulting Issuer's transactions. If the Resulting Issuer could not obtain these processing services on acceptable terms from these sources or elsewhere, and if the Resulting Issuer could not switch to another processor quickly and smoothly, its business could suffer materially.

***Customer complaints or negative publicity about the Resulting Issuer's customer service could affect use of its product adversely and, as a result, its business could suffer***

Customer complaints or negative publicity about the Resulting Issuer's customer service could diminish severely consumer confidence in and use of its product. Breaches of the Resulting Issuer's customers' privacy and its security measures could have the same effect. Measures the Resulting Issuer sometimes take to combat risks of fraud and breaches of privacy and security, such as freezing customer funds, can damage relations with the Resulting Issuer's customers. These measures heighten the need for prompt and accurate customer service to resolve irregularities and disputes. If the Resulting Issuer does not handle customer complaints effectively, its reputation may suffer and it may lose its customers' confidence.

***The Resulting Issuer may experience breakdowns in its payment processing system that could damage customer relations and expose it to liability, which could affect adversely its ability to provide reliable service***

A system outage or data loss could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. To operate the Resulting Issuer's business successfully, it must protect its payment processing and other systems from interruption by events beyond its control. Events that could cause system interruptions include:

- fire;
- power loss;
- earthquake;
- terrorist attacks;
- natural disasters;
- computer viruses;
- unauthorized entry;
- telecommunications failure; and
- computer denial of service attacks.

The Resulting Issuer's servers currently reside in facilities in Austin, Texas, USA. Currently the Resulting Issuer is not able to switch instantly to another back-up site in the event of failure of the main server site. This means that an outage at one facility could result in the Resulting Issuer's system being unavailable for at least several hours. This downtime could result in increased costs and lost revenues which would be detrimental to the Resulting Issuer's business.

The Resulting Issuer's infrastructure could prove unable to handle a larger volume of customer transactions. Any failure to accommodate transaction growth could impair customer satisfaction, lead to a loss of customers, impair the Resulting Issuer's ability to add customers or increase its costs, all of which would harm its business.

***The Resulting Issuer may not protect its proprietary technology effectively, which would allow competitors to duplicate its products, and this would make it more difficult for the Resulting Issuer to compete with them***

The Resulting Issuer's success and ability to compete in its markets depend, in part, upon its proprietary technology. The Resulting Issuer relies primarily on copyright, trade secret and trademark laws to protect its technology including the source code for its proprietary software, documentation and other proprietary information.

***The Resulting Issuer's product features may infringe claims of third-party patents, which could affect its business and profitability adversely***

The Resulting Issuer is aware of various patents held by third parties in the area of electronic payment systems. The holders of rights under these patents might assert that the Resulting Issuer is infringing them.

The Resulting Issuer cannot assure that its product features do not infringe on patents held by others or that they will not in the future.

If all or any portion of the Resulting Issuer's services were found to infringe a patent, it could be required to restructure its payment system, stop offering its payment product altogether, or pay substantial damages or license fees to third party patent owners. Even if the Resulting Issuer prevails in a lawsuit, litigation can be expensive and can consume substantial amounts of management time and attention.

***If the Resulting Issuer cannot keep pace with rapid technological developments to provide new and innovative programs, products and services, the use of its products and its revenues could decline***

Rapid, significant technological changes continue to confront the industries in which the Resulting Issuer operates, including developments in smart cards, tokenization, ecommerce, mobile, and radio frequency and proximity payment devices, such as contactless payments. The Resulting Issuer cannot predict the effect of technological changes on its business. The Resulting Issuer expects that new services and technologies applicable to the industries in which it operates will continue to emerge. These new services and technologies may be superior to, or render obsolete, the technologies that the Resulting Issuer currently uses in its products and services. Incorporating new technologies into the Resulting Issuer's products and services may require substantial expenditures and take considerable time, and ultimately may not be successful. In addition, the Resulting Issuer's ability to adopt new services and develop new technologies may be inhibited by industry-wide standards, payments networks, new laws and regulations, resistance to change from consumers or merchants, or third parties' intellectual property rights. The Resulting Issuer's success will depend on its ability to develop new technologies and adapt to technological changes and evolving industry standards.

***Systems failures and resulting interruptions in the availability of the Resulting Issuer's websites, applications, products or services could harm its business***

The Resulting Issuer's systems may experience service interruptions or degradation because of hardware and software defects or malfunctions, computer denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, or other events. The Resulting Issuer's systems are also subject to break-ins, sabotage and intentional acts of vandalism. Some of the Resulting Issuer's systems are not fully redundant and its disaster recovery planning is not sufficient for all eventualities. In addition, as a provider of payments solutions, the Resulting Issuer is subject to increased scrutiny by regulators that may require specific business continuity and disaster recovery plans and more rigorous testing of such plans. This increased scrutiny may be costly and time consuming and may divert its resources from other business priorities.

A prolonged interruption in the availability or reduction in the speed or other functionality of the Resulting Issuer's websites and mobile applications could materially harm its business. Frequent or persistent interruptions in the Resulting Issuer's services could cause current or potential customers to believe that its systems are unreliable, leading them to switch to its competitors or to avoid its sites, and could permanently harm its reputation and brands. Moreover, to the extent that any system failure or similar event results in damages to the Resulting Issuer's customers or their businesses, these customers could seek significant compensation from the Resulting Issuer for their losses and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address.

***New and proposed laws and regulations could harm the Resulting Issuer's business***

The Resulting Issuer is subject to laws and regulations affecting its operations. Compliance with these laws, regulations, and similar requirements may be onerous and expensive, and variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. Any such costs,

which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make the Resulting Issuer's products and services less attractive to its customers, delay the introduction of new products or services in one or more regions, or cause the Resulting Issuer to change or limit its business practices.

***Substantial and increasingly intense competition worldwide in the global payments industry may harm the Resulting Issuer's business***

The global payments industry is highly competitive. The Resulting Issuer competes against businesses in varied industries, many of whom are larger than the Resulting Issuer is, have a dominant and secure position in other industries, and offer other goods and services to consumers and merchants which the Resulting Issuer does not offer. As online and offline commerce increasingly converge, the pace of change, innovation and disruption is increasing. The global payments industry is rapidly changing, highly innovative and increasingly subject to regulatory scrutiny, which may negatively affect the competitive landscape. The Resulting Issuer competes against all forms of payments, including:

- paper-based transactions (principally cash and checks);
- providers of traditional payment methods, particularly credit and debit cards, money orders, and Automated Clearing House transactions (these providers are primarily well-established banks);
- providers of "digital wallets" which offer customers the ability to pay online and/or on mobile devices through a variety of payment methods, including with mobile applications, through contactless payments, and with a variety of payment methods;
- providers of mobile payments solutions that use tokenized card data approaches and Near Field Communication ("NFC") functionality (including Host Based Card Emulation ("HCE") functionality to eliminate the need for a physical NFC chip in the device);
- payment-card processors that offer their services to merchants;
- providers of "person-to-person" payments that facilitate individuals sending money with an email address or mobile phone number;
- providers of mobile payments; and
- providers of card readers for mobile devices and of other new point of sale and multi-channel technologies.

The Resulting Issuer also faces competition and potential competition from:

- money remitters;
- services that provide online merchants the ability to offer their customers the option of paying for purchases from their bank account or paying on credit;
- issuers of stored value targeted at online payments;
- other international online payment-services providers;
- other providers of online account-based payments;



- payment services targeting users of social networks and online gaming, often through billing to the consumer’s mobile phone account;
- mobile payment services between bank accounts;
- payment services enabling banks to offer their online banking customers the ability to send and receive payments through their bank account;
- online shopping services that provide special offers linked to a specific payment provider; and
- services that help merchants accept and manage virtual currencies.

Some of these payment providers have greater customer bases, volume, scale, and market share than the Resulting Issuer does, which may provide significant competitive advantages. Some of these competitors may also be subject to less burdensome licensing, anti-money laundering, counter-terrorist financing, and other regulatory requirements. They may devote greater resources to the development, promotion, and sale of products and services, and they may offer lower prices or more effectively introduce their own innovative programs and services that adversely impact the Resulting Issuer’s growth. The Resulting Issuer also expect new entrants to offer competitive products and services. In addition, some merchants provide such services to themselves. Competing services tied to established banks and other financial institutions may offer greater liquidity and engender greater consumer confidence in the safety and efficacy of their services.

The Resulting Issuer competes primarily on the basis of the following:

- ability to attract, retain and engage both merchants and consumers with relatively low marketing expense;
- security of transactions and the ability for consumers to use the Resulting Issuer’s services without sharing their financial information with the merchant;
- simplicity of the Resulting Issuer’s fee structure;
- ability to develop services across multiple commerce channels, including mobile payments and payments at the retail point of sale;
- customer service;
- brand recognition;
- website, mobile platform and application onboarding, ease-of-use and accessibility;
- system reliability and data security;
- ease and quality of integration into third-party mobile applications; and
- quality of developer tools such as its application programming interfaces and software development kits.

If the Resulting Issuer is not able to differentiate its business from those of its competitors, drive value for its customers, and/or effectively align its resources with its goals and objectives, the Resulting Issuer may not be able to compete effectively against its competitors. The Resulting Issuer’s failure to compete effectively against any of the foregoing competitive threats could materially and adversely harm its business.

## PART V – OTHER MATTERS

### Promoters

Clayton Moore, the CEO of NetCents has been the promoter of NetCents since its incorporation. Mr. Moore beneficially owns, has controlled over, directly or indirectly 8,189,670 Resulting Issuer Common Shares being 27.47% of the issued and outstanding Resulting Issuer Common Shares. Mr. Moore further has a voting agreement in place with some consultants of NetCents, pursuant to which he has voting control of 7,143,000 common shares of NetCents until the end of the term, defined as a 1 year period from the time of listing and/or while the shares are the property of the consultants, and voting control of an additional 1,000,000 common shares of NetCents transferred from Mr. Moore to a third party.

Nick Ayling, the director, CEO and CFO of BC Co has been the promoter of BC Co since its incorporation. Mr. Ayling beneficially owns, has controlled over, directly or indirectly 175,000 Resulting Issuer Common Shares being 0.64% of the issued and outstanding Resulting Issuer Common Shares.

Other than as disclosed in this section and under “Executive Compensation” or elsewhere in this Prospectus, no person who was a promoter of NetCents or BC Co within the last two years:

1. received anything of value directly or indirectly from NetCents, BC Co or a subsidiary;
2. sold or otherwise transferred any asset to NetCents, BC Co or a subsidiary within the last 2 years;
3. has been a director, officer or promoter of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
4. has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
5. has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
6. has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

### Legal Proceedings and Regulatory Actions

BC Co is not a party to any legal proceedings and is not aware of any such proceedings known to be contemplated. Management of BC Co is not aware that BC Co is a party to any legal proceedings or that any such proceedings are known to be contemplated.

NetCents is not a party to any legal proceedings and is not aware of any such proceedings known to be contemplated. Management of NetCents is not aware that NetCents is a party to any legal proceedings or that any such proceedings are known to be contemplated.

No penalties or sanctions have been imposed against BC Co by a court relating to provincial and territorial securities legislation or by a securities regulatory body within the three years immediately preceding the date of this Prospectus. Management of the BC Co is not aware of any such penalties or sanctions imposed against BC Co.

No penalties or sanctions have been imposed against NetCents by a court relating to provincial, state and territorial securities legislation or by a securities regulatory body within the three years immediately preceding the date of this Prospectus. Management of NetCents is not aware of any such penalties or sanctions imposed against NetCents.

BC Co has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Prospectus. Management of BC Co is not aware of any such settlement agreements entered into by BC Co.

NetCents has not entered into any settlement agreements before a court relating to provincial, state and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Prospectus. Management of NetCents is not aware of any such settlement agreements entered into by NetCents.

#### **Exemptive Relief**

The Company applied for relief from the requirement under s. 2.3(1.1) of NI 41-101 to file this Prospectus within 90 days of its preliminary prospectus, and it was a condition of such relief that this Prospectus be filed within 180 days of the date of the preliminary prospectus. The exemption granted will be evidenced by the issuance of a receipt for this Prospectus, as contemplated under s. 19.3 of NI 41-101.

#### **Interest of Management and Others in Material Transactions**

Other than as set forth in this Prospectus, the management of BC Co and NetCents is not aware of any material interest, direct or indirect, of any director, executive officer, any Person or Company beneficially owning, controlling or directing, directly or indirectly, more than ten (10%) percent of BC Co's outstanding voting securities, or any Associate or Affiliate of the foregoing Persons, in any transaction in which BC Co has participated within the three years before the date of this Prospectus, that has materially affected or is reasonably expected to materially affect BC Co.

#### **Auditors, Accountants, Transfer Agent and Registrar**

##### ***Auditors***

The auditor of BC Co is Charlton and Company, Chartered Accountants, 555 Burrard Street, Vancouver, B.C., V7X 1M9. The auditor of NetCents is DMCL LLP, Suites 1500 and 1700 – 1140 West Pender Street, Vancouver, B.C., V6E 4G1. Upon Completion of the Amalgamation and as of the date of this Prospectus, it is proposed that the Resulting Issuer's auditor will be NetCents' current auditor, DMCL LLP.

##### ***Registrar and Transfer Agent***

The transfer agent and registrar for BC Co's Common Shares is TMX Equity Transfer Services, Suite 2700 – 650 West Georgia Street, Vancouver, B.C. V6B 4N9, and TMX Equity will continue as transfer agent and registrar of the Resulting Issuer upon completion of the Amalgamation.

## **Material Contracts**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by BC Co or NetCents within two years prior to the date hereof which are currently in effect and considered to be currently material:

1. Stock Option Plan (See “Part III –Options to Purchase Securities”); and
2. The Amalgamation Agreement (See “Part I –The Transaction”).

The above contracts may be inspected without charge at 1500 – 1055 West Georgia Street, Vancouver, BC during ordinary business hours until the closing date of the Transaction and for a period of 30 days thereafter.

## **Board Approval**

The Boards of Directors of NetCents and BC Co have approved the contents of this Prospectus.

## **EXPERTS**

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- Charlton and Company, Chartered Accountants
- DMCL LLP

Each of Charlton and Company, Chartered Accountants, and DMCL LLP have advised that they have complied with the Canadian Institute of Chartered Accountant’s rules on auditor independence.

## ***Interest of Experts***

No person whose profession or business gives authority to a statement made by such person and who is named in this Prospectus has received or will receive a direct or indirect interest in the Resulting Issuer’s property or any Associate or Affiliate of the Resulting Issuer. As at the date hereof, none of the aforementioned persons beneficially owns, directly or indirectly, securities of the Resulting Issuer or its associates and Affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer, or as a promoter of the Resulting Issuer or an Associate or Affiliate of the Resulting Issuer.

## **OTHER MATERIAL FACTS**

To management’s knowledge, there are no other material facts relating to the Transaction that are not otherwise disclosed in this Prospectus or are necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the Transaction.

## **Financial Statement Disclosure**

The following financial statements are included herein:

APPENDIX “A”	1018758 B.C. Ltd. Audited Financial Statements at January 31, 2015 and Unaudited Interim Financial Statements July 31, 2015
APPENDIX “A1”	1018758 BC Ltd. Management’s Discussion and Analysis for the period ended January 31, 2015
APPENDIX “A2”	1018758 BC Ltd. Management’s Discussion and Analysis for interim period ended July 31, 2015
APPENDIX “B”	NetCents Systems Ltd. Audited Financial Statements at October 31, 2014 and Unaudited Interim Financial Statements at July 31, 2015
APPENDIX “B1”	NetCents Systems Ltd. Management’s Discussion and Analysis for year ended October 31, 2014.
APPENDIX “B2”	NetCents Systems Ltd. Management’s Discussion and Analysis for period ended July 31, 2015.
APPENDIX “C”	Resulting Issuer Pro forma Financial Statements as at July 31, 2015.
<b>Other Appendices</b>	
APPENDIX “D”	Amalgamation Agreement
APPENDIX “E”	Stock Option Plan
APPENDIX “F”	Audit Committee Charter

## **APPENDIX "A"**

**1018758 B.C. Ltd.**

Interim Financial Statements

November 11, 2014 (date of incorporation)  
to January 31, 2015

(Expressed in Canadian dollars)

p | 604.683.3277  
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE  
555 BURRARD STREET  
BOX 243  
VANCOUVER, BC V7X 1M9



charlton & company  
CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of 1018758 B.C. Ltd.

We have audited the accompanying financial statements of 1018758 B.C. Ltd., which comprise the statement of financial position as at January 31, 2015, changes in equity and cash flows for the period from the date on incorporation on November 11, 2014 to January 31, 2015, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of 1018758 B.C. Ltd. as at January 31, 2015 and its financial performance and cash flows for the period from the date of incorporation on November 11, 2014 to January 31, 2015 in accordance with International Financial Reporting Standards.

#### Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date and its continuance as a going concern is dependent upon its ability to raise additional capital or evaluate strategic alternatives. These conditions as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*"Charlton & Company"*

CHARTERED ACCOUNTANTS

Vancouver, BC  
April 2, 2015



**1018758 B.C. Ltd.**

## Statement of Financial Position

(Expressed in Canadian dollars)

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	Notes	Period Ended January 31, 2015
		\$
<b>Current Assets</b>		
Cash		<b>1</b>
<hr/>		
<b>Shareholders' Equity:</b>		
Share capital	<b>4</b>	<b>1</b>

---

**Nature and Continuance of Operations (Note 1)**

*The accompanying notes are integral to these interim financial statements.*

**Approved on Behalf of the Board of Directors:**

/s/ Nick Ayling

Director

**1018758 B.C. Ltd.**

Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars except the number of shares)

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	<b>Number of Outstanding Shares</b>	<b>Share Capital</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
		\$	\$	\$
<b>Balance, November 11, 2014 and January 31, 2015</b>	1	1	-	1

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*The accompanying notes are integral to these interim financial statements.*

**1018758 B.C. Ltd.**

## Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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	<b>November 11, 2014 (date of incorporation) to January 31, 2015</b>
	\$
<hr/>	
<b>Financing activities</b>	
<b>Net cash provided by private placement</b>	<b>1</b>
<hr/>	
<b>Change in cash</b>	<b>1</b>
<b>Cash, beginning of the period</b>	<b>-</b>
<b>Cash, end of the period</b>	<b>1</b>
<hr/>	
<b>Interest paid</b>	<b>-</b>
<b>Income taxes paid</b>	<b>-</b>
<hr/>	

*The accompanying notes are integral to these interim financial statements.*

## **1018758 B.C. Ltd.**

Notes to the Interim Financial Statements

January 31, 2015

(Expressed in Canadian dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

1018758 B.C. Ltd. (the “Company”) was incorporated as a wholly-owned subsidiary of reporting issuer UWO Consulting Ltd. (“UWO”) on November 11, 2014 under the laws of British Columbia, Canada. Its head office and registered office is located at 605-815 Hornby Street, Vancouver, BC, V6Z 2E6, Canada.

Pursuant to Plan of Arrangement (“Agreement”) between the Company, 1018746 B.C. Ltd., 1018747 B.C. Ltd., 1018759 B.C. Ltd., 1018760 B.C. Ltd., 1018763 B.C. Ltd., 1018764 B.C. Ltd., 1018765 B.C. Ltd., and 1018766 B.C. Ltd., the Company intends to acquire a Letter of Intent (“LOI”) dated October 27, 2014 between UWO and NETCENTS Systems Ltd. and \$1,000 cash. The Company is in the business of consulting on capital markets, deal structuring, venture capital and corporate advisory.

These interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business consulting on capital markets deal structuring, venture capital and corporate advisory.

The development of its business may take many years to be in successful and the amount of resulting income, if any, is difficult to determine with any certainty. On January 31, 2015 the Company had not yet achieved profitable operations, had a net loss of \$NIL, a deficit of \$NIL and working capital of \$NIL, and expects to incur losses in the development of its business, all of which casts material uncertainty about the Company’s ability to continue as a going concern.

The interim financial statements were approved by the Board of Directors on March 19, 2015.

### **2. BASIS OF PRESENTATION**

In 2010, the Canadian Institute of Chartered Accountants (“CICA”) Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. The Company was incorporated on November 11, 2014. These financial statements are prepared in accordance and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements are presented in Canadian dollars, which is the Company’s functional and reporting currency. These financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair value.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Company was incorporated on November 11, 2014. These interim financial statements are prepared in accordance and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International

## 1018758 B.C. Ltd.

### Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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Financial Reporting Interpretations Committee (“IFRIC”). These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

These interim financial statements are presented in Canadian dollars, which is the Company’s functional and reporting currency. These interim financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair value.

a. Significant accounting judgments and estimates

The preparation of these interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The interim financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include valuation of share-based transactions and provision for deferred income tax.

b. Cash and cash equivalents

Cash comprises of cash held in trust and is highly liquid in nature.

c. Shared-based payments

The fair value of any options granted is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. The Company has never granted share-based payments to date.

d. Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

## **1018758 B.C. Ltd.**

### Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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#### e. Financial instruments

The Company classifies financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They would be included in current assets, except for maturities greater than 12 months after the end of the reporting period. These would be classified as non-current assets. The Company has classified cash and amounts receivable as loans and receivables

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments would be included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Accounts payable and accrued liabilities, loans and due to related parties are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

## 1018758 B.C. Ltd.

### Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

The Company does not have any material derivative financial assets and liabilities.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

#### f. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

#### g. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

#### h. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be

## **1018758 B.C. Ltd.**

### Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

#### i. Future changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9, Financial Instruments, replaces the current standard IAS 39, Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

## **4. SHARE CAPITAL AND RESERVES**

- a. Authorized: unlimited Common shares without par value; and unlimited Preferred shares without par value.



**1018758 B.C. Ltd.**

## Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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## b. Issued and Outstanding:

One common share was issued by the Company at \$0.01 per common share on November 11, 2014 to the incorporator (UWO).

**5. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the commercialization of the licensed proprietary asset. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

**6. FINANCIAL INSTRUMENTS**

The Company had no financial instruments as at January 31, 2015

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

**Management of Industry and Financial Risk**

The Company is engaged primarily in consulting and advisory work and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise refundable sales tax credits from the Canadian federal government.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash are held in corporate bank accounts available on demand. Liquidity risk has been assessed as being high.

***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

**1018758 B.C. Ltd.**

Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk relating to its accounts payable balance.

**1018758 B.C. Ltd.**

Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

**1018758 B.C. Ltd.**

## Statement of Financial Position

(Expressed in Canadian dollars)

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		<b>Period Ended</b>
		<b>July 31,</b>
	<b>Notes</b>	<b>2015</b>
		\$
<b>Current Assets</b>		
Cash		<b>1</b>
		<hr/>
<b>Liabilities</b>		
Bank overdraft		<b>31</b>
		<hr/>
<b>Shareholders' Equity</b>		
Share capital	<b>4</b>	<b>1</b>
Accumulated deficit		<b>(31)</b>
		<hr/>
		<b>1</b>

---

**Nature and Continuance of Operations (Note 1)**

*The accompanying notes are integral to these interim financial statements.*

**Approved on Behalf of the Board of Directors:**

/s/ Nick Ayling

\_\_\_\_\_  
Director

**1018758 B.C. Ltd.**

Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars except the number of shares)

	<b>Number of Outstanding Shares</b>	<b>Share Capital</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
		\$	\$	\$
<b>Balance, November 11, 2014, date of incorporation</b>	1	1	-	1
<b>Net loss</b>	-	-	(31)	(31)
<b>Balance, July 31, 2015</b>	1	1	(31)	(30)

*The accompanying notes are integral to these interim financial statements.*

**1018758 B.C. Ltd.**

Interim Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars except the number of shares)

---

	<b>November 11, 2014, date of incorporation to July 31, 2015 (unaudited)</b>
	\$
<b>Expenses</b>	
Bank charges	(31)
<b>Net loss and comprehensive loss for the period</b>	<b>(31)</b>
<b>Basic and diluted loss per Class A common share</b>	<b>(31)</b>
<b>Weighted average number of Class A common shares outstanding</b>	<b>1</b>

**1018758 B.C. Ltd.**

## Interim Statements of Cash Flows

(Expressed in Canadian dollars)

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	<b>November 11, 2014 (date of incorporation) to July 31, 2015</b>
	\$
<b>Operating Activities</b>	
<b>Income (loss) for the period</b>	(31)
Changes in non-cash working capital items:	
Bank overdraft	<u>31</u>
	-
<b>Financing activities</b>	
Net cash provided by private placement	<u>1</u>
<b>Change in cash</b>	1
<b>Cash, beginning of the period</b>	-
<b>Cash, end of the period</b>	<u>1</u>
<b>Interest paid</b>	-
<b>Income taxes paid</b>	-

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*The accompanying notes are integral to these interim financial statements.*

## **1018758 B.C. Ltd.**

Notes to the Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

1018758 B.C. Ltd. (the “Company”) was incorporated as a wholly-owned subsidiary of reporting issuer UWO Consulting Ltd. (“UWO”) on November 11, 2014 under the laws of British Columbia, Canada. Its head office and registered office is located at 605-815 Hornby Street, Vancouver, BC, V6Z 2E6, Canada.

Pursuant to Plan of Arrangement (“Agreement”) between the Company, 1018746 B.C. Ltd., 1018747 B.C. Ltd., 1018759 B.C. Ltd., 1018760 B.C. Ltd., 1018761 B.C. Ltd., 1018763 B.C. Ltd., 1018764 B.C. Ltd., 1018765 B.C. Ltd., and 1018766 B.C. Ltd., the Company intends to acquire a letter of intent dated October 27, 2014 as amended between UWO and NETCENTS Systems Ltd. and \$1,000 cash. The Company is in the business of consulting on capital markets, deal structuring, venture capital and corporate advisory.

These interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business consulting on capital markets deal structuring, venture capital and corporate advisory.

The development of its business may take many years to be in successful and the amount of resulting income, if any, is difficult to determine with any certainty. On July 31, 2015 the Company had not yet achieved profitable operations, had a net loss of \$31, a deficit of \$31 and negative working capital of \$30, and expects to incur losses in the development of its business, all of which casts material uncertainty about the Company’s ability to continue as a going concern.

The interim financial statements were approved by the Board of Directors on August 28, 2015.

### **2. BASIS OF PRESENTATION**

These interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting. The interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the interim financial statements and the reported expenses during the period. Actual results could differ from these estimates.



**1018758 B.C. Ltd.**

Notes to the Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. These interim financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value.

a. Significant accounting judgments and estimates

The preparation of these interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The interim financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include valuation of share-based transactions and provision for deferred income tax.

b. Cash and cash equivalents

Cash comprises of cash held in its bank account and is highly liquid in nature.

c. Shared-based payments

The fair value of any options granted is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. The Company has never granted share-based payments to date.

d. Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

**1018758 B.C. Ltd.**

Notes to the Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

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## e. Financial instruments

The Company classifies financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They would be included in current assets, except for maturities greater than 12 months after the end of the reporting period. These would be classified as non-current assets. The Company has classified cash and amounts receivable as loans and receivables

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments would be included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Accounts payable and accrued liabilities, loans and due to related parties are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

**1018758 B.C. Ltd.**

Notes to the Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

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The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

The Company does not have any material derivative financial assets and liabilities.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

f. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

g. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## 1018758 B.C. Ltd.

Notes to the Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

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### h. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### i. Future changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9, Financial Instruments, replaces the current standard IAS 39, Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-

## 1018758 B.C. Ltd.

Notes to the Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

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consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

### 4. SHARE CAPITAL AND RESERVES

- a. Authorized: unlimited Class A Common shares without par value; and unlimited Class B Preferred shares without par value.
- b. Issued and Outstanding:

One common share was issued by the Company at \$0.01 per common share on November 11, 2014 to the incorporator (UWO).

### 5. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the commercialization of the licensed proprietary asset. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

### 6. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

	Ref.	July 31, 2015
		\$
Other financial assets	a	1
Other financial liabilities	b	(31)

- a. Comprises cash
- b. Comprises bank overdraft.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

#### Management of Industry and Financial Risk

The Company is in the business of consulting on capital markets, deal structuring, venture capital and corporate advisory.

The Company's financial instruments are exposed to certain financial risks, which include the following:

## **1018758 B.C. Ltd.**

Notes to the Interim Financial Statements

July 31, 2015

(Expressed in Canadian dollars)

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### ***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise sales tax refunds from the Canadian federal government.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash are held in corporate bank accounts available on demand. Liquidity risk has been assessed as being high.

### ***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

### ***Currency Risk***

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rate. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### ***Price Risk***

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

### ***Capital management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **APPENDIX “A1”**

## **1018758 B.C. Ltd.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR NOVEMBER 11, 2014 (DATE OF INCORPORATION) TO JANUARY 31, 2015**

(All amounts expressed in Canadian dollars, unless otherwise stated)

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This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of 1018758 B.C. Ltd. (the "Company") and discloses its financial results for the period ended from November 11, 2014 (date of incorporation) to January 31, 2015. The MD&A should be read in conjunction with the Audited Interim Financial Statements of the Company for the period from the date of incorporation to January 31, 2015 and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Refer to Note 3 of the January 31, 2015 financial statements for disclosure of the Company's significant accounting policies and a discussion of future accounting policy changes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in the Canadian dollar.

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Additional information relating to the Company can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A is current as at August 28, 2015.

## **BACKGROUND**

1018758 B.C. Ltd. (the "Company") was incorporated as a wholly-owned subsidiary of reporting issuer UWO Consulting Ltd. ("UWO") on November 11, 2014 under the laws of British Columbia, Canada. Its head office and registered office is located at 605-815 Hornby Street, Vancouver, BC, V6Z 2E6, Canada. Pursuant to Plan of Arrangement ("Agreement") between the Company, 1018746 B.C. Ltd., 1018747 B.C. Ltd., 1018759 B.C. Ltd., 1018760 B.C. Ltd., 1018761 B.C. Ltd., 1018763 B.C. Ltd., 1018764 B.C. Ltd., 1018765 B.C. Ltd., and 1018766 B.C. Ltd., the Company intends to acquire a Letter of Intent ("LOI") dated October 27, 2014 between UWO and NETCENTS Systems Ltd. and \$1,000 cash. The Company is in the business of consulting on capital markets, deal structuring, venture capital and corporate advisory.

The Company is in the business of consulting on capital markets deal structuring, venture capital and corporate advisory.

## **QUARTERLY HIGHLIGHTS**

- The Company was incorporated November 11, 2014.

### **The Company's Business**

The Company is in the business of consulting on capital markets deal structuring, venture capital and corporate advisory. As of the date of this document, the Company has not commenced commercial operations.

## **LIQUIDITY AND CAPITAL RESOURCES**

At January 31, 2015, the Company had \$1 working capital.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the period ended January 31, 2015 the Company incurred



1018758 B.C. Ltd.

**Management's Discussion and Analysis Of Financial Condition and Results of Operations  
November 11, 2014 (date of incorporation) to January 31, 2015**

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\$NIL net loss. The continuation of the Company as a going concern is dependent on its ability to obtain or generate profitable business operations and secure external financing.

The Company's expected cash resources are sufficient to meet its short-term needed. Management estimates that the current cash position and future cash flows from consulting fees, new equity financings, and/or related party loans will be sufficient for the Company to carry out its anticipated costs of operations through 2015. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its business objectives.

**OUTSTANDING SHARE DATA**

The following share capital data is current as of the date of this document:

	<b>Balance</b>
Shares issued and outstanding	1

**RESULTS OF OPERATION**

*November 11, 2014 (date of incorporation) to January 31, 2015*

The Company incurred a net \$NIL net loss and profit as the Company had not commenced operations yet. The Company's operations are in their infancy and no comparative or trend discussion is relevant.

**SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS**

	<b>November 11, 2014 (incorporation) to January 31, 2015</b>
	\$
Net loss	NIL
Basic loss per share	<b>(0.00)</b>

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company had no financial instruments as at January 31, 2015

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

**Management of Industry and Financial Risk**

The Company is engaged primarily in consulting and advisory work and manages related industry risk issues directly.

1018758 B.C. Ltd.

**Management's Discussion and Analysis Of Financial Condition and Results of Operations**  
**November 11, 2014 (date of incorporation) to January 31, 2015**

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The Company's financial instruments are exposed to certain financial risks, which include the following:

***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise refundable sales tax credits from the Canadian federal government.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash are held in corporate bank accounts available on demand. Liquidity risk has been assessed as being high.

***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk relating to its accounts payable balance.

**Off-Balance Sheet Transactions**

The Company has not entered into any significant off-balance sheet arrangements or commitments.

**SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The Company was incorporated on November 11, 2014. These audited interim financial statements are prepared in accordance and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These audited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

These audited interim financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. These audited interim financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value.

a. Significant accounting judgments and estimates

The preparation of these audited interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the audited interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The audited interim financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the audited interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include valuation of share-based transactions and provision for deferred income tax.

b. Cash and cash equivalents

Cash comprises of cash held in trust and is highly liquid in nature.

c. Shared-based payments

The fair value of any options granted is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. The Company has never granted share-based payments to date.

d. Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

e. Financial instruments

The Company classifies financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They would be included in current assets, except for maturities greater than 12 months after the end of the reporting period. These would be classified as non-current assets. The Company has classified cash and amounts receivable as loans and receivables

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments would be included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Accounts payable and accrued liabilities, loans and due to related parties are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

The Company does not have any material derivative financial assets and liabilities.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

f. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

g. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

h. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

i. Future changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9, Financial Instruments, replaces the current standard IAS 39, Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

## **PROPOSED TRANSACTIONS**

There are no proposed transactions as at date of this document.

## **RISK AND UNCERTAINTIES**

The Company is in the corporate consulting business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business.

### **Conflicts of Interest**

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business Ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

### **Negative Operating Cash Flows**

As the Company is at the early stage start up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

### **Risks Related as a Going Concern**

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

### **Reliance on Key Personnel and Advisors**

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

1018758 B.C. Ltd.

**Management's Discussion and Analysis Of Financial Condition and Results of Operations  
November 11, 2014 (date of incorporation) to January 31, 2015**

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**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

**RISK FACTORS**

**Market Risk for Securities**

There can be no assurance that an active trading market for our common shares will be established and sustained. Upon a listing, the market price for our common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

**Uninsured or Uninsurable Risk**

We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

**Conflicts of Interest Risk**

Certain of our directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from our interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, our directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to us. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

**Key Personnel Risk**

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

**No Established Market for Shares Risk**

There is currently no established trading market through which common shares in our authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. You may lose your entire investment.

**Going-Concern Risk**

The financial statements of the Company have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Our future operations are dependent

**1018758 B.C. Ltd.**

**Management's Discussion and Analysis Of Financial Condition and Results of Operations  
November 11, 2014 (date of incorporation) to January 31, 2015**

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upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that we will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should we be unable to continue as a going concern.

**Global Economy Risk**

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future.. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations.

**Dividend Risk**

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

**Share Price Volatility Risk**

There can be no assurance that an active or liquid market will develop or be sustained for our common shares.

**OTHER INFORMATION**

Additional information on the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).



## **APPENDIX “A2”**

## **1018758 B.C. Ltd.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR NOVEMBER 11, 2014 (DATE OF INCORPORATION) TO**

**July 31, 2015**

(All amounts expressed in Canadian dollars, unless otherwise stated)

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This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of 1018758 B.C. Ltd. (the "Company") and discloses its financial results for the period ended from November 11, 2014 (date of incorporation) to July 31, 2015. The MD&A should be read in conjunction with the Interim Financial Statements of the Company for the period from incorporation to July 31, 2015 and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Refer to Note 3 of the July 31, 2015 financial statements for disclosure of the Company's significant accounting policies and a discussion of future accounting policy changes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in the Canadian dollar.

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Additional information relating to the Company can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A is current as at August 28, 2015.

## **BACKGROUND**

1018758 B.C. Ltd. (the "Company") was incorporated as a wholly-owned subsidiary of reporting issuer UWO Consulting Ltd. ("UWO") on November 11, 2014 under the laws of British Columbia, Canada. Its head office and registered office is located at 605-815 Hornby Street, Vancouver, BC, V6Z 2E6, Canada. Pursuant to Plan of Arrangement ("Agreement") between the Company, 1018746 B.C. Ltd., 1018747 B.C. Ltd., 1018759 B.C. Ltd., 1018760 B.C. Ltd., 1018761 B.C. Ltd., 1018763 B.C. Ltd., 1018764 B.C. Ltd., 1018765 B.C. Ltd., and 1018766 B.C. Ltd., the Company intends to acquire a letter of intent dated October 27, 2014 as amended between UWO and NETCENTS Systems Ltd. and \$1,000 cash. The Company is in the business of consulting on capital markets, deal structuring, venture capital and corporate advisory.

## **QUARTERLY HIGHLIGHTS**

- The Company was incorporated November 11, 2014.
- No transactions have occurred this period.

## **The Company's Business**

The Company is in the business of consulting on capital markets deal structuring, venture capital and corporate advisory. As of the date of this document, the Company has not commenced commercial operations.

## **LIQUIDITY AND CAPITAL RESOURCES**

At July 31, 2015, the Company had \$30 negative working capital.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the period ended July 31, 2015 the Company incurred \$31 net loss. The continuation of the Company as a going concern is dependent on its ability to obtain or generate profitable business operations and secure external financing.

1018758 B.C. Ltd.

**Management's Discussion and Analysis Of Financial Condition and Results of Operations**  
**November 11, 2014 (date of incorporation) to July 31, 2015**

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The Company's expected cash resources are sufficient to meet its short-term needed. Management estimates that the current cash position and future cash flows from consulting fees, new equity financings, and/or related party loans will be sufficient for the Company to carry out its anticipated costs of operations through 2015. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its business objectives.

**OUTSTANDING SHARE DATA**

The following share capital data is current as of the date of this document:

	<b>Balance</b>
Shares issued and outstanding	1

**RESULTS OF OPERATION**

***Three Months Ended July 31, 2015***

The Company incurred a net \$10 net loss as the Company had not commenced operations yet. The Company's operations are in their infancy and no comparative or trend discussion is relevant.

***November 11, 2014 (date of incorporation) to July 31, 2015***

The Company incurred a net \$31 net loss as the Company had not commenced operations yet. The Company's operations are in their infancy and no comparative or trend discussion is relevant.

**SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS**

	<b>July 31, 2015</b>	<b>April 30, 2015</b>	<b>November 11, 2014 (incorporation) to January 31, 2015</b>
	\$	\$	\$
Net loss	(10)	(21)	NIL
Basic loss per share	(10)	(21)	(0.00)

1018758 B.C. Ltd.

Management's Discussion and Analysis Of Financial Condition and Results of Operations  
November 11, 2014 (date of incorporation) to July 31, 2015

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**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

	Ref.	July 31, 2015
		\$
Other financial assets	a	1
Other financial liabilities	b	(31)

a. Comprises cash

b. Comprises bank overdraft.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

**Management of Industry and Financial Risk**

The Company is engaged primarily in consulting and advisory work and manages related industry risk issues directly

The Company's financial instruments are exposed to certain financial risks, which include the following:

***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise refundable sales tax credits from the Canadian federal government.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash are held in corporate bank accounts available on demand. Liquidity risk has been assessed as being high.

***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk relating to its accounts payable balance.

### Off-Balance Sheet Transactions

The Company has not entered into any significant off-balance sheet arrangements or commitments.

### SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company was incorporated on November 11, 2014. These unaudited interim financial statements are prepared in accordance and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

These unaudited interim financial statements are presented in Canadian dollars, which is the Company’s functional and reporting currency. These unaudited interim financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair value.

a. Significant accounting judgments and estimates

The preparation of these unaudited interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the unaudited interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The unaudited interim financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the unaudited interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include valuation of share-based transactions and provision for deferred income tax.

b. Cash and cash equivalents

Cash comprises of cash held in trust and is highly liquid in nature.

c. Shared-based payments

The fair value of any options granted is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. The Company has never granted share-based payments to date.

d. Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally

enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

e. Financial instruments

The Company classifies financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They would be included in current assets, except for maturities greater than 12 months after the end of the reporting period. These would be classified as non-current assets. The Company has classified cash and amounts receivable as loans and receivables

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments would be included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Accounts payable and accrued liabilities, loans and due to related parties are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

The Company does not have any material derivative financial assets and liabilities.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

f. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

g. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

h. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is

the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

i. Future changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9, Financial Instruments, replaces the current standard IAS 39, Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

## **PROPOSED TRANSACTIONS**

There are no proposed transactions as at date of this document.

## **RISK AND UNCERTAINTIES**

The Company is in the corporate consulting business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business.



1018758 B.C. Ltd.

**Management's Discussion and Analysis Of Financial Condition and Results of Operations  
November 11, 2014 (date of incorporation) to July 31, 2015**

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**Conflicts of Interest**

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

**Negative Operating Cash Flows**

As the Company is at the early stage start up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

**Risks Related as a Going Concern**

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

**Reliance on Key Personnel and Advisors**

The Company relies heavily on its management. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees (if any) of, and contractors (if any) engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees (if any) of, and contractors (if any) to, the Company who have access to confidential information will not disclose the confidential information.

The Company currently has no employees.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

**RISK FACTORS**

**Market Risk for Securities**

Our common share(s) are not listed for trading on any stock exchange or quoting system. There can be no assurance that an active trading market for our common shares will ever be established and sustained. Upon a listing (should this ever occur), the market price for our common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

**Uninsured or Uninsurable Risk**

We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available

1018758 B.C. Ltd.

**Management's Discussion and Analysis Of Financial Condition and Results of Operations  
November 11, 2014 (date of incorporation) to July 31, 2015**

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for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

The Company currently does not have any insurance.

**Conflicts of Interest Risk**

Certain of our directors and officers (if any) are/may also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from our interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, our directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to us. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

**Key Personnel Risk**

Our success will depend on our directors and officers (if any) to develop our business and manage our operations, and on our ability to attract and retain key management, personnel or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified such qualified persons, including officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

**No Established Market for Shares Risk**

There is currently no established trading market through which our Class A common shares may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. You may lose your entire investment.

**Going-Concern Risk**

The financial statements of the Company have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Our future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that we will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should we be unable to continue as a going concern.

**Global Economy Risk**

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future.. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations.

**Dividend Risk**

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

**1018758 B.C. Ltd.**

**Management's Discussion and Analysis Of Financial Condition and Results of Operations**  
**November 11, 2014 (date of incorporation) to July 31, 2015**

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**Share Price Volatility Risk**

There can be no assurance that an active or liquid market will develop or be sustained for our common shares.

## **APPENDIX "B"**

**NETCENTS SYSTEMS LTD.**

Financial Statements

Years Ended October 31, 2014, 2013 and 2012

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Netcents Systems Ltd.:

We have audited the accompanying financial statements of Netcents Systems Ltd., which comprise the statements of financial position as at October 31, 2014, 2013 and 2012, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Netcents Systems Ltd. as at October 31, 2014, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Netcents Systems Ltd.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
August 11, 2015

**NETCENTS SYSTEMS LTD.**Statements of Financial Position  
(Expressed in Canadian dollars)

	October 31, 2014	October 31, 2013	October 31, 2012
<b>Assets</b>			
Current assets:			
Cash	\$ 5	\$ 307	\$ 323
Total assets	\$ 5	\$ 307	\$ 323
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	\$ 682,142	\$ 562,193	\$ 440,974
Loans payable (note 5)	430,298	365,238	204,759
	1,112,440	927,431	645,733
Shareholders' equity:			
Share capital (note 6)	971,290	971,290	971,290
Shares to be issued (note 6)	695,000	470,000	470,000
Deficit	(2,778,725)	(2,368,414)	(2,086,700)
	(1,112,435)	(927,124)	(645,410)
Total liabilities and shareholders' equity	\$ 5	\$ 307	\$ 323

Subsequent events (note 10)

Approved on behalf of the Board:

"Gord Jessop""Clayton Moore"

See accompanying notes to financial statements

# NETCENTS SYSTEMS LTD.

Statements of Comprehensive Loss  
(Expressed in Canadian dollars)

	Year Ended October 31, 2014	Year Ended October 31, 2013	Year Ended October 31, 2012
Operating Expenses:			
Consulting fees (note 7)	\$ 395,000	\$ 213,444	\$ 245,427
Professional fees	-	41,642	20,900
Software development	-	1,001	17,305
General and administrative	2,409	8,619	17,487
	(397,409)	(264,706)	(301,119)
Other Items:			
Impairment of property and equipment	-	-	1,497
Foreign exchange expense	-	-	586
Other income expense	(3,098)	1,238	-
Interest expense (note 5)	16,000	15,770	10,000
	(12,902)	(17,008)	(12,083)
Net and comprehensive loss	\$ (410,311)	\$ (281,714)	\$ (313,202)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted	16,417,421	16,417,421	16,372,884

*See accompanying notes to financial statements*



# NETCENTS SYSTEMS LTD.

Statement of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Share capital		Shares to be issued		Deficit	Total
	Number of shares	Amount	Number of shares	Amount		
Balance at October 31, 2011	16,305,421	\$ 943,290	1,720,000	\$ 430,000	\$ (1,773,498)	\$ (400,208)
Shares issued for cash (note 6)	112,000	28,000	-	-	-	28,000
Debt settled by obligation to issue shares (note 6)	-	-	160,000	40,000	-	40,000
Comprehensive loss:						
Net loss	-	-	-	-	(313,202)	(313,202)
Balance at October 31, 2012	16,417,421	971,290	1,880,000	470,000	(2,086,700)	(645,410)
Comprehensive loss:						
Net loss	-	-	-	-	(281,714)	(281,714)
Balance at October 31, 2013	16,417,421	971,290	1,860,000	470,000	(2,368,414)	(927,124)
Shares to be issued for services (note 6)	-	-	2,250,000	225,000	-	225,000
Comprehensive loss:						
Net loss	-	-	-	-	(410,311)	(410,311)
Balance at October 31, 2014	16,417,421	\$ 971,290	4,130,000	\$ 695,000	\$ (2,778,725)	\$ (1,112,435)

*See accompanying notes to financial statements*

# NETCENTS SYSTEMS LTD.

Statements of Cash Flows  
(Expressed in Canadian dollars)

	October 31, 2014	October 31, 2013	October 31, 2012
Operating activities			
Net loss	\$ (410,311)	\$ (281,714)	\$ (313,202)
Items not effecting cash:			
Impairment of equipment	-	-	1,497
Interest expense	16,000	15,770	10,000
Shares to be issued for services	225,000		
Changes in non-cash working capital			
Receivables	-	-	3,624
Accounts payable and accrued liabilities	119,949	121,219	140,462
Cash used in operating activities	(49,362)	(144,725)	(157,619)
Financing activity			
Issuance of share capital for cash	-	-	28,000
Proceeds from loans	49,060	144,709	122,225
Cash provided by financing activities	49,060	144,709	150,225
Decrease in cash	(302)	(16)	(7,394)
Cash, beginning	307	323	7,717
Cash, ending	\$ 5	\$ 307	\$ 323

See accompanying notes to financials statements

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 1. Nature of operations

Netcents Systems Ltd. (the "Company") is engaged in software development for the payment processing industry.

The head office and the registered and records office of the Company are located at 1500 – 885 West Georgia Street, Vancouver, BC V6C 3E8.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at October 31, 2014 the Company had not earned revenues and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful development and marketing of its payment platform software and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. As at October 31, 2014, the Company has cumulative losses of \$2,778,725 and a working capital deficiency of \$1,112,435. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

## 2. Basis of Preparation

The financial statements were authorized for issue on August 11, 2015 by the directors of the Company.

### (a) *Statement of Compliance with International Financial Reporting Standards*

The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### (b) *Basis of Measurement*

The financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, unless otherwise noted.

### (c) *Significant estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, fair value measurements of shares-based payments and contingent liabilities.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 2. Basis of Preparation (continued)

### (d) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- whether expenditures incurred meet the definition of research or development, and whether expenditures on development meet the criteria to be capitalized as intangible assets.

## 3. Significant Accounting Policies

### (a) Financial Instruments

The Company initially measures financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value at the balance sheet date with any gain or loss recognized in the statement of comprehensive loss. Interest and dividends earned from these assets are also included in the statement of comprehensive loss. The Company has no financial assets classified as FVTPL.

Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss. The Company classifies cash as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company has no financial assets classified as available-for-sale financial assets.

Non-derivative financial liabilities are measured at amortized cost using the effective interest method. Non-derivate financial liabilities consist of trade payables and loans payable.

Transactions costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception (except for transaction costs related to financial instruments related to FVTPL financial assets which are expensed as incurred), and are recognized over the term of the assets or liabilities using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 3. Significant Accounting Policies (*continued*)

### (a) *Financial Instruments (continued)*

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company does not have any derivative financial assets and liabilities.

### (b) *Income and loss per share*

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income (loss) attributable to common shareholders equals the reported income (loss) attributable to owners of the Company. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

### (c) *Income taxes*

#### Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred income tax

Deferred income tax is provided using the asset and liability sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### (d) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 3. Significant Accounting Policies (*continued*)

### (e) *Research and development*

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of three years. The Company did not have any development costs that met the capitalization criteria for the years ended October 31, 2014, 2013 and 2012.

### (f) *Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### (h) *Accounting standards issued but not yet effective*

#### New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

The Company has not early adopted this revised standard and is currently assessing the impact that it will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 4. Accounts Payable and Accrued Liabilities

	October 31, 2014	October 31, 2013	October 31, 2012
Trade payables	\$ 215,343	\$ 265,393	\$ 305,075
Accrued liabilities	466,799	296,800	135,899
	<u>\$ 682,142</u>	<u>\$ 562,193</u>	<u>\$ 440,974</u>

See note 7.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 5. Loans Payable

Pursuant to an agreement entered into on May 5, 2009, the Company was loaned \$50,000 bearing interest at 20% per year. The loan was repayable on September 2, 2009 is secured by the assets of the Company. At October 31, 2014 the loan was unpaid and there was outstanding interest of \$52,534 (October 31, 2013: \$42,534, October 31, 2012: \$32,534). As the Company did not repay the loan when due, the agreement required the Company to issue 200,000 common shares (note 6). Subsequent to October 31, 2014, the lender agreed to settle the loan and unpaid interest by payments totaling \$60,000 (note 10).

Pursuant to an agreement entered into on May 6, 2013, the Company was advanced a total of \$50,000 during the year ended October 31, 2013. The amounts advanced are due 6 months subsequent to the date of advancement (the "Due Date"). The Company has the option of extending the due date by an additional 6 months. The loan bears interest at a rate of 12% per annum up to the Due Date and 15% per annum thereafter. The loan is convertible into units at an exercise price equal to the lower of \$0.25 per unit and the price of the then most recent public offering of the Company's shares. Each unit consists of one common share and one warrant. Each warrant allows the holder to purchase one additional common share for a period of two years from the date of issuance at an exercise price equal to the lower of \$0.25 per common share and the price of the then most recent public offering of the Company's shares. The value of the conversion feature was determined to be immaterial. Subsequent to October 31, 2014, the loan was converted and the Company issued 620,161 units (note 10).

The Company entered into a loan agreement on November 14, 2011. Pursuant to the agreement, during the year ended October 31, 2012, the Company was loaned \$60,000 bearing interest at 10% per year commencing on November 14, 2012. The loan was repayable on May 14, 2013. At October 31, 2014 the loan was unpaid and there was outstanding interest of \$11,770 (October 31, 2013: \$5,770, October 31, 2012: \$Nil).

Other loans totaling \$206,994 (October 31, 2013: \$156,934, October 31, 2012: \$62,225) are unsecured, non-interest bearing with no fixed terms of repayment (note 7). Subsequent to October 31, 2014, \$163,494 of this balance was forgiven by a related party (note 10).

## 6. Share Capital

### (a) Authorized

Unlimited class A common shares, without par value.

### (b) Issued

At October 31, 2014, 2013 and 2012, there were 16,417,421 common shares issued and fully paid common shares outstanding.

During the year ended October 31, 2012, the Company issued 112,000 common shares at a price of \$0.25 per share for proceeds of \$28,000.

### (c) Shares to be issued

As at October 31, 2014, 2013 and 2012 there were 20,000 common shares to be issued relating to a subscription of \$5,000 received prior to October 31, 2011. These common shares were issued subsequent to October 31, 2014 (note 10).

During the year ended October 31, 2014, the Company entered into an employment agreed with the Company's president. Pursuant to this agreement, the Company was required to issue 2,250,000 common shares by October 31, 2014 (note 7) for services rendered. The Company has recorded these shares as shares to be issued within equity at \$0.10 per share, being the estimated fair value of the shares, resulting in an expense of \$225,000.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 6. Share Capital (continued)

### (c) Shares to be issued (continued)

As at October 31, 2011, included in shares to be issued is 1,500,000 common shares due to a vendor for services provided (the "Services"). During the year ended October 31, 2012, the Company agreed to settle an account payable of \$40,000 due to the vendor and the Services by issuing an aggregate total of 1,660,000 common shares with an estimated fair value of \$0.25 per share. Subsequent to October 31, 2014, the third party agreed to waive the Company's obligation to issue the 1,660,000 common shares (note 10).

At October 31, 2014, 2013 and 2012, shares to be issued includes 200,000 common shares to be issued to a third party lender where the Company had failed to repay the loan when due (note 5). These shares were recorded at \$0.25 per share, being their estimated fair value at repayment date of the loan.

### (d) Warrants and Stock Options

As of October 31, 2014, 2013 and 2012, the Company did not have any outstanding options or warrants.

## 7. Related Party Transactions

### (a) Related party transactions

Transactions with related parties for the years ended October 31, 2014, 2013 and 2012 are as follows:

	October 31, 2014	October 31, 2013	October 31, 2012
Consulting fees incurred to officers and directors of the Company	\$ 170,000	\$ 162,159	\$ 176,600
Consulting fees paid to the president of the Company in the form of common shares to be issued (note 6)	225,000	-	-
	\$ 395,000	\$ 162,159	\$ 176,600

### (b) Related party balances

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$277,519 due to a director of the Company (October 31, 2013: \$208,310, October 31, 2012: \$162,026). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$7,000 due to a relative of a director of the Company (October 31, 2013: \$7,000, October 31, 2012: \$7,000). This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$61,244 due to a former officer of the Company (October 31, 2013: \$61,244, October 31, 2012: \$33,044). This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$72,500 plus accrued interest of \$11,770. The lender was appointed as president of the Company during the year ended October 31, 2014. The loan is unsecured. \$60,000 of the loan bears interest at 10% per year was repayable on May 14, 2013. The remainder of the loan is non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$163,494 due to a Company with a director and officer in common (October 31, 2013: \$114,434, October 31, 2012: \$49,725). This amount is unsecured, non-interest bearing with no fixed terms of repayment. Subsequent to October 31, 2014, this balance was forgiven by the lender (note 10).



# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 7. Related Party Transactions *(continued)*

### *(b) Commitments with related parties*

Pursuant to an employment agreement effective January 1, 2014, the Company will remunerate the president of the Company as follows:

- Salary of:
  - o \$5,000 per month for the 12 month period ended December 31, 2014;
  - o \$7,500 per month for the 12 month period ended December 31, 2015; and
  - o \$12,000 per month thereafter;
- Common share issuances:
  - o 750,000 shares on or before March 31, 2014;
  - o 750,000 shares on or before June 30, 2014;
  - o 750,000 shares on or before September 30, 2014; and
  - o 750,000 shares on or before December 31, 2014.

In the event that the president is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

Pursuant to an employment agreement effective January 1, 2014, the Company will remunerate the Chief Executive Officer of the Company as follows:

- Salary of:
  - o \$10,000 per month for the 24 month period ended December 31, 2015; and
  - o \$15,000 per month thereafter;

In the event that the CEO is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

## 8. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery for the years ended October 31, 2014, 2013 and 2012 is as follows

	October 31, 2014	October 31, 2013	October 31, 2012
Net loss	\$ (747,811)	\$ (281,714)	\$ (313,202)
Statutory income tax rate	26%	26%	26%
Expected income tax recovery	(194,431)	(73,246)	(81,433)
Non-deductible expenses	58,500	-	-
Deductible temporary differences not recognized	135,931	73,246	81,433
Income tax recovery	\$ -	\$ -	\$ -

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 8. Income taxes (continued)

At October 31, 2014, the Company had non-capital losses of approximately \$2,266,862 (October 31, 2013: \$1,744,051, October 31, 2012: \$1,462,337) for which no deferred tax asset has been recognized. These losses expire as follows:

<u>Year</u>	<u>Amount</u>
2027	\$ 145,950
2028	140,115
2029	365,228
2030	220,899
2031	278,440
2032	311,705
2033	281,714
2034	522,811
	<u>\$ 2,266,862</u>

## 9. Financial Risk and Capital Management

### (a) Financial risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. Substantially all of the Company's cash are deposited in bank accounts held with major banks in Canada. As the majority of the Company's cash is held by the same bank there is a concentration of credit risk. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company assesses liquidity risk as high.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's liabilities are either non-interest bearing or pay interest at fixed rates. Therefore, interest rate risk is not considered significant.

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any financial instruments denominated in foreign currencies and is therefore not exposed to foreign currency risk.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 9. Financial Risk and Capital Management *(continued)*

### *(b) Management of capital*

The Company's objectives when managing capital are:

- i. to ensure that the Company will continue as a going concern so that it can continue to provide services to its customers and offer a return on investment to its shareholders; and
- ii. to maintain a capital structure which optimizes the cost of capital while providing flexibility and diversity of funding sources and timing of debt maturities along with adequate anticipated liquidity for future growth.

The Company defines capital that it manages as the aggregate of its cash and share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances. The Company's investment policy is to invest only in investment grade, highly liquid money market and fixed income securities with less than one year maturity.

At October 31, 2014, the Company is not subject to any externally imposed capital requirements. The Company's overall strategy with respect to management of capital remains unchanged from the prior year.

## 10. Subsequent events

On November 11, 2014, a related party agreed to release and forever discharge the Company of all monies and debt owing up to that date. At October 31, 2014, included in loans payable was \$163,494 payable to this related party (note 7). In connection with this loan settlement, on May 4, 2015, the Company issued 62,220 common shares to a third party that had previously incurred expenses relating to a proposed transaction between the Company and the related party.

On January 1, 2015, the Company and a third party creditor agreed to settle all amounts owing. At October 31, 2014, amounts owing to this creditor consisted of a loan payable with a principal balance of \$50,000 plus accrued interest and fees of \$52,534 as well as \$113,000 in accounts payable and accrued liabilities. To settle amounts these amounts the Company must make the following payments:

- \$30,000 on or before January 31, 2015 (paid);
- \$20,000 on or before May 30, 2015 (paid); and
- \$10,000 on or before September 30, 2015 (paid).

On July 16, 2015, a third party agreed to waive the Company's obligation to issue the 1,660,000 common shares (note 6) and settle all amounts owing for a cash payment of \$25,000. At October 31, 2014, included in accounts payable and accrued liabilities was \$36,000 owing to this creditor.

On December 10, 2014, the Company completed a private placement and issued 1,900,000 common shares at a price of \$0.10 per shares for total proceeds of \$190,000.

On May 4, 2015, pursuant to an agreement entered into effective January 1, 2015, the Company issued 7,143,000 to certain third parties for services.

On May 4, 2015, the Company issued 20,000 common shares to a third party to satisfy an obligation to issue shares.

Pursuant to a promissory note agreement entered into on February 6, 2015, a third party loaned the Company \$35,000. On May 4, 2015, the Company issued 291,667 common shares to repay this loan.

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's president pursuant to his employment agreement (note 7).

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's Chief Executive Officer and 3,000,000 common shares to third parties for services rendered.

## NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

### 10. Subsequent events (*continued*)

On May 4, 2015, the Company issued 620,161 units on the conversion of a convertible loan of \$50,000 plus accrued interest that was issued during the year ended October 31, 2013 (note 5). Each unit consisted of one common share and one warrant. Each warrant allows the holder to purchase one additional common share at an exercise price of \$0.10 per common share for a period of two years.

On July 6, 2015, the Company completed a private placement and issued 1,700,000 common shares at a price of \$0.25 per shares for total proceeds of \$425,000

**NETCENTS SYSTEMS LTD.**

Financial Statements

Nine Months Ended July 31, 2015

(Expressed in Canadian dollars)

**NETCENTS SYSTEMS LTD.**

Statements of Financial Position

(Expressed in Canadian dollars - Unaudited)

	July 31, 2015	October 31, 2014
<b>Assets</b>		
Current assets:		
Cash	\$ 224,136	\$ 5
Deposit	6,500	-
	230,636	5
Non-current assets:		
Software development (note 3)	59,801	-
<b>Total assets</b>	<b>\$ 290,437</b>	<b>\$ 5</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 530,109	\$ 682,142
Loans payable (note 5)	120,248	430,298
Derivative liability (note 6)	33,034	-
	683,391	1,112,440
Shareholders' equity:		
Share capital (note 6)	3,296,812	971,290
Shares to be issued (note 6)	-	695,000
Deficit	(3,689,766)	(2,778,725)
	(392,954)	(1,112,435)
<b>Total liabilities and shareholders' equity</b>	<b>\$ 290,437</b>	<b>\$ 5</b>

Going concern (note 1)

Commitments (notes 7 and 8)

Subsequent events (note 9)

Approved on behalf of the Board:

"Gord Jessop""Clayton Moore"*See accompanying notes to financial statements*

# NETCENTS SYSTEMS LTD.

Statements of Comprehensive Loss  
(Expressed in Canadian dollars - Unaudited)

	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Nine Months Ended July 31, 2015	Nine Months Ended July 31, 2014
Operating Expenses:				
Consulting fees (note 7)	\$ 1,398,473	\$ 110,000	\$ 1,545,473	\$ 275,000
Professional fees	25,145	-	70,758	-
Website costs	14,901	-	24,817	-
General and administrative	17,361	499	36,229	1,908
	(1,455,880)	(110,499)	(1,677,277)	(276,908)
Other Income (Expense):				
Change in fair value of derivative liability	(33,034)	-	(33,034)	-
Gain on settlement of debt	51,220	-	370,919	3,121
Interest expense	(1,500)	(4,000)	(11,649)	(12,000)
	16,686	(4,000)	326,236	(8,879)
Net and comprehensive loss	\$ (1,439,194)	\$ (114,499)	\$ (1,351,041)	\$ (285,787)
Loss per share – basic and diluted	\$ (0.04)	\$ (0.01)	\$	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted	35,536,544	16,417,421	22,995,838	16,417,421

See accompanying notes to financial statements

## NETCENTS SYSTEMS LTD.

Statement of Changes in Shareholders' Equity  
(Expressed in Canadian dollars - Unaudited)

	Share capital		Shares to be issued		Deficit	Total
	Number of shares	Amount	Number of shares	Amount		
Balance at October 31, 2013	16,417,421	\$ 971,290	1,860,000	\$ 470,000	\$ (2,368,414)	\$ (927,124)
Shares to be issued for services (note 7)	-	-	750,000	75,000	-	75,000
Comprehensive loss:						
Net loss	-	-	-	-	(285,787)	(285,787)
<b>Balance at July 31, 2014</b>	<b>16,417,421</b>	<b>\$ 971,290</b>	<b>2,610,000</b>	<b>\$ 545,000</b>	<b>\$ 2,654,201</b>	<b>\$(1,137,911)</b>
Balance at October 31, 2014	16,417,421	\$ 971,290	4,130,000	\$ 695,000	\$ (2,778,725)	\$(1,112,435)
Shares issued for cash (note 6)	3,600,000	615,000	-	-	-	615,000
Shares issued for services (notes 6 and 7)	16,225,220	1,625,522	(2,270,000)	(230,000)	-	1,395,522
Shares issued on conversion of loans (notes 5 and 6)	911,828	85,000	-	-	-	85,000
Cancellation of obligation to issue shares (notes 5 and 6)	-	-	(1,860,000)	(465,000)	440,000	(25,000)
Comprehensive loss:						
Net loss	-	-	-	-	(1,351,041)	(1,351,041)
<b>Balance at July 31, 2015</b>	<b>37,154,469</b>	<b>\$ 3,296,812</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (3,689,766)</b>	<b>\$(392,954)</b>



# NETCENTS SYSTEMS LTD.

## Statements of Cash Flows

(Expressed in Canadian dollars - Unaudited)

	Nine Months Ended July 31, 2015	Nine Months Ended July 31, 2014
Operating activities		
Net loss	\$ (1,351,041)	\$ (285,787)
Items not effecting cash:		
Interest expense	11,649	12,000
Fair value change of derivative liability	33,034	
Gain on settlement of debt	(370,919)	-
Shares issued for services incurred	1,395,522	150,000
Changes in non-cash working capital		
Deposit	(6,500)	-
Accounts payable and accrued liabilities	(72,813)	125,733
Cash provided by (used in) operating activities	(361,068)	1,946
Financing activities		
Issuance of share capital for cash	615,000	-
Proceeds from loans	30,000	-
Cash provided by financing activities	645,000	-
Investing activity		
Software development	(59,801)	-
Cash used in investing activity	(59,801)	-
Increase in cash	224,131	1,946
Cash, beginning	5	307
Cash, ending	\$ 224,136	\$ 2,253

See accompanying notes to financial statements

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian dollars - Unaudited)

## 1. Nature of operations

Netcents Systems Ltd. (the "Company") is company engaged in the payment processing industry.

The head office and the registered and records office of the Company are located at Suite 1500 – 885 West Georgia Street, Box 1078, Vancouver, BC, V6C 3E8.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2015 the Company had not earned revenues and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful develop and market its payment platform software and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. As at July 31, 2015, the Company has cumulative losses of \$2,975,466 and a working capital deficiency of \$452,755. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

## 2. Basis of Preparation

The financial statements were authorized for issue on November 19, 2015, by the directors of the Company.

### (a) *Statement of Compliance with International Financial Reporting Standards*

The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

These Financial Statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

### (b) *Basis of Measurement*

The financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, unless otherwise noted.

## 3. Software Development Costs

The software development costs consists of costs incurred in the development of additional functions to the Company's software that will be used in connection with its payment processing business. As at July 31, 2015, this component of the software was not ready for its intended use and therefore no amortization has been recorded.

## 4. Accounts Payable and Accrued Liabilities

	July 31, 2015	October 31, 2014
Trade payables	\$ 473,310	\$ 215,343
Accrued liabilities	56,799	466,799
	<u>\$ 530,109</u>	<u>\$ 682,142</u>

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian dollars - Unaudited)

## 5. Loans Payable

Pursuant to an agreement entered into on May 5, 2009, the Company was loaned \$50,000 bearing interest at 20% per year. The loan was repayable on September 2, 2009 is secured by the assets of the Company. As the Company did not repay the loan when due, the agreement required the Company to issue 200,000 common shares. At October 31, 2014 the loan was unpaid and there was outstanding interest and fees of \$52,534 with an additional \$1,671 interest accruing subsequent to October 31, 2014. The lender agreed to settle the loan and unpaid interest, the obligation to issue shares as well as a balance included in accounts payable by payments totaling \$60,000 resulting in a gain from settlement of debt of \$157,205.

Pursuant to an agreement entered into on November 14, 2011, the Company was loaned \$60,000 bearing interest at 10% per year. The loan was repayable on May 14, 2013. At July 31, 2015, the loan was unpaid and there was outstanding interest of \$16,270 (October 31, 2014: \$11,770).

Pursuant to an agreement entered into on February 6, 2015, the Company was loaned \$35,000 bearing interest at 6% per year. The proceeds received on the loan were reduced by a \$5,000 fee. On May 4, 2015, pursuant to the terms of the loan agreement, the loan was converted to 291,667 common shares at a conversion price of \$0.12 per share. As at July 31, 2015, there remains outstanding interest related to this loan of \$478.

Pursuant to an agreement entered into on May 6, 2013, the Company was advanced a total of \$50,000 during the year ended October 31, 2013. The amounts advanced were due 6 months subsequent to the date of advancement (the "Due Date"). The Company had the option of extending the due date by an additional 6 months. The loan bears interest at a rate of 12% per annum up to the Due Date and 15% per annum thereafter. The loan was convertible into units at an exercise price equal to the lower of \$0.25 per unit and the price of the then most recent public offering of the Company's shares. Each unit consists of one common share and one warrant. Each warrant allows the holder to purchase one additional common share for a period of two years from the date of issuance at an exercise price equal to the lower of \$0.25 per common share and the price of the then most recent public offering of the Company's shares. The value of the conversion feature was determined to be immaterial. On May 4, 2015, the loan was converted and the Company issued 620,161 units.

Other loans totaling \$43,500 (October 31, 2014: \$205,994) are unsecured, non-interest bearing with no fixed terms of repayment.

## 6. Share Capital

### (a) Authorized

Unlimited class A common shares, without par value.

### (b) Issued

At July 31, 2015 there were 37,154,469 (October 31, 2014: 16,417,421) common shares issued and fully paid common shares outstanding.

On December 10, 2014, the Company completed a private placement and issued 1,900,000 common shares at a price of \$0.10 per share for proceeds of \$190,000.

On May 4, 2015, the Company issued 3,062,220 common shares to third parties for services rendered. The estimated fair value of the shares at the time of issuance was \$0.10 per share. The Company recorded consulting fees of \$306,220 in connection with this issuance.

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's chief executive officer for services rendered. The estimated fair value of the shares at the time of issuance was \$0.10 per share. The Company recorded consulting fees of \$300,000 in connection with this issuance.

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's president pursuant to his employment agreement (note 7). The estimated fair value of the shares at the time of issuance was \$0.10 per share. The Company recorded consulting fees of \$300,000 in connection with the issuance, of these shares of which \$225,000 was recorded prior to October 31, 2014 and \$75,000 during the nine months ended July 31, 2015.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian dollars - Unaudited)

## 6. Share Capital (continued)

### (b) Issued (continued)

On May 4, 2015, the Company issued 20,000 common shares to a third party to satisfy an obligation to issue shares. The Company had previously recorded an expense of \$5,000 which was credited to share capital on issuance.

On May 4, 2015, the Company issued 291,667 common shares on conversion of a loan with a balance of \$35,000 (note 5).

On May 4, 2015, the Company issued 620,161 units on conversion of a convertible loan of \$50,000 plus accrued interest that was issued during the year-ended October 31, 2013 (Note 5). Each unit consisted of one common share and one warrant. Each warrant allows the holder to purchase one additional common share at an exercise price of \$0.10 per common share for the period of two years.

On May 4, 2015, pursuant to a consulting and services agreement that was effective January 1, 2015, the Company issued 7,143,000 common shares to third parties for services rendered. The estimated fair value of the shares at the time of issuance was \$0.10 per share. The Company recorded consulting fees of \$714,300 in connection with the issuance. 850,000 of the common shares were issued to a director of the Company.

On July 6, 2015, the Company completed a private placement and issued 1,700,000 units at a price of \$0.25 per unit for proceeds of \$425,000. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one additional share at a price of \$0.50 per common share for a period of 12 months from the closing date.

### (c) Warrants and Stock Options

As of July 31, 2015, there were 2,320,161 share purchase warrants outstanding as follows:

- i. 620,161 warrants which expire on May 4, 2017 and are exercisable at the lower of \$0.25 per share and the price of the then most recent public offering of the Company's shares. Because the exercise price of the warrants is not fixed these are accounted for as a derivative financial liability and recorded at fair value. The fair value was determined to be \$33,034 determined using the Black-Scholes option pricing model assuming a volatility of 75%, a risk free rate of 2.00%, a dividend yield of 0% and an expected life of six months.
- i. 1,700,000 warrants which expire on July 6, 2016 and are exercisable at \$0.50 per share.

At July 31, 2015, there were no stock options outstanding.

### (d) Commitments to Issue Shares

On July 16, 2015, a third party agreed to waive the Company's obligation to issue the 1,660,000 common shares and settle an account payable of \$36,000 for a cash payment of \$25,000. The cash payment was allocated to the reversal of the obligation to issue shares and charged to deficit. The settlement of the account payable resulted in a gain of \$36,000.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian dollars - Unaudited)

## 7. Related Party Transactions

### (a) Related party transactions

Transactions with related parties for the periods ended July 31, 2015 and 2014 are as follows:

	July 31, 2015	July 31, 2014
Consulting fees incurred to officers and directors of the Company	\$ 152,500	\$ 125,000
Consulting fees paid to the chief executive officer of the Company in the form of common shares (note 6)	300,000	-
Consulting fees paid to the president of the Company in the form of common shares (note 6)	75,000	150,000
Consulting fees paid to a director of the Company in the form of common shares (note 6)	85,000	-
Interest accrued on loan due to the Company's president	4,500	-
	<u>\$ 617,000</u>	<u>\$ 275,000</u>

\$45,000 of the consulting fees incurred to officers and directors of the Company for the nine month period ended July 31, 2015 was allocated to software development costs and capitalized (note 3).

### (b) Related party balances

Included in accounts payable and accrued liabilities as at July 31, 2015 is \$223,835 (October 31, 2014: \$277,519) to a director and the CEO of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment. See note 9.

Included in accounts payable and accrued liabilities as at July 31, 2015 is \$7,000 (October 31, 2014: \$7,000) due to a relative of a director and the CEO of the Company. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in loans payable as at July 31, 2015 is \$72,500 (October 31, 2014: \$72,500) plus accrued interest of \$16,270 (October 31, 2014: \$11,770). The lender was appointed as president of the Company during the year ended October 31, 2014. The loan is not secured. \$60,000 of the loan bears interest at 10% per year and was repayable on May 14, 2013. The remainder of the loan is non-interest bearing with no fixed terms of repayment. See note 9.

Included in accounts payable as at April 30, 2015 is \$90,416 (October 31, 2014: \$50,000) due to the president of the Company relating to unpaid salary and expenses. These amounts are unsecured, non-interest bearing with no fixed terms of repayment. See note 9.

### (c) Commitments with related parties

Pursuant to an employment agreement (the "Agreement") effective January 1, 2014, the Company will remunerate the president of the Company as follows:

- Salary of:
  - o \$5,000 per month for the 12 month period ended December 31, 2014;
  - o \$7,500 per month for the 12 month period ended December 31, 2015; and
  - o \$12,000 per month thereafter;
- Common share issuances (all issued on May 4, 2015 – note 6):
  - o 750,000 shares on or before March 31, 2014;
  - o 750,000 shares on or before June 30, 2014;
  - o 750,000 shares on or before September 30, 2014; and
  - o 750,000 shares on or before December 31, 2014.

In the event that the president is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian dollars - Unaudited)

## 7. Related Party Transactions (continued)

### (c) Commitments with related parties (continued)

Pursuant to an employment agreement (the "Agreement") effective January 1, 2014, the Company will remunerate the Chief Executive Officer of the Company as follows:

- Salary of:
  - o \$10,000 per month for the 24 month period ended December 31, 2015;
  - o \$15,000 per month thereafter;

In the event that the president is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

## 8. Transaction

On May 8, 2015, the Company entered into an amalgamation agreement between the Company, UWO Consulting Ltd. ("UWO"), 1018758 B.C. Ltd. ("PubCo") and 1887217 Alberta Ltd. ("SubCo"). SubCo is a wholly-owned subsidiary of PubCo and PubCo is a wholly-owned subsidiary of UWO. Pursuant to the agreement, the following will occur (the "Transactions"):

- PubCo will apply to have its shares listed in the Canadian Securities Exchange ("CSE");
- the Company and SubCo will amalgamate to form "AmalCo" and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of the Company will be exchanged for common shares and warrants of PubCo on the basis of one share or warrant of the Company for 0.706 shares or warrants of PubCo; and
- PubCo will issue 1,010,549 common shares to UWO's shareholders.

The Transactions will result in the reverse takeover of PubCo by the Company.

Concurrent with the Transaction, the Company intends to complete a financing and issue up to 1,200,000 units at a price of \$0.25 per unit for total proceeds of \$300,000. Each unit will consist of one PubCo common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional PubCo common share for a period of one year from the date of issuance at a price of \$ 0.25 per share.

## 9. Subsequent events

On October 16, 2015, the Company issued 322,175 common shares to certain investors for funds received in prior years that was included in loans payable as at July 31, 2015.

On October 16, 2015, the Company issued 250,000 common shares to a consultant for services rendered.

On October 30, 2015, the Company's CEO agreed to defer the Company's obligation to repay \$223,835 due to the CEO to the earlier of April 30, 2017 and the date that the Company is adequately funded to pay the amount due, in full or in part, as determined in the sole judgment of the Company's Board of Directors. At July 31, 2015, this balance is included in accounts payable and accrued liabilities (note 7).

On October 30, 2015, the Company's president agreed to defer the Company's obligation to repay \$179,186 due to the president to the earlier of April 30, 2017 and the date that the Company is adequately funded to pay the amount due, in full or in part, as determined in the sole judgment of the Company's Board of Directors. At July 31, 2015, \$90,416 of this balance was included in accounts payable and accrued liabilities and \$88,770 was included in loans payable (note 7).

## **APPENDIX "B1"**

**NetCents Systems Ltd.**

**Management Discussion and Analysis**

For the Year Ended October 31, 2014



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("**MD&A**") is dated November 23, 2015 and should be read in conjunction with the audited financial statements of NetCents Systems Ltd. ("**NetCents**" or the "**Corporation**") for the year ended October 31, 2015, and accompanying notes.

NetCents prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

The preparation of financial statements in accordance with IFRS requires the Corporation to make estimates and assumptions concerning the future. The Corporation's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, fair value measurements of shares-based payments and contingent liabilities.

## **FORWARD-LOOKING INFORMATION**

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the oil and gas industry and prevailing economic conditions in the regions the Corporation operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements are as of the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as assumptions that increases in market activity and growth will be consistent with industry activity in Canada. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including, but not limited to factors referred to and under the heading “Risk Factors” in this MD&A. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them.

The Corporation’s actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below and elsewhere in this document; general economic conditions in Canada; risks inherent in the Corporation’s ability to generate sufficient cash flow from operations to meet its current and future obligations, the Corporation’s ability to access external sources of debt and equity capital, changes in legislation and the regulatory environment, and credit risk to which the Corporation is exposed in the conduct of its business.

Although forward-looking statements contained in this MD&A are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are expressly qualified by this cautionary statement. Unless otherwise required by law, NetCents does not intend, or assume any obligation, to update these forward-looking statements.

## **BUSINESS DESCRIPTION AND READER GUIDANCE**

was incorporated on January 11, 2006 under the laws of the *Business Corporations Act* (Alberta), as “Lunapay Ltd.” and changed its name to “NetCents Systems Ltd.” on November 27, 2006. NetCents is an electronic online Payment Service Provider (or “**PSP**”). NetCents offers clients and merchants online services for managing electronic payments by a variety of payment methods through its processing platform. The NetCents transaction platform utilizes the clearing services of the Royal Bank of Canada (“**RBC**”, or “**Royal Bank**”) and runs on the RBC Corporate Bill Payment Services Platform.

NetCents is an electronic PSP with capabilities that benefit both merchants and consumers. As a PSP, NetCents offers clients and merchants efficient online services for managing electronic payments by a variety of payment methods through its technology that offers a bundled suite of payment services. The system is designed to exploit existing inadequacies in the PSP market space as well as the dynamic opportunities to transition towards any future opportunities in the sector utilizing new financial technology. The next-generation platform is specifically architected to meet the complexities of the evolving payments environment. It will excel where traditional systems are challenged in delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems.

The NetCents transaction platform utilizes the clearing services of RBC and runs on the RBC Corporate Bill Payment Services Platform. The NetCents platform is also integrated with Automatic Clearing House (“**ACH**”) Network. NetCents is a digital transaction technology company that is specializing in online, mobile and emerging payments.

Automated Clearing House (ACH) is an electronic network for financial transactions in the United States. ACH processes large volumes of credit and debit transactions in batches. ACH credit

transfers include direct deposit, payroll and vendor payments. ACH direct debit transfers include consumer payments on insurance premiums, mortgage loans, and other kinds of bills. Debit transfers also include new applications such as the point-of-purchase (POP) check conversion pilot program sponsored by NACHA. Both the government and the commercial sectors use ACH payments. Businesses increasingly use ACH online to have customers pay, rather than via credit or debit cards. (ACH Direct Payments and RBC: <http://www.rbcroyalbank.com/commercial/cashmanagement/rp-payments.html>)

ACH is a computer-based clearing and settlement facility established to process the exchange of electronic transactions between participating depository institutions. The benefits of using ACH payment Processing is that during an ACH payment, the customer's account is debited, and the funds are credited to the business, merchant or trader's bank account. NetCents believes that offering the ability pay clients through ACH payment will make their business more attractive to customers who do not use credit cards or have reached the limit on their cards. All they need is a checking or savings account to pay you for your services or products. Rules and regulations that govern the ACH network are established by NACHA and the Federal Reserve.

The premise of NetCents is to provide a consumer driven payment platform with a multitude of payment options. When fully built out, NetCents will allow consumers to "Pay Your Way". As the platform evolves, it will allow for cash, credit cards, debit cards, gift cards, crypto-currencies, as well as Loyalty/Rewards transactions.

The NetCents platform offers a convenient and secure method of receiving payments from customers who prefer to pay through electronic methods. Utilizing the RBC Corporate Bill Payment Services Platform and the ACH network we connect businesses and their customers to facilitate payments. When it comes to processing your transactions, safety, security and compliance are at the forefront. NetCents works to meet the standards of all compliance and regulatory bodies.

NetCents believes that the market is looking for technology that offers multiple payment and financial services in a single web-based application that is all encompassing, easy to access, simple to setup and effective in its use.

NetCents' proprietary network builds on and utilizes the existing financial infrastructure of bank accounts to create an efficient cost effective payment solution. NetCents delivers a product suited for any size business, online merchants and consumers currently underserved by traditional payment mechanisms. NetCents' revenues will be generated primarily from transaction fees paid by both the merchant and the consumer. Merchant fees are lower than what current payment providers charge, thus making NetCents an attractive additional payment option.

NetCents can be quickly and easily utilized via any online PC, laptop or smart phone. Prior to NetCents, typical online purchases entailed the user electing to make a payment for a purchase, being connected to a secure server to perform authentication and authorization, and subsequently being presented with confirmation of the completed transaction. NetCents provides all of these functions and more without the necessity of disclosing vital financial and personal information over the internet. NetCents enables any business or consumer with an email address to securely, conveniently and cost-effectively send and receive payments online.

NetCents ongoing platform upgrades and enhancements are architected to meet the complexities of the evolving payments environment. It will excel where traditional systems are challenged in

delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems. NetCents aims to allow consumers to “Pay Your Way”.

### **Significant Events and Milestones for the period ended October 31, 2014**

NetCents Systems Ltd entered into a non-binding Letter of Intent with On4 Communications, Inc. (“**On4 Communications**” or “On4”), on August 16, 2011. Under the terms of the agreement, On4 was to acquire 100% of the issued and outstanding common shares of NetCents on a 2:1 basis such that for every common share a NetCents shareholder owned in NetCents they would receive 2 common shares in On4. On November 3, 2011 On4 and NetCents entered into a binding letter of intent. The parties could not reach an agreement on the restructuring of On4’s debt and the parties mutually agreed to terminate the agreement on November 11, 2014. The termination agreement released NetCents of any and all financial and/or legal obligation by NetCents to On4.

Subsequent to October 31, 2014, Mr Moore resigned as Officer, Director and from all Committees of On4 Communications on March 5, 2015. A new CEO was appointed at this time. As part of Mr. Moore’s resignation all of his shares were cancelled and/or transferred to the new CEO. Mr. Moore did not receive any compensation financial or otherwise as a result of this transaction. This transaction has no affect or bearing on the current or future operations of NetCents Systems Ltd.

NetCents continued its ongoing efforts in the upgrading of the company’s platform and retaining merchants to utilize the platform. To assist in these efforts, the Corporation entered into an employment agreement with the Corporation’s President (Gord Jessop) during the period ending October 31, 2014.

On October 27, 2014, NetCents entered into a non-binding letter of intent with UWO Consulting Ltd (“**UWO**”), which described the principal terms and conditions of a proposed agreement whereby a wholly-owned subsidiary of UWO (“**BC Co**”) would acquire all of the issued and outstanding common shares in the capital of NetCents, in connection with a proposed business combination. -

### **OVERALL PERFORMANCE**

As at October 31, 2014, the Corporation held cash in the amount of \$5 as compared to \$307 at October 31, 2013, and \$323 at October 31, 2012.

Current liabilities at October 31, 2014 total \$1,112,440 compared to \$927,431 for October 31, 2013 and \$645,733 for October 31, 2012. Shareholders’ deficiency is comprised of share capital of \$976,290 (\$976,290 October 31, 2013 and \$976,290 October 31, 2012) shares payable of \$690,000 (\$465,000 October 2013 and \$465,000 October 31, 2012) and accumulated deficit of \$2,778,725 (\$2,368,414 October 31, 2013 and \$2,086,700 October 31, 2012). The Shareholder deficiency is mainly due to related party transactions where accrued liabilities are due to the certain Director and Officers of the Corporation (Clayton Moore and Gord Jessop) which is outlined in further detail in

### **TRANSACTIONS WITH RELATED PARTIES.**

Working capital deficiency, which is comprised of current assets less current liabilities, was (\$1,112,435) at October 31, 2014, (\$927,124) October 31, 2013, \$(645,410) October 31, 2012).

The following table is derived from the audited financial statements of the Corporation prepared in accordance with International Financial Reporting Standards (“IFRS”)

	October 31, 2014	October 31, 2013	October 31, 2012
<b>Assets</b>			
Current assets:			
Cash	\$ 5	\$ 307	\$ 323
<b>Total assets</b>	<b>\$ 5</b>	<b>\$ 307</b>	<b>\$ 323</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	\$ 682,142	\$ 562,193	\$ 440,974
Loans payable (note 5)	430,298	365,238	204,759
	1,112,440	927,431	645,733
Shareholders' equity:			
Share capital (note 6)	976,290	976,290	976,290
Shares payable (note 6)	690,000	465,000	465,000
Deficit	(2,778,725)	(2,368,414)	(2,086,700)
	(1,112,435)	(927,124)	(645,410)
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5</b>	<b>\$ 307</b>	<b>\$ 323</b>

As at October 31, 2014, the Corporation is currently a development stage company and has yet to record any revenue from operations. Working capital deficiency, which is comprised of current assets less current liabilities, was (\$1,112,435) at October 31, 2014. Management is aware that the short term liabilities could have an impact on the company's ability to operate and achieve their goals. To alleviate this potential risk, the Company plans to negotiate with a number of the parties to defer payments which will assist in the company being able to continue operations and meet its business objectives. The Corporation's continuation as a going concern is dependent upon the successful develop and market its payment platform software and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Currently the company is not able to finance day to day activities through operations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Corporation be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

### Selected Annual Information

As at the end of the initial period ended October 31, 2014 the Corporation had 16,417,421 common shares issued and outstanding.

These financial data are prepared in accordance with IFRS.

	Year Ended October 31, 2014	Year Ended October 31, 2013	Year Ended October 31, 2012
<b>Operating Expenses:</b>			
Consulting fees (note 7)	\$ 395,000	\$ 213,444	\$ 245,427
Professional fees	-	41,642	20,900
Software development	-	1,001	17,305
General and administrative	2,409	8,619	18,487
	Year Ended October 31, 2014	Year Ended October 31, 2013	Year Ended October 31, 2012
<b>Other Items:</b>			
Impairment of property and equipment	\$-	\$ -	\$ 1,497
Foreign exchange expense	-	-	586
Other income expense	(3,098)	1,237	-
Interest expense	16,000	15,770	10,000
	(12,902)	(17,007)	(12,083)
Net and comprehensive loss	\$ (410,311)	\$ (281,714)	\$ (314,202)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.04)
<b>Weighted average number of shares</b>			
outstanding – basic and diluted	16,417,421	16,417,421	16,369,903

#### Fourth Quarter

For the three-month period ended October 31, 2014 there were no material events that had an effect on the financial position of the Corporation.

#### Discussion of Operations

As at October 31, 2014, the Corporation is currently a development pre-revenue stage company. For the period ended October 31, 2014, the Corporation reported no discontinued operations and did not declare any cash dividends.

The expenses of the Corporation for the period ended October 31, 2014, consist mainly of consulting fees of \$395,000 (\$213,444 October 31, 2013 and \$245,000 October 31, 2012), and general administration of \$2,409 (\$8,619 October 31, 2013 and \$17,487 October. These increases were primarily due to personnel costs associated with the addition of a new President of the Corporation (Gord Jessop)

Professional fees incurred for the period ended October 31, 2014 were nil. However, there were \$41,642 in professional fees allocated for the period ending October 31, 2013 which was comprised of; \$11,898 (Legal), \$9,744 (Accounting) and \$20,000 (audit). For the period ending October 31, 2012, there were \$20,900 in professional fees incurred which were comprised of; \$5,900 (accounting) and \$15,000 (audit).

The total loss for the period ended October 31, 2014 is \$410,311 (\$281,714 October 31, 2013 and \$313,202 October 31, 2012) was primarily due to Consulting Fees incurred to officers of the company (Clayton Moore and Gord Jessop).

NetCents believes that investment in development is required to remain competitive in the electronic PSPsector that will result in creating a valuable asset. The goal is to differentiate NetCents from its competitors in terms of relevant, superior technology that is appealing to consumers and merchants. To attain this goal relevant and industry leading technology requires continual development, enhancement, upgrading and migration to new and more effective base technologies. As such, Development (software) and Operational expenses are expected to increase over the next several quarters.

The software development costs were incurred in the development of upgrades and added functionality to the Corporation's software that will be used in connection with its payment processing business. As at October 31, 2014 this was expensed rather than capitalized as the expenditure did meet the criteria to capitalize found in IAS 38 "Intangible Assets" and therefore no amortization has been recorded.

The Corporation intends to continue to make investments to support its business growth and will require additional funds to implement its business strategy, including expansion of sales and marketing activities; development of new software, products and features; enhancement of its current operating infrastructure; and acquisition of complementary businesses and technologies. See Risks- Additional Capital Requirements section for further details.

## Summary of Quarterly Results

The table below sets out selected unaudited quarterly financial information of the Corporation for the Quarter ending October 31, 2014.

Item	Period/Date	Amount
Revenue	Aug 1, 2014-Oct 31, 2014	0
Net Loss	Aug 1, 2014-Oct 31, 2014	(124,524)
Loss per Share	Aug 1, 2014-Oct 31, 2014	(0.01)
Total Assets	As at Oct 31, 2014	5
Working Capital	As at Oct 31, 2014	(1,112,435)
Shareholder's Equity	As at Oct 31, 2014	(1,112,435)

There were no significant variations to these results for the quarter ending October 31, 2014. This was mainly due to the limited operations and the company was undergoing platform upgrades so as to meet RBC

NetCents operates in a competitive industry that is constantly evolving and changing. See **Risks – Competition** section for further detail. In the recent period ending October 31, 2014, NetCents observed a competitor; Vogogo Inc. receive final TSX Venture Exchange (“**TSXV**”) acceptance of its Qualifying Transaction and the Corporation’s common shares commenced trading on the TSXV on September 15, 2014 under the trading symbol “VGO”. Vogogo raised \$8.5 million in August 2014 for its going public transaction. Netcents views Vogogo as its closest competitor in the Canadian market. Vogogo is a payment services company with a web-based payment processing technology with expertise in software development, payments and risk management.

The Corporation believes that at its current stage and initial growth stages it has the operational experience and knowledge of transaction risk management, regulatory requirements, and technology required to mitigate the risks involved with businesses offering services in the PSP sector. Consequently, as the company grows the competition for skilled technical, management, sales and other employees is high in the Corporation’s industry. There can be no assurance that the Corporation will be able to engage the services of such personnel or retain the Corporation’s current personnel. Management believes that any challenges experienced to date are well within the Corporation’s capabilities to deal with, they do not diminish the significance of the opportunity that exists for NetCents within the PSP sector or the cryptocurrency industry, and all of these challenges are barriers to entry for any business choosing to offer services similar to NetCents the sector and industry.

Management believes that NetCents continues to have an early mover advantage and has a system that is designed to exploit existing inadequacies in the PSP market space as well as the dynamic opportunities to transition towards any future opportunities in the sector utilizing new financial technology. Management also believes it has a strategic advantage in its reputable banking relationships. The NetCents transaction platform utilizes the clearing services of the Royal Bank of Canada (“RBC”) and runs on the RBC Corporate Bill Payment Services Platform and is also integrated with Automatic Clearing House (“ACH”) Network. While banking relationships such as the ones that NetCents utilizes are not totally unique in the industry as a whole, it is unique to the Canadian market place, to the Corporations knowledge. Management believes that the consumers knowledge, association, and perceived trust in our banking relationships will help the Corporation distinguish and set itself apart itself in the market place.

The Corporation will continue to progress in solidifying its presence in the market to reach its goal of being a premier Payment Services Provider that offers a compliant payment processing services to the masses across a number of sectors and industries. NetCents’ ongoing platform upgrades and enhancements are architected to meet the complexities of the evolving payments environment. Management believes that the it will excel where traditional systems are challenged in delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems.

The Corporation is a pre-revenue development stage company and as such foreign exchange rates have not had an impact on operating results.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

As at October 31, 2014 NetCents had a cash balance of \$5.00 to settle liabilities of \$1,112,440. Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as



they fall due

The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation assesses liquidity risk as moderate and manageable. . The Corporation is currently a development stage company and has yet to record any revenue from operations and is not able to finance day to day activities through 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 is uncertain. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares (Please refer to subsequent events; December 10, 2014, July 6 ,2015 for examples of private placements that the Corporation has completed). There can be no assurance that the Corporation will be able to raise additional funds, in which case NetCents may not be able to continue to develop its business or may be required to modify its business plan.

Trends affecting NetCents' liquidity are dictated by the demands on financial resources created by the Company's platform development and the Company's ability to access the financial resources required to meet these demands. Trends that affect the market generally, and the perception of NetCents within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for additional PSP's in the marketplace. Trends in the perception of NetCents will be affected by the Company's performance in creating shareholder value, demonstrating the ability to manage the Company's affairs and achieve mandated objectives, and by completing its proposed transaction with UWO Consulting.

As at October 31. 2014, there have not been any defaults or arears for the Corporation. The management is aware that the short term liabilities could have an impact on the company's ability to operate and achieve their goals. To alleviate this potential risk, the the Corporation plans to be pro-active in taking actions to reduce short and long term liabilities through negotiations for deferral or termination of payments with existing parties (Please refer to Subsequent Events date October 30, 2015). Management believes that deferral of payments will have a significant positive effect on the Corporations working capital which will assist in the company being able to continue operations and meet its business objectives.

### **Working Capital**

As at October 31, 2014 NetCents had a cash balance of \$5.00. For the period ending October 31, 2014,, the Corporation has a working capital deficiency of \$1,112,435. As stated in Liquidity, management is aware that the short term liabilities could have an impact on the company's ability to operate and achieve their goals. To alleviate this potential risk, the the Corporation plans to be pro-active in taking actions to reduce short and long term liabilities through negotiations for deferral or termination of payments with existing parties (Please refer to Subsequent Events date October 30, 2015). Management believes that deferral of payments will have a significant positive effect on the Corporations working capital which will assist in the company being able to continue operations and meet its business objectives.

Currently the Corporation is a development stage company and has yet to record any revenue from operations. If the Corporation is not able to meet any financial obligations as they become due, management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. (For examples, please Refer to Subsequent Events dated December 10, 2014 and July 6, 2015) ).

## **Capital Management**

Management closely monitors cash flow requirements however; currently the Corporation does not have sufficient cash to meet all of its current operational and financial obligations if demanded to do so. The Corporation is actively pursuing sales and commercialization efforts, including targeting currently underserved markets.

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development and sales of its payment services and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk. However, it should be noted that the Corporation is at an early stage of its redefined commercialization program and will continue to be dependent on its ability to manage cash on hand, increase its revenues and raise additional debt or equity to meet its obligations and repay its liabilities arising from normal business operations when they become due.

The management of capital includes the components of shareholders' equity, comprised of share capital and retained earnings (deficit). The Corporation strives to maximize the value associated with shareholders' equity. In order to maintain or adjust its capital structure, the Corporation may from time to time issue shares, issue new debt, dispose of assets or adjust its spending, taking into account changes in economic conditions and the risk characteristics of the underlying assets.

If expenditure outweigh revenues, the Corporation plans to fund future expenditures through various financing options including equity and/or debt financing. There can be no assurance that the Corporation will be able to raise additional funds, in which case NetCents may not be able to continue to develop its business or may be required to modify its business plan.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

## **PROPOSED TRANSACTIONS**

On October 27, 2014, NetCents entered into a non-binding letter of intent with UWO Consulting Ltd ("UWO"), which described the principal terms and conditions of a proposed agreement whereby a wholly-owned subsidiary of UWO ("BC Co") would acquire all of the issued and outstanding common shares in the capital of NetCents, in connection with a proposed business combination.

Management believes that the above noted proposed transaction will have a possible beneficial effect on the Corporation's financial condition and performance. This will allow for the potential access to additional sources of capital. This transaction has to be approved by shareholders, please refer to subsequent event dated May 29, 2014. This proposed transaction is also subject to approval by the appropriate regulatory bodies.

## **RISK FACTORS**

Due to the nature of the business, the legal and economic climate in which the Corporation is operating and the present stage of development of its operations, the Corporation is subject to risks. The Corporation's future development and actual operating results may be different from those expected as at the date of this MD&A. There can be no certainty that the Corporation will be able to

successfully implement its corporate strategy. No representation is or can be made as to the future performance of the Corporation and there can be no assurance that the Corporation will achieve its objectives. Accordingly, readers should carefully consider the following discussion of risks that pertain to the Corporation (the text below summarizes some of these risks and is not intended to be complete or exhaustive).

NetCents is a private company under the laws of the *Business Corporations Act* (Alberta). Even though NetCents has been incorporated since 2006, it has Limited Operating and has no history of earnings. NetCents is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that NetCents will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. Although management of NetCents will work diligently to identify opportunities in the sector the reliance on Management will be significant. The success of NetCents is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management.

NetCents believes it has no significant credit risk and it does not have assets or liabilities in foreign currency.

#### Additional Capital Requirements

The Corporation intends to continue to make investments to support its business growth and will require additional funds to implement its business strategy, including expansion of sales and marketing activities; development of new software, products and features; enhancement of its current operating infrastructure; and acquisition of complementary businesses and technologies. The Corporation's cash reserves may not be sufficient to fund its ongoing activities at all times. Accordingly, the Corporation may need to engage in equity or debt financings to secure additional funds. If the Corporation raises additional funds through further issuances of equity or convertible debt securities, shareholders of the Corporation could suffer significant dilution, and any new equity securities the Corporation issues could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by the Corporation in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which might make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities. The Corporation can provide no assurance that sufficient debt or equity financing will be available for necessary or desirable infrastructure expenditures or acquisitions or to cover losses, and accordingly, the Corporation's ability to continue to support its business growth and to respond to business challenges could be significantly limited.

#### Banking & Processing

The Corporation's success depends on its ability to secure and develop banking and/or third party processing relationships that can effectively support the Corporation's service offering in target markets. Some of the Corporation's service offering is focused on new and emerging markets that can be considered high risk from a banking perspective and consequently requires sophisticated approaches to transactional risk management, compliance and financial crime prevention. Due to the high-risk nature of some of these markets, the Corporation may be unable to successfully secure and retain banking partners. Failure to do so could materially reduce the Corporation's revenue

potential.

#### Regulatory Risk

NetCents' anticipated global operations may require it to be compliant with laws in many jurisdictions on matters such as anticorruption, trade restrictions, taxation, securities regulation, banking regulations and data privacy, amongst others. Complying with these diverse requirements in multiple jurisdictions may be a challenge and could require significant resources. Some of these laws may impose conflicting requirements; there may be restrictions on the movement of cash and other assets; or restrictions on the import and export of certain technologies; or restrictions on the repatriation of earnings, all of which may expose the Corporation to penalties for non-compliance and harm its reputation. Netcents's relationship with its banking partners requires that it comply with complex laws and regulations relating to the banking and payment processing industry.

#### New Technology

The Corporation's success will depend in part on its ability to develop outsource software and products that keep pace with continuing changes in technology, evolving industry standards and changing client preferences and requirements. The Corporation's software and products embody complex technology that may not meet those standards, changes and preferences. The Corporation may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and cost-effectively to new developments through the development of software and new products or enhancements to existing software and products could reduce the Corporation's revenue.

#### Competition

The Corporation operates in a competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. The Corporation's competitors may have greater financial, technical, sales, and production and marketing resources. The Corporation may not be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins and / or increased operating expenses.

#### Customer Base and Market Acceptance

While Management believes it can grow its client base, the inability to grow such a client base could have a material adverse effect on the Corporation. Although the Corporation believes that its products offer advantages over competitive companies and products, no assurance can be given that the Corporation's products will attain a degree of market acceptance on a sustained basis or that it will generate revenues sufficient for sustained profitable operations.

#### Consumer Privacy, Data Use and Security

The Corporation is subject to regulations related to privacy and data protection and information security in the jurisdictions in which it does business, and could be negatively impacted by these regulations. Recently, these topics have received heightened legislative and regulatory focus in jurisdictions around the world. Regulation of privacy and data protection and information security may raise concerns about and scrutiny of the Corporation's practices in regard to the collection, use, disclosure or security of personal and sensitive information. Failure to comply with the privacy and data protection and security laws and regulations to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect the Corporation's results

of operations and overall business, as well as have an impact on the Corporation's reputation. Any addition or change to regulations in these areas (as well as the manner in which such laws could be interpreted or applied) may also increase the Corporation's costs to comply with such regulations. Changes to these laws could also impact the Corporation's business operations by requiring changes to the Corporation's data practices and could impact aspects of the Corporation's business such as fraud monitoring. Any of these changes could materially and adversely affect the Corporation's overall business and results of operations.

#### Future Acquisitions

The Corporation may seek to expand its business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favorable terms, or that the acquired operations can be profitably operated or integrated in the Corporation's operations. To the extent Management is successful in identifying suitable companies or products for acquisition, the Corporation may deem it necessary or advisable to finance such acquisitions through the issuance of shares, securities convertible into shares, debt financing, or a combination thereof. In such cases, the issuance of shares or convertible securities could result in dilution to the shareholders of the Corporation at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of the Corporation's assets, impeding the Corporation's ability to obtain bank financing, decreasing the Corporation's liquidity, and adversely affecting its ability to declare and pay dividends to shareholders of the Corporation.

#### Continued Losses from Operations

We have a history of operating losses and need additional capital to implement our business plan. As at October 31, 2014, the Corporation's cash and cash equivalents of \$5 (October 31, 2013 was \$307 and October 31, 2012 was \$323). The Corporation has not yet been able to generate any transactions 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 is uncertain.

#### Stage of Development

The Corporation may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of the Corporation's development. The ability of the Corporation to manage growth effectively will require it to continue to expand its operational and financial systems and to train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

#### Transaction Processing Systems

The Corporation's payment processing systems and other key service offerings may experience interruptions as a result of a disaster including, but not limited to, technology malfunctions, fire, weather events, power outages, telecommunications disruptions, terrorism, workplace violence, accidents or other catastrophic events. A disaster that occurs at, or in the vicinity of, our primary and/or back-up facilities in any location could interrupt our services. Although the Corporation continually monitors and assesses risks and potential impacts, and develops effective response strategies, the Corporation cannot ensure that its business would be immune to these risks.

Additionally, the Corporation relies on third-party service providers for the timely transmission of information across its global data network. Inadequate infrastructure in lesser-developed markets could also result in service disruptions, which could impact the Corporation's ability to do business in those markets. If, as a result of natural disaster, one of our service providers fails to provide the communications capacity or services the Corporation requires, the failure could interrupt the Corporation's services. Because of the intrinsic importance of the Corporation's processing systems to its business, any interruption or degradation could adversely affect the perception of the reliability of products carrying the Corporation's brand and materially reduce the Corporation's results of operations.

#### Legal Risks

The Corporation is subject to legal risks related to operations, contracts, and relationships and otherwise, which could result in the Corporation being served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement and other costs as well as significant time and distraction of Management and employees.

#### Money Laundering and Terrorism

The Corporation is subject to regulations that affect the payments industry. In particular, many of the Corporation's customers are subject to regulations applicable to banks and other financial institutions and, consequently, the Corporation is at times affected by such regulations. Regulation of the payments industry, including regulations applicable to the Corporation and its customers, has increased significantly in the last several years. The Corporation is subject to Anti-Money Laundering and Anti-Terrorism regulations with respect to the activities of its internet payment gateway. Money laundering or terrorist financing involving the Corporation's payment gateway could result in an enforcement action and/or damage the Corporation's reputation, which could result in a material adverse impact on the Corporation's business.

#### Operating Results and Financial Condition May Fluctuate on a Quarterly and Annual Basis

Operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to continue to vary due to a number of factors, some of which are outside of the Corporation's control. These events could, in turn, cause the market price of the Corporation's shares to fluctuate. If operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of the Corporation's shares would likely decline.

Due to all of the foregoing factors and risks discussed in this "Risk and Uncertainties" section, individuals should not rely on quarter-to-quarter or year-to-year comparisons of the Corporation's operating results as an indicator of future performance.

#### Forward Looking Statements May Prove Inaccurate

Prospective purchasers are cautioned not to place undue reliance on forward-looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks, and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See under the heading "Special Note Regarding Forward-Looking Information".

#### Conflicts of Interest

Certain directors of the Corporation may engage in businesses similar to the Corporation and situations may arise where the directors may be in direct competition with the Corporation's business. Conflicts of interest, if any, that arise will be subject to and governed by the procedures prescribed by the Act, which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his/her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the Act.

#### Absence of Cash Dividends

The Corporation has not paid any cash dividends to date on the common shares and there are no plans for such dividend payments in the foreseeable future.

#### Cryptocurrency Risks

A significant portion of the proposed business of NetCents is based upon crypto currency transactions, which are digital or virtual currency transactions that use cryptography for security. The crypto currency market is unregulated and in its infancy. Accordingly, there are certain risks related to crypto currencies, including the risk of regulation reforms which may prohibit payment processing transactions related to the business of NetCents. Additionally, financial institutions may impose restrictions on persons that engage in business that is based on crypto currency transactions. Risks related to the acceptance and use of crypto currencies will have a significant impact on the volume of crypto currency transactions. Such acceptance or lack thereof, and reforms in regulation could materially and adversely affect NetCents's assets, liabilities, business, financial condition, prospects and results of operations.

#### Regulatory Regime

From time-to-time, governments and regulatory bodies may review the legislation and regulations applied to the crypto currency financial services industry and the payment processing industry in which NetCents operates. Such reviews could result in the enactment of new laws and/or the adoption of new regulations in Canada, the United States of America, Europe or elsewhere, which might adversely impact businesses in Canada, the USA, Europe or other countries in general and consequently, may threaten NetCents's growth prospects. More specifically, NetCents is operating in the payment processing industry, which is strictly regulated. Regulation is extensive and designed to protect consumers and the public, while providing standard guidelines for business operations. In the offering of its products, NetCents is subject to certain federal and provincial laws and regulations relating to its financial product offerings, including laws and regulations governing such things as Know-Your-Customer (KYC), Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and safeguarding the privacy of customers' personal information. Legislation has been passed in most provinces with respect to prepaid gift or stored-value cards. The Canadian government recently released its consultation paper Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, which contains proposals to strengthen the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Several of the proposals relate to emerging payment technologies and could have a significant impact on the payments and cards industry in Canada. NetCents believes that at this time it is in compliance with all laws and regulations although many of the rules that apply to it have only recently been implemented, are complex and sometimes ambiguous and, accordingly, NetCents cannot assure that it is in 100% compliance with all applicable laws, much less that all courts, arbitrators and regulators would

agree that it is in 100% compliance. Failure to comply with, or changes to, existing or future laws and regulations could result in significant unforeseen costs and limitations, and could have an adverse impact on the Corporation's business, results of operations and/or financial condition.

#### Legislative, Regulatory, Normative, and Political Considerations

NetCents is subject to local, provincial, federal and international laws, regulations, rules and policies as well as to social, economic and political contexts prevailing in places where NetCents conducts its activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on NetCents's results and operations and may require expenditures by NetCents in order to adapt or comply with such modification or change. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on NetCents's ability to adapt to, comply with and mitigate such changes.

### **ACCOUNTING POLICIES**

#### **Significant Accounting Policies**

##### *(a) Financial Instruments*

The Corporation initially measures financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value at the balance sheet date with any gain or loss recognized in the statement of comprehensive loss. Interest and dividends earned from these assets are also included in the statement of comprehensive loss. The Corporation has no financial assets classified as FVTPL.

Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss. The Corporation classifies cash as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Corporation's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Corporation has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Corporation has no financial assets classified as available-for-sale financial assets.

Non-derivative financial liabilities are measured at amortized cost using the effective interest method. Non-derivate financial liabilities consist of trade payables and loans payable.

Transactions costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception (except for transaction costs related to financial instruments related to FVTPL financial assets which are expensed



as incurred), and are recognized over the term of the assets or liabilities using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

The Corporation does not have any derivative financial assets and liabilities.

*(b) Income and loss per share*

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income (loss) attributable to common shareholders equals the reported income (loss) attributable to owners of the Corporation. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

*(c) Income taxes*

*Current Income Tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Corporation operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

Deferred income tax is provided using the asset and liability sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities

and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*(d) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

*(e) Research and development*

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of three years. The Corporation did not have any development costs that met the capitalization criteria for the years ended October 31, 2014 or 2013.

*(f) Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

*(h) Accounting standards issued but not yet effective*

## **CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

### **CRITICAL ACCOUNTING ESTIMATES AND POLICIES**

Certain accounting policies are identified as critical accounting policies because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain. These accounting policies could result in materially different results should the underlying assumptions or conditions change. Management assumptions are based on factors that, in management's opinion are relevant and appropriate at the time such assumptions are made, and may change over time as operating conditions change. There are no critical accounting estimates at this time.

## **NEW AND PENDING ACCOUNTING STANDARDS**

### **Adoption of New Accounting Policies**

These financial statements represent NetCents' financial results of operations and financial position under IFRS for the period ended October 31, 2014.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are NetCents' first financial statements prepared in accordance with IFRSs and IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied.

#### New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

The Corporation has not early adopted this revised standard and is currently assessing the impact that it will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Corporation's financial statements.

### **Estimates**

Certain accounting policies are identified as critical accounting policies because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain. These accounting policies could result in materially different results should the underlying assumptions or conditions change. Management assumptions are based on factors that, in management's opinion are relevant and appropriate at the time such assumptions are made, and may change over time as operating conditions change. There are no critical accounting estimates at this time.

### **Internal Control over Financial Reporting**

As at the date of this report, Management is not aware of any change in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties for the periods ended October 31, 2014, 2013 and 2012 are as follows:

	October 31, 2014	October 31, 2013	October 31, 2012
Consulting fees incurred to officers and Directors (Clayton Moore) of the Corporation	\$170,000	\$ 162,159	\$ 176,600
Consulting fees paid to the president (Gord Jessop) of the Corporation in the form of common shares to be issued (Note 6 of the audited Financial Statements)	225,000	-	-
	<u>\$395,000</u>	<u>\$ 162,159</u>	<u>\$ 176,000</u>

### ***Related party balances***

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$277,519 to a director and the CEO (Clayton Moore) of the Corporation (October 31, 2013: \$208,310, October 31, 2012: \$162,026). These amounts are unsecured, non-interest bearing with no fixed terms of repayment. These fees are for services related to Mr. Moore's role as a Chief Executive Officer of the Corporation. Further information regarding commitments to the CEO (Clayton Moore) can be viewed in ***Commitments with related parties***.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$7,000 to a relative of a director and the CEO of the Corporation (Clayton Moore) (October 31, 2013: \$7,000, October 31, 2012: \$7,000). Monies were used for operating capital. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$61,244 to a former officer of the Corporation (October 31, 2013: \$61,244, October 31, 2012: \$33,044). Fees incurred were for the former officer to provide Business Development, Marketing & Strategic Planning. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$72,500 plus accrued interest of \$11,770. The lender (Gord Jessop) was appointed as president of the Corporation during the year ended October 31, 2014. Loan proceeds were allocated to operating capital. The loan is not secured. \$60,000 of the loan bears interest at 10% per year was repayable on May 14, 2013. The remainder of the loan is non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$213,494 to a Corporation with a director and officer in common (October 31, 2013: \$164,434, October 31, 2012: \$49,725). These amounts are comprised accrued salary and a loan to the company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment. Subsequent to October 31, 2014, this balance was forgiven by the lender (Note 10).

### ***Commitments with related parties***

Pursuant to an employment agreement-effective January 1, 2014, the Corporation will remunerate the president (Gord Jessop) of the Corporation as follows:

Salary of:

- \$5,000 per month for the 12 month period ended December 31, 2014;
- \$7,500 per month for the 12 month period ended December 31, 2015; and
- \$12,000 per month thereafter;

- Common share issuances:

- 750,000 shares on or before March 31, 2014;
- 750,000 shares on or before June 30, 2014;
- 750,000 shares on or before September 30, 2014; and
- 750,000 shares on or before December 31, 2014.

In the event that the president is terminated without cause, the Corporation must continue paying the salary of the president for a period of 18 months.

Pursuant to an employment agreement effective January 1, 2014, the Corporation will remunerate the Chief Executive Officer "CEO" (Clayton Moore) of the Corporation as follows:

Salary of:

- \$10,000 per month for the 24 month period ended December 31, 2015 and
- \$15,000 per month thereafter.

In the event that the CEO is terminated without cause, the Corporation must continue paying the salary of the CEO for a period of 18 months.

## **OUTSTANDING SHARE DATA**

### **Share Capital**

(a) Authorized

Unlimited class A common shares, without par value.

(b) Issued

At October 31, 2014, 2013 and 2012 there were 16,417,421 common shares issued and fully paid common shares outstanding. (As at the date of this MD&A, November 23, 2015 there are 37,726,644 common shares issued and outstanding.)

During the year ended October 31, 2012, the Corporation issued 112,000 common shares at a price of \$0.25 per share for proceeds of \$28,000.

(c) Shares to be issued

During the year ended October 31, 2014, the Corporation entered into an employment agreed with the Corporation's president. Pursuant to this agreement, the Corporation was required to issue 2,250,000 common shares by October 31, 2014 (Note 7 of the audited Financial Statements for period ending October 31, 2014) for services rendered. The Corporation has recorded these shares as shares to be issued within equity at \$0.10 per share, being the estimated fair value of the shares at the time the services were provided resulting in an expense of \$225,000.

During the year ended October 31, 2012, the Corporation agreed to settle an account payable of \$40,000 by issuing 160,000 common shares with an estimated fair value of \$0.25 per share. At October 31, 2014, 2013 and 2012, the Corporation is obligated to issue 1,660,000 common shares. Subsequent to October 31, 2014, the third party agreed to waive the Corporation's obligation to issue the 1,660,000 common shares (Note 10 of the audited Financial Statements for period ending October 31, 2014).

At October 31, 2014, 2013 and 2012 shares to be issued includes 200,000 common shares to be issued to a third party lender where the Corporation had failed to repay the loan when due (Note 4 of the audited Financial Statements for period ending October 31, 2104). These shares were recorded at \$0.25 per share, being their estimated fair value at repayment date of the loan.

### **Loans Payable**

Pursuant to an agreement with a non-related party the Corporation entered into on May 5, 2009, the Corporation was loaned \$50,000 bearing interest at 20% per year. The purpose of the loan was to provide operating capital for the company. The loan was repayable on September 2, 2009 is secured by the assets of the Corporation.

At October 31, 2014 the loan was unpaid and there was outstanding interest and fees of \$52,534 (October 31, 2013: \$42,534, October 31, 2012: \$32,534). As the Corporation did not repay the loan when due, the agreement required the Corporation to issue 200,000 common shares (Note 6). Subsequent to October 31, 2014, the lender agreed to settle the loan and unpaid interest by payments totaling \$60,000 (Note 10 of the audited Financial Statements for period ending October 31, 2104).

Pursuant to an agreement with a non-related party the Corporation entered into on November 14, 2011, the Corporation was loaned \$60,000 bearing interest at 10% per year. The loan was repayable on May 14, 2013. At October 31, 2014 the loan was unpaid and there was outstanding interest of \$11,770 (October 31, 2013: \$5,770, October 31, 2012: \$Nil).

Other loans totaling \$255,994 (October 31, 2013: \$206,934, October 31, 2012: \$62,225) are unsecured, non-interest bearing with no fixed terms of repayment.

### **Warrants,**

As of October 31, 2014, the Corporation did not have any outstanding warrants.

### **Outstanding Stock Options**

NetCents has no Stock Option plan in place as of October 31, 2014

### **Escrow**

NetCents has no share deposited in Escrow as of October 31, 2014.

### **Subsequent events**

On November 11, 2014, a related party agreed to release and forever discharges the Corporation of all monies and debt owing up to that date. At October 31, 2014, included in loans payable was 163,494 payables to this related party (note 7). In connection with this loan settlement, on May 4, 2015, the Corporation issued 62,220 common shares to a third party that had previously incurred expenses relating to a proposed transaction between the Corporation and the related party.

On December 10, 2014, Corporation completed a private placement and issued 1,900,000 common shares at a price of \$0.10 per shares for total proceeds of \$190,000. On May 4 2015, the Corporation issued 62,220 common share to a third party that had previously incurred expenses relating to a proposed transaction between the Corporation and a related party.

On January 1, 2015, the Corporation and a third party creditor agreed to settle all amounts owing. At October 31, 2014, amounts owing to this creditor consisted of a loan payable with a principal balance of \$50,000 plus accrued interest and fees of \$52,534 as well as \$113,000 in accounts

payable and accrued liabilities. To settle amounts these amounts the ~~Company~~ Corporation must make the following payments:

- \$30,000 on or before January 31, 2015 (paid);
- \$20,000 on or before May 30, 2015 (paid); and
- \$10,000 on or before September 30, 2015.

On May 4, 2015, the Corporation issued 20,000 common shares to a third party to satisfy an obligation to issue shares.

Pursuant to a promissory note agreement entered into on February 6, 2015, a third party loaned the Corporation \$35,000 (note 5). On May 4, 2015, the Corporation issued 291,667 common shares to repay this loan.

On May 4, 2015, the Corporation issued 3,000,000 common shares to the Corporation's president pursuant to his employment agreement (Note 7).

On May 4, 2015, the Corporation issued 3,000,000 common shares to the Corporation's chief executive officer and 3,000,000 common shares to third parties for services rendered.

On May 4, 2015, pursuant to a consulting and services agreement that was effective January 1, 2015, the Company issued 7,143,000 common shares to third parties for services rendered. The estimated fair value of the shares at the time of issuance was \$0.10 per share. The Company recorded consulting fees of \$714,300 in connection with the issuance. 850,000 of the common shares were issued to a director of the Company.

On May 4, 2015, the Corporation issued 620,621 units on conversion of a convertible loan of \$50,000 plus accrued interest that was issued during the year-ended October 31, 2013 (Note 5). Each unit consisted of one common share and one warrant. Each warrant allows the holder to purchase one additional common share at an exercise price of \$0.10 per common share for the period of two years.

On May 8, 2015 NetCents entered into the Amalgamation Agreement with Consulting Ltd. ("**UWO**"), 1018758 B.C. Ltd. ("**PubCo**") and 1887217 Alberta Ltd. ("**SubCo**"). SubCo is a wholly-owned subsidiary of PubCo and PubCo is a wholly-owned subsidiary of UWO. The Amalgamation is structured as a three-cornered amalgamation under the ABCA whereby Alberta SubCo. and NetCents will amalgamate and continue as one corporation ("**AmalCo**"). Pursuant to the agreement, the following will occur (the "**Transactions**"):

- PubCo will apply to have its shares listed in the Canadian Securities Exchange ("**CSE**");
- the Corporation and SubCo will amalgamate to form "AmalCo" and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of the Corporation will be exchanged for common shares and warrants of PubCo on the basis of one share or warrant of PubCo for 0.706 shares or warrants of the Corporation; and
- PubCo will issue 1,010,549 common shares to UWO's shareholders such that PubCo ceases to be a subsidiary of UWO.

The Transactions will result in the reverse takeover of PubCo by the Corporation.

On May 29, 2015 NetCents conducted a Special Meeting of its shareholders where the proposed Amalgamation was ratified and three new Board members (Gord Jessop, Robert Meister and Fraser Macdougall) were appointed.

On July 6, 2015, the Corporation completed a private placement and issued 1,700,000 common shares at a price of \$0.25 per share for total proceeds of \$425,000.

On July 16, 2015, the a third party agreed to waive the Corporation's obligation to issue the 1,660,000 common shares and settle all amounts owing for a cash payment of \$25,000. At April 30, 2015, included in accounts payable and accrued liabilities was \$36,000 owing to this creditor.

On September 23, 2015 a Preliminary Non-Offering Prospectus was filed with the British Columbia Securities Commission on behalf of 1018758 B.C. Ltd. ("**PubCo**") and NetCents.

On September 24, 2015, the initial listing application letter for 1018758 B.C. Ltd. (whereas NetCents Systems Ltd. is the "target".) was filed with the Canadian Securities Exchange.

On October 30, 2015 - As a subsequent event, the CEO and the President of the company agreed to defer the Company's obligation to repay them the monies (\$223,835 and \$179,186 respectively) owing to them to the earlier of April 30, 2017 and the date that the Company is adequately funded to pay the amount due, in full or in part, as determined in the sole judgment of the Company's Board of Directors. This deferment reduces Short Term Liabilities by \$403,021 CDN.



## **APPENDIX "B2"**

**NetCents Systems Ltd.**

**Management Discussion and Analysis**

For the three and nine months ended July 31, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") is dated October 14, 2015 and should be read in conjunction with the interim financial statements and related notes of NetCents Systems Ltd. ("NetCents", the "Company" or the "Corporation") for the nine months ended July 31, 2015 and the Audited Financial Statements for the year ended October 31, 2014. The unaudited condensed interim financial statements do not include all the information required for annual financial statements. The condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") International Accounting Standard 34 - Interim Financial Reporting.

### **FORWARD-LOOKING INFORMATION**

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the oil and gas industry and prevailing economic conditions in the regions the Corporation operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements are as of the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as assumptions that increases in market activity and growth will be consistent with industry activity in Canada. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including, but not limited to factors referred to and under the heading "Risk Factors" in this MD&A. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them.

The Corporation's actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below and elsewhere in this document; general economic conditions in Canada; risks inherent in the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations, the Corporation's ability to access external sources of debt and equity capital, changes in legislation and the regulatory environment, and credit risk to which the Corporation is exposed in the conduct of its business.

Although forward-looking statements contained in this MD&A are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are

expressly qualified by this cautionary statement. Unless otherwise required by law, NetCents does not intend, or assume any obligation, to update these forward-looking statements.

## **BUSINESS DESCRIPTION AND READER GUIDANCE**

NetCents Systems Ltd. (the “Corporation”) was incorporated in Alberta under the Alberta *Business Corporations Act*. NetCents Systems Ltd. (“NetCents”) was incorporated on January 11, 2006 under the laws of the Business Corporations Act (Alberta), as “Lunapay Ltd.” and changed its name to “NetCents Systems Ltd.” on November 27, 2006. NetCents business is to identify and evaluate corporations, businesses or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

NetCents Systems Ltd. (“NetCents”) is an innovative electronic Payment Service Provider (or “PSP”) with industry leading capabilities that benefit both merchants and consumers. As a PSP, NetCents offers clients and merchants efficient online services for managing electronic payments by a variety of payment methods through its technology that offers a bundled suite of payment services. The system is designed to exploit existing inadequacies in the PSP market space as well as the dynamic opportunities to transition towards any future opportunities in the sector utilizing new financial technology. The next-generation platform is specifically architected to meet the complexities of the evolving payments environment. It will excel where traditional systems are challenged in delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems.

The NetCents transaction platform utilizes the clearing services of the Royal Bank of Canada (“RBC”, “Royal Bank”) and runs on the RBC Corporate Bill Payment Services Platform. The NetCents platform is also integrated with Automatic Clearing House (“ACH”) Network. NetCents is a digital transaction technology company that is specializing in online, mobile and emerging payments.

Automated Clearing House (ACH) is an electronic network for financial transactions in the United States. ACH processes large volumes of credit and debit transactions in batches. ACH credit transfers include direct deposit, payroll and vendor payments. ACH direct debit transfers include consumer payments on insurance premiums, mortgage loans, and other kinds of bills. Debit transfers also include new applications such as the point-of-purchase (POP) check conversion pilot program sponsored by NACHA. Both the government and the commercial sectors use ACH payments. Businesses increasingly use ACH online to have customers pay, rather than via credit or debit cards. (ACH Direct Payments and RBC: <http://www.rbcroyalbank.com/commercial/cashmanagement/rp-payments.html>)

ACH is a computer-based clearing and settlement facility established to process the exchange of electronic transactions between participating depository institutions. The benefits of using ACH payment Processing is that during an ACH payment, the customer’s account is debited, and the funds are credited to the business, merchant or trader’s bank account. NetCents believes that offering the ability pay clients through ACH payment will make their business more attractive to customers who do not use credit cards or have reached the limit on their cards. All they need is a checking or savings account to pay you for your services or products.

Rules and regulations that govern the ACH network are established by NACHA and the Federal Reserve.

NACHA manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data in the United States. It is funded by the financial institutions it governs.

The premise of NetCents is to provide a consumer driven payment platform with a multitude of payment options. When fully built out, NetCents will allow consumers to “Pay Your Way”. As the platform evolves, it will allow for cash, credit cards, debit cards, gift cards, crypto-currencies, as well as Loyalty/Rewards transactions.

The NetCents platform offers merchants from all over the world a convenient and secure method of receiving payments from customers who prefer to pay through electronic methods. Utilizing the RBC Corporate Bill Payment Services Platform and the ACH network we connect businesses and their

customers to facilitate payments. When it comes to processing your transactions, safety, security and compliance are at the forefront. NetCents works to meet the standards of all compliance and regulatory bodies.

NetCents' business model is different than those trying to capture the currency trading market. NetCents believes that the market is looking for technology that offers multiple payment and financial services in a single web-based application that is all encompassing, easy to access, simple to setup and effective in its use.

NetCents' proprietary network builds on and utilizes the existing financial infrastructure of bank accounts to create an efficient cost effective payment solution. NetCents delivers a product ideally suited for any size business, online merchants and consumers currently underserved by traditional payment mechanisms. NetCents' revenues will be generated primarily from transaction fees paid by both the merchant and the consumer. Merchant fees are lower than what current payment providers charge, thus making NetCents an attractive additional payment option.

NetCents can be quickly and easily utilized via any online PC, laptop or smart phone. Prior to NetCents, typical online purchases entailed the user electing to make a payment for a purchase, being connected to a secure server to perform authentication and authorization, and subsequently being presented with confirmation of the completed transaction. NetCents provides all of these functions and more without the necessity of disclosing vital financial and personal information over the internet. NetCents enables any business or consumer with an email address to securely, conveniently and cost-effectively send and receive payments online.

The next-generation platform is specifically architected to meet the complexities of the evolving payments environment. It will excel where traditional systems are challenged in delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems. NetCents aims to allow consumers to "*Pay Your Way*".

### **Significant Events and Milestones for the period ended July 31, 2015**

The Company conducted two separate non-brokered private placements (further details in Financings) that raised a total of \$615,000 through the issuance of 3,600,000 common shares for the period ending July 31, 2015.

On May 8, 2015 NetCents entered into the Amalgamation Agreement with Consulting Ltd. ("UWO"), 1018758 B.C. Ltd. ("PubCo") and 1887217 Alberta Ltd. ("SubCo"). SubCo is a wholly-owned subsidiary of PubCo and PubCo is a wholly-owned subsidiary of UWO. The Amalgamation is structured as a three-cornered amalgamation under the ABCA whereby Alberta SubCo. and NetCents will amalgamate and continue as one corporation ("AmalCo"). Pursuant to the agreement, the following will occur (the "Transactions"):

- PubCo will apply to have its shares listed in the Canadian Securities Exchange ("CSE");
- the Company and SubCo will amalgamate to form "AmalCo" and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of the Company will be exchanged for common shares and warrants of PubCo on the basis of one share or warrant of PubCo for 0.706 shares or warrants of the Company; and
- PubCo will issue 1,010,549 common shares to UWO's shareholders such that PubCo ceases to be a subsidiary of UWO.

The Transactions will result in the reverse takeover of PubCo by the Company.

On May 29, 2015 NetCents conducted a Special Meeting of its shareholders where the proposed Amalgamation was ratified and three new Board members (Gord Jessop, Robert Meister and Fraser Macdougall) were appointed.

## **Financings**

On December 10, 2014, the Company completed a non-brokered private placement and issued 1,900,000 common shares at a price of \$0.10 per share for proceeds of \$190,000.

On July 6, 2015, the Company completed a non-brokered private placement and issued 1,700,000 units at a price of \$0.25 per unit for proceeds of \$425,000. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one additional share at a price of \$0.50 per common share for a period of 12 months from the closing date.

The NetCents Warrants have an acceleration clause whereby if the closing price of the common shares of BC Co is equal to or greater than \$0.95 for a period of twenty (20) consecutive trading days, NetCents will have the right to accelerate the expiry of the NetCents Warrants by giving notice to the holders of the NetCents Warrants by news release or other form of notice permitted by the certificate representing the NetCents Warrants that the NetCents Warrants will expire at 4:30 p.m. (Vancouver time) on a date that is not less than ten (10) business days from the date notice is given.

These funds are being utilized by NetCents to advance the business, upgrade the existing platform and general working capital.

### **Shares issued pursuant to business loans**

Pursuant to an agreement entered into on May 5, 2009, the Company was loaned \$50,000 bearing interest at 20% per year. The loan was repayable on September 2, 2009 is secured by the assets of the Company. As the Company did not repay the loan when due, the agreement required the Company to issue 200,000 common shares. At October 31, 2014 the loan was unpaid and there was outstanding interest and fees of \$52,534 with an additional \$1,671 interest accruing subsequent to October 31, 2014. The lender agreed to settle the loan and unpaid interest, the obligation to issue shares as well as a balance included in accounts payable by payments totaling \$60,000. For the nine month period ending July 31, 2015 there was a gain on debt of \$370,919 realized. This was comprised of a gain of a settlement of monies owing to 553867 BC Ltd of \$156,205 (Loans and AP of \$216,205 less cash payment of \$60,000) Gain of \$164,494 when On4 forgave its loans of \$163,494 to NetCents for nil consideration. There was also a gain of \$15,220 on settlement of an \$18,000 payment on an AP of \$33,220. A further gain of \$36,000 was realized on a settlement from a non-related party (explained in Note 6D).

Pursuant to an agreement entered into on November 14, 2011, the Company was loaned \$60,000 bearing interest at 10% per year. The loan was repayable on May 14, 2013. At July 31, 2015, the loan was unpaid and there was outstanding interest of \$16,270 (October 31, 2014: \$11,770).

Pursuant to an agreement entered into on February 6, 2015, the Company was loaned \$35,000 bearing interest at 6% per year. The proceeds received on the loan were reduced by a \$5,000 fee. As at July 31, 2015, outstanding interest related to the loan amounted to \$478. On May 4, 2015, pursuant to the terms of the loan agreement, the loan was converted to 291,667 common shares at a conversion price of \$0.12 per share.

Pursuant to an agreement entered into on May 6, 2013, the Company was advanced a total of \$50,000 during the year ended October 31, 2013. The amounts advanced are due 6 months subsequent to the date of advancement (the "Due Date"). The Company had the option of extending the due date by an additional 6 months. The loan bears interest at a rate of 12% per annum up to the Due Date and 15% per annum thereafter. The loan is convertible into units at an exercise price equal to the lower of \$0.25 per unit and the price of the then most recent public offering of the Company's shares. Each unit consists of one common share and one warrant. Each warrant allows the holder to purchase one additional common share for a period of two years from the date of issuance at an exercise price equal to the lower of \$0.25 per common share and the price of the then most recent public offering of the Company's shares. The value of the conversion feature was determined to be immaterial. On May 4, 2015, the loan was converted and the Company issued 620,161 units.

Other loans totaling \$43,500 (October 31, 2014: \$205,994) are unsecured, non-interest bearing with no fixed terms of repayment.

## OVERALL PERFORMANCE

Overall performance should read in conjunction with the Interim financial statements of NetCents Systems Ltd. (“NetCents” or the “Corporation”) for the period ended July 31, 2015 and the Audited Financial Statements for the year ended October 31, 2014.

The statement of financial position as of July 31, 2015 indicates a cash balance of \$224,136 and total assets of \$290,437.

Current liabilities at July 31, 2015 total \$683,391. Working capital deficiency, which is comprised of current assets less current liabilities, was \$452,755 at July 31, 2015. However, as a subsequent event, on October 30, 2015 the CEO and the President of the company agreed to defers the Company’s obligation to repay them the monies (\$223,835 and \$179,186 respectively) owing to them to the earlier of April 30, 2017 and the date that the Company is adequately funded to pay the amount due, in full or in part, as determined in the sole judgment of the Company’s Board of Directors. At July 31, 2015, this balance is included in accounts payable and accrued liabilities (note 7). This reduces the short term liabilities of \$683,391 by \$403,021 and results in a working capital deficiency of \$49,374 from the stated \$452,755.

Shareholders’ deficiency is comprised of share capital of \$2,582,512 and accumulated deficit of \$2,975,466.

The Company is currently a development stage company and has yet to record any revenue from operations. The expenses of the Corporation for the period ended July 31, 2015; consist mainly of consulting fees of \$684,173. This consisted of shares issued for services rendered totaling \$606,222 and consulting fees of \$77,951. In addition, for this period there were also professional fees of \$25,145, Website costs of \$14,901 and general administration of \$17,361.

Professional fees incurred for the period ended July 31, 2015 amounted to \$25,145. These fees are associated with the legal and accounting services for the period ended July 31, 2015.

As at July 31, 2014 The Company’s continuation as a going concern is dependent upon the successful develop and market its payment platform software and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Currently the company is not able to finance day to day activities through operations. If the Company is unable to meet finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

## Selected Nine Month Results

The following table sets out selected unaudited financial information of the Company for the nine periods ended July 31, 2015. This information is derived from unaudited quarterly financial statements prepared by management. These financial data are prepared in accordance with IFRS.

	July 31, 2015	October 31, 2014
<b>Assets</b>		
Current assets:		
Cash	\$ 224,136	\$ 5
Deposit	6,500	-
	230,636	5
Non-current assets:		
Software development (note 3)	59,801	-
Total assets	\$ 290,437	\$ 5

## Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities (note 4)	\$	530,109	\$	682,142
Loans payable (note 5)		120,248		430,298
Derivative liability (note 6)		33,034		-
		683,391		1,112,440
Shareholders' equity:				
Share capital (note 6)		2,582,512		971,290
Shares to be issued (note 6)		-		695,000
Deficit		(2,975,466)		(2,778,725)
		(392,954)		(1,112,435)
<hr/>				
Total liabilities and shareholders' equity	\$	290,437	\$	5

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

As at October 31, 2014 NetCents had a cash balance of \$5.00 to settle liabilities of \$1,112,440. As at July 31, 2015 NetCents had a cash balance of \$224,136 (July 31, 2014: \$5) to settle current liabilities of \$683,391 (July 31, 2014: \$1,112,440). As a subsequent event, on October 30, 2015 the CEO and the President of the company agreed to defer the Company's obligation to repay them the monies (\$223,835 and \$179,186 respectively) owing to them to the earlier of April 30, 2017 and the date that the Company is adequately funded to pay the amount due, in full or in part, as determined in the sole judgment of the Company's Board of Directors. This deferment of monies owing results that as of July 31, 2015, the company had a cash balance of \$224,136 to settle current liabilities of \$280,370.

For the nine months ended July 31, 2015 the Company generated \$615,000 from financing activities.

The Corporation has not yet been able to generate transactions required to sustain future 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 is uncertain. There can be no assurance that the Company will be able to raise additional funds, in which case NetCents may not be able to continue to develop its business or may be required to modify its business plan.

### Working Capital

As at July 31, 2015 NetCents had a cash balance of \$224,136.

### Capital Management

Management closely monitors cash flow requirements however; currently the Corporation does not have sufficient cash to meet all of its current operational and financial obligations if demanded to do so. The Corporation is actively pursuing sales and commercialization efforts, including targeting currently underserved markets.

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development and sales of its payment services and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk. However, it should be noted that the Corporation is at an early stage of its redefined commercialization program and will continue to be dependent on its ability to manage cash on hand, increase its revenues and raise additional debt or equity to meet its obligations and repay its liabilities arising from normal business operations when they become due.

The management of capital includes the components of shareholders' equity, comprised of share capital and retained earnings (deficit). The Corporation strives to maximize the value associated with



shareholders' equity. In order to maintain or adjust its capital structure, the Corporation may from time to time issue shares, issue new debt, dispose of assets or adjust its spending, taking into account changes in economic conditions and the risk characteristics of the underlying assets.

If expenditure outweigh revenues, the Corporation plans to fund future expenditures through various financing options including equity and/or debt financing. There can be no assurance that the Company will be able to raise additional funds, in which case NetCents may not be able to continue to develop its business or may be required to modify its business plan.

## SELECTED QUARTERLY FINANCIAL INFORMATION

### Results of Operations

The following table sets out selected unaudited quarterly financial information of the Company for the nine periods ended July 31, 2015. This information is derived from unaudited quarterly financial statements prepared by management. These financial data are prepared in accordance with IFRS.

	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Nine Months Ended July 31, 2015	Nine Months Ended July 31, 2014
Operating Expenses:				
Consulting fees (note 7)	\$ 684,173	\$ 110,000	\$ 831,173	\$ 275,000
Professional fees	25,145	-	70,758	-
Website costs	14,901	-	24,817	-
General and administrative	17,361	499	36,229	1,908
	(741,580)	(110,499)	(962,977)	(276,908)
Other Income (Expense):				
Change in fair value of derivative liability	(33,034)	-	(33,034)	-
Gain on settlement of debt	51,220	-	370,919	3,121
Interest expense	(1,500)	(4,000)	(11,649)	(12,000)
	16,686	(4,000)	326,236	(8,879)
Net and comprehensive loss	\$ (691,860)	\$ (114,499)	\$ (636,741)	\$ (285,787)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted	35,356,544	16,417,421	23,745,584	16,417,421

NetCents has not yet conducted significant operations.

A comprehensive net loss of \$691,860 resulted for the three months ended July 31, 2015, as compared with net losses of \$114,499 for the three months ended July 31, 2014.

During the three ended July 31, 2015, the Company realized a gain on the settlement of certain debt in the amount of \$51,220, as compared with a no settlement of debt for the three months ended July 31, 2014.

A majority of which related to professional fees and general overhead expenses as follows:

### General and Administrative

General and administrative expense ("G&A") expenses consist primarily of Rent Expense, Travel and general office overhead relating to the corporation's development and administrative functions.

For the three month period ended July 31 2015, G&A expenses increased to \$17,361 an increase of

\$16,862 when compared to the same period in 2014. The increases in G&A expenses is the result of corporate development.

### **Professional fees**

Accounting, Audit and Legal expenses amounted to \$25,145 for the three months ended July 31, 2015, as compared to \$0 incurred during the same period ended July 31, 2014. This increase in expenditures is direct result of the ongoing efforts of management to bring the company's financials and corporate structure up to date.

### **Consulting fees**

For the three months ended July 31, 2015, consulting fees amounted to \$684,173, as compared with \$110,000 for the three months ended July 31, 2014 (also refer to related party transactions). The increase resulted from the engagement of additional consultants and the time engaged by officers and directors of the company during the period in connection with the Company's ongoing efforts to update its technology as a Payment Services Provider.

The software development costs consist of costs incurred in the development of additional functions to the Company's software that will be used in connection with its payment processing business. As at July 31, 2015, this component of the software was not ready for its intended use and therefore no amortization has been recorded.

### **Website Costs**

As for the three month period ended July 31, 2015 website costs amounted to \$14,901 compared to \$0.00 for the same period of 2014. The Corporation Capitalizes the portion of the Website and Processing Platform costs which meet the criteria for capitalization. Other costs are expensed as per GAAP. The software development costs consist of costs incurred in the development of software to be used by the Corporation in connection with its payment processing business.

The expenses for the period ended July 31, 2015 were higher by \$14,901 compared to the three months ended July 31, 2014, is a result of Management's ongoing efforts to adjust the NetCents Technology to more effectively handle and to better scale to, the new opportunities and technologies offered in our industry and sector.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

### **RISK FACTORS**

Due to the nature of the business, the legal and economic climate in which the Corporation is operating and the present stage of development of its operations, the Corporation is subject to risks. The Corporation's future development and actual operating results may be different from those expected as at the date of this MD&A. There can be no certainty that the Corporation will be able to successfully implement its corporate strategy. No representation is or can be made as to the future performance of the Corporation and there can be no assurance that the Corporation will achieve its objectives. Accordingly, readers should carefully consider the following discussion of risks that pertain to the Corporation (the text below summarizes some of these risks and is not intended to be complete or exhaustive).

NetCents is a private company under the laws of the Business Corporations Act (Alberta). Even though NetCents has been incorporated since 2006, it has Limited Operating and has no history of earnings. NetCents is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that NetCents will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. Although management of NetCents will work diligently to identify opportunities in the sector the reliance on Management will be significant. The success of NetCents is dependent upon the ability,

expertise, judgment, discretion and good faith of its senior management.

NetCents believes it has no significant credit risk and it does not have assets or liabilities in foreign currency.

#### Additional Capital Requirements

The Corporation intends to continue to make investments to support its business growth and will require additional funds to implement its business strategy, including expansion of sales and marketing activities; development of new software, products and features; enhancement of its current operating infrastructure; and acquisition of complementary businesses and technologies. The Corporation's cash reserves may not be sufficient to fund its ongoing activities at all times. Accordingly, the Corporation may need to engage in equity or debt financings to secure additional funds. If the Corporation raises additional funds through further issuances of equity or convertible debt securities, shareholders of the Corporation could suffer significant dilution, and any new equity securities the Corporation issues could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by the Corporation in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which might make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities. The Corporation can provide no assurance that sufficient debt or equity financing will be available for necessary or desirable infrastructure expenditures or acquisitions or to cover losses, and accordingly, the Corporation's ability to continue to support its business growth and to respond to business challenges could be significantly limited.

#### Banking & Processing

The Corporation's success depends on its ability to secure and develop banking and/or third party processing relationships that can effectively support the Corporation's service offering in target markets. Some of the Corporation's service offering is focused on new and emerging markets that can be considered high risk from a banking perspective and consequently requires sophisticated approaches to transactional risk management, compliance and financial crime prevention. Due to the high-risk nature of some of these markets, the Corporation may be unable to successfully secure and retain banking partners. Failure to do so could materially reduce the Corporation's revenue potential.

#### Regulatory Risk

NetCents' anticipated global operations may require it to be compliant with laws in many jurisdictions on matters such as anticorruption, trade restrictions, taxation, securities regulation, banking regulations and data privacy, amongst others. Complying with these diverse requirements in multiple jurisdictions may be a challenge and could require significant resources. Some of these laws may impose conflicting requirements; there may be restrictions on the movement of cash and other assets; or restrictions on the import and export of certain technologies; or restrictions on the repatriation of earnings, all of which may expose the Corporation to penalties for non-compliance and harm its reputation. Netcents's relationship with its banking partners requires that it comply with complex laws and regulations relating to the banking and payment processing industry.

#### New Technology

The Corporation's success will depend in part on its ability to develop outsource software and products that keep pace with continuing changes in technology, evolving industry standards and changing client preferences and requirements. The Corporation's software and products embody complex technology that may not meet those standards, changes and preferences. The Corporation may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and cost-effectively to new developments through the development of software and new products or enhancements to existing software and products could reduce the Corporation's revenue.

#### Competition

The Corporation operates in a competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. The Corporation's

competitors may have greater financial, technical, sales, and production and marketing resources. The Corporation may not be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins and / or increased operating expenses.

#### Customer Base and Market Acceptance

While Management believes it can grow its client base, the inability to grow such a client base could have a material adverse effect on the Corporation. Although the Corporation believes that its products offer advantages over competitive companies and products, no assurance can be given that the Corporation's products will attain a degree of market acceptance on a sustained basis or that it will generate revenues sufficient for sustained profitable operations.

#### Consumer Privacy, Data Use and Security

The Corporation is subject to regulations related to privacy and data protection and information security in the jurisdictions in which it does business, and could be negatively impacted by these regulations. Recently, these topics have received heightened legislative and regulatory focus in jurisdictions around the world. Regulation of privacy and data protection and information security may raise concerns about and scrutiny of the Corporation's practices in regard to the collection, use, disclosure or security of personal and sensitive information. Failure to comply with the privacy and data protection and security laws and regulations to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect the Corporation's results of operations and overall business, as well as have an impact on the Corporation's reputation. Any addition or change to regulations in these areas (as well as the manner in which such laws could be interpreted or applied) may also increase the Corporation's costs to comply with such regulations. Changes to these laws could also impact the Corporation's business operations by requiring changes to the Corporation's data practices and could impact aspects of the Corporation's business such as fraud monitoring. Any of these changes could materially and adversely affect the Corporation's overall business and results of operations.

#### Future Acquisitions

The Corporation may seek to expand its business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favorable terms, or that the acquired operations can be profitably operated or integrated in the Corporation's operations. To the extent Management is successful in identifying suitable companies or products for acquisition, the Corporation may deem it necessary or advisable to finance such acquisitions through the issuance of shares, securities convertible into shares, debt financing, or a combination thereof. In such cases, the issuance of shares or convertible securities could result in dilution to the shareholders of the Corporation at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of the Corporation's assets, impeding the Corporation's ability to obtain bank financing, decreasing the Corporation's liquidity, and adversely affecting its ability to declare and pay dividends to shareholders of the Corporation.

#### Continued Losses from Operations

We have a history of operating losses and need additional capital to implement our business plan. As at April 30, 2015, the Corporation's cash and cash equivalents of \$30,663 (April 30, 2014 - \$2,760). The Corporation has not yet been able to generate any transactions 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 is uncertain.

#### Stage of Development

The Corporation may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of the Corporation's development. The ability of the Corporation to manage growth effectively will require it to continue to expand its operational and financial systems and to train and manage its employee base. The inability of the Corporation to deal with

this growth could have a material adverse impact on its business, operations and prospects.

#### Transaction Processing Systems

The Corporation's payment processing systems and other key service offerings may experience interruptions as a result of a disaster including, but not limited to, technology malfunctions, fire, weather events, power outages, telecommunications disruptions, terrorism, workplace violence, accidents or other catastrophic events. A disaster that occurs at, or in the vicinity of, our primary and/or back-up facilities in any location could interrupt our services. Although the Corporation continually monitors and assesses risks and potential impacts, and develops effective response strategies, the Corporation cannot ensure that its business would be immune to these risks.

Additionally, the Corporation relies on third-party service providers for the timely transmission of information across its global data network. Inadequate infrastructure in lesser-developed markets could also result in service disruptions, which could impact the Corporation's ability to do business in those markets. If, as a result of natural disaster, one of our service providers fails to provide the communications capacity or services the Corporation requires, the failure could interrupt the Corporation's services. Because of the intrinsic importance of the Corporation's processing systems to its business, any interruption or degradation could adversely affect the perception of the reliability of products carrying the Corporation's brand and materially reduce the Corporation's results of operations.

#### Legal Risks

The Corporation is subject to legal risks related to operations, contracts, and relationships and otherwise, which could result in the Corporation being served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement and other costs as well as significant time and distraction of Management and employees.

#### Money Laundering and Terrorism

The Corporation is subject to regulations that affect the payments industry. In particular, many of the Corporation's customers are subject to regulations applicable to banks and other financial institutions and, consequently, the Corporation is at times affected by such regulations. Regulation of the payments industry, including regulations applicable to the Corporation and its customers, has increased significantly in the last several years. The Corporation is subject to Anti-Money Laundering and Anti-Terrorism regulations with respect to the activities of its internet payment gateway. Money laundering or terrorist financing involving the Corporation's payment gateway could result in an enforcement action and/or damage the Corporation's reputation, which could result in a material adverse impact on the Corporation's business.

#### Operating Results and Financial Condition May Fluctuate on a Quarterly and Annual Basis

Operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to continue to vary due to a number of factors, some of which are outside of the Corporation's control. These events could, in turn, cause the market price of the Corporation's shares to fluctuate. If operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of the Corporation's shares would likely decline.

Due to all of the foregoing factors and risks discussed in this "Risk and Uncertainties" section, individuals should not rely on quarter-to-quarter or year-to-year comparisons of the Corporation's operating results as an indicator of future performance.

#### Forward Looking Statements May Prove Inaccurate

Prospective purchasers are cautioned not to place undue reliance on forward-looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks, and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions,

forecasts or projections will prove to be materially inaccurate. See under the heading “Special Note Regarding Forward-Looking Information”.

#### Conflicts of Interest

Certain directors of the Corporation may engage in businesses similar to the Corporation and situations may arise where the directors may be in direct competition with the Corporation’s business. Conflicts of interest, if any, that arise will be subject to and governed by the procedures prescribed by the Act, which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his/her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the Act.

#### Absence of Cash Dividends

The Corporation has not paid any cash dividends to date on the common shares and there are no plans for such dividend payments in the foreseeable future.

#### Cryptocurrency Risks

A significant portion of the proposed business of NetCents is based upon crypto currency transactions, which are digital or virtual currency transactions that use cryptography for security. The crypto currency market is unregulated and in its infancy. Accordingly, there are certain risks related to crypto currencies, including the risk of regulation reforms which may prohibit payment processing transactions related to the business of NetCents. Additionally, financial institutions may impose restrictions on persons that engage in business that is based on crypto currency transactions. Risks related to the acceptance and use of crypto currencies will have a significant impact on the volume of crypto currency transactions. Such acceptance or lack thereof, and reforms in regulation could materially and adversely affect NetCents’s assets, liabilities, business, financial condition, prospects and results of operations.

#### Regulatory Regime

From time-to-time, governments and regulatory bodies may review the legislation and regulations applied to the crypto currency financial services industry and the payment processing industry in which NetCents operates. Such reviews could result in the enactment of new laws and/or the adoption of new regulations in Canada, the United States of America, Europe or elsewhere, which might adversely impact businesses in Canada, the USA, Europe or other countries in general and consequently, may threaten NetCents’s growth prospects. More specifically, NetCents is operating in the payment processing industry, which is strictly regulated. Regulation is extensive and designed to protect consumers and the public, while providing standard guidelines for business operations. In the offering of its products, NetCents is subject to certain federal and provincial laws and regulations relating to its financial product offerings, including laws and regulations governing such things as Know-Your-Customer (KYC), Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and safeguarding the privacy of customers' personal information. Legislation has been passed in most provinces with respect to prepaid gift or stored-value cards. The Canadian government recently released its consultation paper Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, which contains proposals to strengthen the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Several of the proposals relate to emerging payment technologies and could have a significant impact on the payments and cards industry in Canada. NetCents believes that at this time it is in compliance with all laws and regulations although many of the rules that apply to it have only recently been implemented, are complex and sometimes ambiguous and, accordingly, NetCents cannot assure that it is in 100% compliance with all applicable laws, much less that all courts, arbitrators and regulators would agree that it is in 100% compliance. Failure to comply with, or changes to, existing or future laws and regulations could result in significant unforeseen costs and limitations, and could have an adverse impact on the Company’s business, results of operations and/or financial condition.

#### Legislative, Regulatory, Normative, and Political Considerations

NetCents is subject to local, provincial, federal and international laws, regulations, rules and policies as well as to social, economic and political contexts prevailing in places where NetCents conducts its activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on NetCents's results and operations and may require expenditures by NetCents in order to adapt or comply with such modification or change. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on NetCents's ability to adapt to, comply with and mitigate such changes.

## ACCOUNTING POLICIES

### Significant Accounting Policies

#### *(a) Financial Instruments*

The Company initially measures financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value at the balance sheet date with any gain or loss recognized in the statement of comprehensive loss. Interest and dividends earned from these assets are also included in the statement of comprehensive loss. The Company has no financial assets classified as FVTPL.

Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss. The Company classifies cash as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company has no financial assets classified as available-for-sale financial assets.

Non-derivative financial liabilities are measured at amortized cost using the effective interest method. Non-derivate financial liabilities consist of trade payables and loans payable.

Transactions costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception (except for transaction costs related to financial instruments related to FVTPL financial assets which are expensed as incurred), and are recognized over the term of the assets or liabilities using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company does not have any derivative financial assets and liabilities.

#### *(b) Income and loss per share*

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For

all periods presented, the income (loss) attributable to common shareholders equals the reported income (loss) attributable to owners of the Company. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

*(c) Income taxes*

*Current Income Tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

Deferred income tax is provided using the asset and liability sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*(d) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

*(e) Research and development*

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of three years. The Company did not have any development costs that met the capitalization criteria for the years ended October 31, 2014 or 2013.

*(f) Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and



amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(h) *Accounting standards issued but not yet effective*

## **CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

### **CRITICAL ACCOUNTING ESTIMATES AND POLICIES**

Certain accounting policies are identified as critical accounting policies because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain. These accounting policies could result in materially different results should the underlying assumptions or conditions change. Management assumptions are based on factors that, in management’s opinion are relevant and appropriate at the time such assumptions are made, and may change over time as operating conditions change. There are no critical accounting estimates at this time.

### **NEW AND PENDING ACCOUNTING STANDARDS**

#### **Adoption of New Accounting Policies**

These financial statements represent NetCents’s financial results of operations and financial position under IFRS for the period ended October 31, 2014.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are NetCents’s first financial statements prepared in accordance with IFRSs and IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied.

#### **New standard IFRS 9 “Financial Instruments”**

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

The Company has not early adopted this revised standard and is currently assessing the impact that it will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

#### **Estimates**

Certain accounting policies are identified as critical accounting policies because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain. These accounting policies could result in materially different results should the underlying assumptions or conditions change. Management assumptions are based on factors that, in management’s opinion are relevant and appropriate at the time such assumptions are made, and may change over time as operating conditions change. There are no critical accounting estimates at this time.

## Internal Control over Financial Reporting

As at the date of this report, Management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties for the periods ended July 31, 2015 and 2014 are as follows:

	July 31, 2015	July 31, 2014
Consulting fees incurred to officers and directors (Clayton Moore) of the Company	\$ 152,500	\$ 125,000
Consulting fees paid to the chief executive officer (Clayton Moore) of the Company in the form of common shares (note 6)	300,000	-
Consulting fees paid to the president (Gord Jessop) of the Company in the form of common shares (note 6)	75,000	150,000
Interest accrued on loan due to the Company's president (Gord Jessop)	4,500	-
	\$ 535,500	\$ 275,000

\$45,000 of the consulting fees incurred to officers and directors of the Company for the nine month period ended July 31, 2015 was allocated to software development costs and capitalized (note 3).

### *Related party balances*

Included in accounts payable and accrued liabilities as at July 31, 2015 is \$223,835 (October 31, 2014: \$277,519) to a director and the CEO (Clayton Moore) of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at July 31, 2015 is \$7,000 (October 31, 2014: \$7,000) due to a relative of a director and the CEO (Clayton Moore) of the Company. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in loans payable as at July 31, 2015 is \$72,500 (October 31, 2014: \$72,500) plus accrued interest of \$16,270 (October 31, 2014: \$11,770). The lender was appointed as president (Gord Jessop) of the Company during the year ended October 31, 2014. The loan is not secured. \$60,000 of the loan bears interest at 10% per year and was repayable on May 14, 2013. The remainder of the loan is non-interest bearing with no fixed terms of repayment.

Included in accounts payable as at April 30, 2015 is \$90,416 (October 31, 2014: \$50,000) due to the president (Gord Jessop) of the Company relating to unpaid salary and expenses. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

### *Commitments with related parties*

Pursuant to an employment agreement (the "Agreement") effective January 1, 2014, the Company will remunerate the president (Gord Jessop) of the Company as follows:

- Salary of:
  - o \$5,000 per month for the 12 month period ended December 31, 2014;
  - o \$7,500 per month for the 12 month period ended December 31, 2015; and
  - o \$12,000 per month thereafter;
  
- Common share issuances:
  - o 750,000 shares on or before March 31, 2014;
  - o 750,000 shares on or before June 30, 2014;
  - o 750,000 shares on or before September 30, 2014; and

- 750,000 shares on or before December 31, 2014.

In the event that the president is terminated without cause, the Company must continue paying the salary of the president (Gord Jessop) for a period of 18 months.

Pursuant to an employment agreement (the “Agreement”) effective January 1, 2014, the Company will remunerate the Chief Executive Officer (Clayton Moore) of the Company as follows:

- Salary of:
  - \$10,000 per month for the 24 month period ended December 31, 2015;
  - \$15,000 per month thereafter;

In the event that the CEO (Clayton Moore) is terminated without cause, the Company must continue paying the salary of the CEO (Clayton Moore) for a period of 18 months.

## OUTSTANDING SHARE DATA

### Common shares

At, July 31, 2015 there were 37,154,469 (October 31, 2014: 16,417,421) common shares issued and fully paid common shares outstanding.

During the nine months ended July 31, 2015, the Company issued 20,737,048 common shares. (As at the date of this MD&A, October 13, 2015 there are 39,476,630 common shares issued and outstanding.)

	Share capital		Shares to be issued			
	Number of shares	Amount	Number of shares	Amount	Deficit	Total
Balance at October 31, 2013	16,417,421	\$ 971,290	1,860,000	\$ 470,000	\$ (2,368,414)	\$ (927,124)
Shares to be issued for services (note 7)	-	-	750,000	75,000	-	75,000
<b>Comprehensive loss:</b>						
Net loss	-	-	-	-	(285,787)	(285,787)
<b>Balance at July 31, 2014</b>	<b>16,417,421</b>	<b>\$ 971,290</b>	<b>2,610,000</b>	<b>\$ 545,000</b>	<b>\$ 2,654,201</b>	<b>\$ (1,137,911)</b>
Balance at October 31, 2014	16,417,421	\$ 971,290	4,130,000	\$ 695,000	\$ (2,778,725)	\$ (1,112,435)
Shares issued for cash (note 6)	3,600,000	615,000	-	-	-	615,000
Shares issued for services (notes 6 and 7)	9,082,220	911,222	(2,270,000)	(230,000)	-	681,222
Shares issued on conversion of loans (notes 5 and 6)	911,828	85,000	-	-	-	85,000
Cancellation of obligation to issue shares (notes 5 and 6)	-	-	(1,860,000)	(465,000)	440,000	(25,000)
<b>Comprehensive loss:</b>						
Net loss	-	-	-	-	(636,741)	(636,741)
<b>Balance at July 31, 2015</b>	<b>30,011,469</b>	<b>\$ 2,582,512</b>	<b>\$ -</b>	<b>\$ (2,975,466)</b>	<b>\$ (2,975,466)</b>	

## **Transaction**

On May 8, 2015, the Company entered into an amalgamation agreement between the Company, UWO Consulting Ltd. (“UWO”), 1018758 B.C. Ltd. (“PubCo”) and 1887217 Alberta Ltd. (“SubCo”). SubCo is a wholly-owned subsidiary of PubCo and PubCo is a wholly-owned subsidiary of UWO. Pursuant to the agreement, the following will occur (the “Transactions”):

- PubCo will apply to have its shares listed in the Canadian Securities Exchange (“CSE”);
- the Company and SubCo will amalgamate to form “AmalCo” and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of the Company will be exchanged for common shares and warrants of PubCo on the basis of one share or warrant of PubCo for 0.706 shares or warrants of the Company; and
- PubCo will issue 1,010,549 common shares to UWO’s shareholders.

The Transactions will result in the reverse takeover of PubCo by the Company.

## ***Warrants and Stock Options***

As of July 31, 2015, there were 2,320,161 share purchase warrants outstanding as follows:

- i. 620,161 warrants which expire on May 4, 2017 and are exercisable at the lower of \$0.25 per share and the price of the then most recent public offering of the Company’s shares. Because the exercise price of the warrants is not fixed these are accounted for as a derivative financial liability and recorded at fair value. The fair value was determined to be \$33,034 determined using the Black-Scholes option pricing model assuming a volatility of 75%, a risk free rate of 2.00%, a dividend yield of 0% and an expected life of six months.
- ii. 1,700,000 warrants which expire on July 6, 2016 and are exercisable at \$0.50 per share.

At July 31, 2015, there were no stock options outstanding.

## ***Outstanding Stock Options***

NetCents has no Stock Option plan in place as of July 31, 2015.

## ***Escrow***

NetCents has no share deposited in Escrow as of July 31, 2015

## **Subsequent Events**

On September 23, 2015 a Preliminary Non-Offering Prospectus was filed with the British Columbia Securities Commission on behalf of 1018758 B.C. Ltd. (“PubCo”) and NetCents.

On September 24, 2015, the initial listing application letter for 1018758 B.C. Ltd. (whereas NetCents Systems Ltd. is the “target”.) was filed with the Canadian Securities Exchange.

## APPENDIX "C"

**Netcents Technology Inc.**

**PRO FORMA FINANCIAL STATEMENTS**

**(IN CANADIAN DOLLARS)**

**UNAUDITED – PREPARED BY MANAGEMENT**

**July 31, 2015**

**NETCENTS TECHNOLOGY INC.**

**Pro Forma Statement of Financial Position (unaudited – prepared by Management)**

**As at July 31, 2015**

(Expressed in Canadian dollars)

	<b>Netcents Systems Ltd.</b>	<b>1018758 B.C. Ltd.</b>	<b>Pro Forma Adjustments</b>	<b>Note</b>	<b>Pro Forma Balances</b>
<b>ASSETS</b>					
<b>Current</b>					
Cash	\$ 224,136	\$ 1	300,000 (12,417)	3a) 3d)	\$ 511,720
Deposit	6,500	-			6,500
	230,636	1	287,583		518,220
<b>Software development</b>	59,801	-			59,801
	\$ 290,437	\$ 1	287,583		\$ 578,021
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current</b>					
Bank overdraft	\$ -	\$ 31			\$ 31
Accounts payable and accrued liabilities	530,109	-			530,109
Loans payable	120,248	-	(30,000)	3b)	90,248
Derivative liability	33,034	-			33,034
	683,391	31	(30,000)		653,422
<b>Shareholders' equity</b>					
Share capital	3,296,812	1	300,000 30,000 62,500 353,692 (1)	3a) 3b) 3c) 3d) 3d)	4,043,004
Deficit	(3,689,766)	(31)	(62,500) 31 (366,139)	3c) 3d) 3d)	(4,118,405)
	(392,954)	(30)			(75,401)
	\$ 290,437	\$ 1	287,583		\$ 578,021

*The accompanying notes are an integral part of these pro forma financial statements.*

**NETCENTS TECHNOLOGY INC.****Pro Forma Statement of Comprehensive Loss (unaudited – prepared by Management)****For the nine month period ended July 31, 2015**

(Expressed in Canadian dollars)

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	<b>Netcents Systems Ltd.</b>	<b>1018758 B.C. Ltd.</b>	<b>Pro Forma Adjustments</b>	<b>Note</b>	<b>Pro Forma Balances</b>
<b>Operating Expenses</b>					
Consulting fees	\$ 1,545,473	\$ -	62,500	3c)	\$ 1,607,973
Professional fees	70,758	-			70,758
Website costs	24,817	-			24,817
General and administrative	36,229	31			36,260
	<u>(1,677,277)</u>	<u>(31)</u>			<u>(1,739,808)</u>
<b>Other income (expense):</b>					
Fair value change of derivative	(33,034)	-			(33,034)
Gain on settlement of debt	370,919	-			370,919
Listing expense	-	-	(366,139)	3b)	(366,139)
Interest expense	(11,649)	-			(11,649)
	<u>326,236</u>	<u>-</u>			<u>(39,903)</u>
<b>Net and comprehensive income (loss)</b>	<u>\$ (1,351,041)</u>	<u>\$ (31)</u>			<u>\$ (1,779,711)</u>

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*The accompanying notes are an integral part of these pro forma financial statements.*



## **NETCENTS TECHNOLOGY INC.**

### **Notes to the Pro Forma Financial Statements (unaudited – prepared by Management)**

(Expressed in Canadian dollars)

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#### **1. Basis of Presentation**

The accompanying unaudited pro forma consolidated financial statements of Netcents Technology Inc. as at July 31, 2015, has been prepared by management to give effect to the transactions (the “Transaction”) contemplated by the Amalgamation Agreement (the “Agreement”) among Netcents System Ltd. (“Netcents”), UWO Consulting Ltd. (“UWO”), 1018758 B.C. Ltd. (“PubCo”) and 1887217 Alberta Ltd. (“SubCo”) dated May 8, 2015. Pursuant to the Agreement, Netcents will become a subsidiary of PubCo (see Note 2). Netcents Technology Inc. is to be the name of the resulting issuer on completion of the Transaction.

These unaudited pro forma consolidated financial statements have been prepared using the same accounting policies described in Note 2 to the annual financial statements of Netcents for the year ended October 31, 2014 and have been compiled from the financial statements of Netcents and PubCo as follows:

- the Pro forma statement of financial position as at July 31, 2015 includes the unaudited financial statement of financial position of PubCo as at July 31, 2015 and the unaudited statement of financial position of Netcents as at July 31, 2015; and
- the Pro forma statement of comprehensive loss for the nine month period ended July 31, 2015 includes the unaudited statement of comprehensive loss of PubCo for the period from November 11, 2014 (Inception) to July 31, 2015 and the unaudited statement of comprehensive loss of Netcents for the nine month period ended July 31, 2015.

The unaudited pro forma consolidated financial statements have been prepared for illustration purposes only and may not be indicative of the financial statements that would have occurred if the proposed transactions had been in effect at the date indicated and is not necessarily indicative of the financial position and performance projected in the future.

Management of Netcents believes that the assumptions used provide a reasonable basis for presenting all of the significant effects of the Transaction, including transactions completed in connection with completing the Transaction, and that the pro forma adjustments give appropriate effect to those assumptions and are appropriately applied.

Completion of the Transaction is subject to a number of conditions, including but not limited to, Canadian Securities Exchange (“CSE”) acceptance. There can be no assurance that the Qualifying Transaction will be completed as proposed or at all.

## **NETCENTS TECHNOLOGY INC.**

### **Notes to the Pro Forma Financial Statements (unaudited – prepared by Management)**

(Expressed in Canadian dollars)

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#### **2. Pro Forma Transaction**

SubCo is a wholly-owned subsidiary of PubCo and PubCo is a wholly-owned subsidiary of UWO. Pursuant to the Agreement, the Transaction will result in the following:

- PubCo will apply to have its shares listed in the CSE and change its name to Netcents Technology Inc.;
- Netcents and SubCo will amalgamate to form “AmalCo” and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of Netcents will be exchanged for common shares and warrants of PubCo on the basis of one share or warrant of Netcents for 0.706 shares or warrants of Pubco. Accordingly, shareholders of Netcents will receive 27,482,211 common shares of PubCo and warrant holders will receive 2,485,234 warrants of PubCo; and
- PubCo will issue 1,010,549 common shares to UWO’s shareholders.

Legally, the Transaction will result in Netcents becoming a subsidiary of PubCo. However, the result of the Transaction is that the shareholders of Netcents will own approximately 96.3% of the issued and outstanding common shares of PubCo. Therefore, the transaction will be a reverse take over (“RTO”) of PubCo and Netcents will be deemed to be the acquirer for accounting purposes.

#### **3. Pro Forma Adjustments**

The unaudited pro-forma financial statements incorporate the following assumptions and adjustments:

- a) Netcents intends to complete a private placement and issue 1,200,000 units at a price of \$0.25 per unit for gross proceeds of \$300,000. Each unit will consist of one common share of Netcents and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of Netcents for period of 12 months from the date of issuance at a price of \$0.50 per share.
- b) Netcents issued 322,175 common shares to certain investors for funds received in prior years. On issuance, \$30,000 previously included in loans payable was reclassified to share capita.
- c) Netcents issued 250,000 common shares to a consultant for services. Netcents recorded a consulting expense of \$62,500 in connection with this share issuance.

**NETCENTS TECHNOLOGY INC.****Notes to the Pro Forma Financial Statements (unaudited – prepared by Management)**

(Expressed in Canadian dollars)

- d) The Transaction is to be accounted for as an RTO whereby Netcent's acquisition of the net assets of PubCo and anticipated listing on the CSE is accounting for as a share-based payment as follows:

Cost of acquisition:		
Share-based payment <sup>1</sup>	\$	353,692
Transaction costs		12,417
<b>Total</b>	<b>\$</b>	<b>366,109</b>

Allocated as follows:

Net liabilities of PubCo as at April 30, 2015	\$	(30)
Listing expense		366,139
<b>Total</b>	<b>\$</b>	<b>366,109</b>

<sup>1</sup>Being the estimated fair value of 1,010,549 common shares issued by PubCo to the shareholders of UWO. The fair value was determined to be \$0.35 per share based on the share price of the most recent financing of Netcents, adjusted by the share exchange ratio of 0.706.

**4. Pro Forma Share Capital**

	Number of sha	
Outstanding common shares of Netcents as at July 31, 2015	37,154,469	\$ 3,296,812
Shares issued for financing	1,200,000	300,000
Shares issued for funds received in prior periods	322,175	30,000
Shares issued for services	250,000	62,500
Shares of Netcents reversed on RTO	(38,926,644)	-
Shares of PubCo issued to shareholders of Netcents	27,482,211	-
Shares of PubCo issued to shareholders of UWO	1,010,549	353,692
<b>Pro forma share capital</b>	<b>27,966,604</b>	<b>\$ 4,043,004</b>

**5. Pro Forma Effective Income Tax Rate**

The pro forma effective income tax rate applicable to operations in Canada is 26%.

Federal tax rate	15%
Provincial tax rate	11%
	<b>26%</b>

## **APPENDIX “D”**

## AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT is dated May 8, 2015, and is between:

**UWO Consulting Ltd.**, company incorporated under the laws of British Columbia and having a registered office at 605 – 815 Hornby Street, V6Z 2E6, Vancouver, British Columbia (“**UWO**”),

and

**1018758 B.C. Ltd.**, a company incorporated under the laws of British Columbia and having a registered office at 605 – 815 Hornby Street, V6Z 2E6, Vancouver, British Columbia (“**PubCo**”),

and

**1887217 Alberta Ltd.**, a company incorporated under the laws of Alberta and having a registered office at 421-7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 4K9 (“**SubCo**”),

and

**NetCents Systems Ltd.**, a company incorporated under the laws of Alberta, with an office at Suite 4944 Dogwood Drive, Delta, BC, V4M 1M6, Canada (“**TARGETCO**”);

(each a “**Party**”, and collectively, the “**Parties**”)

### WHEREAS:

- A. the Parties intend to effect a business combination, whereby, among other things, SubCo and TARGETCO will amalgamate and continue as one corporation under the laws of Alberta;
- B. PubCo is a wholly-owned subsidiary of UWO;
- C. the Parties require assurances from UWO in order to complete the transactions contemplated under this Agreement;
- D. SubCo is a wholly-owned subsidiary of PubCo;
- E. PubCo, UWO and certain other wholly-owned subsidiaries of UWO have entered into an arrangement pursuant to an agreement, as amended (the “Arrangement”). Pursuant to the Arrangement, PubCo is to, shortly before or at the time of the closing of the transactions contemplated under this Agreement, issue certain shares in PubCo to UWO, and UWO is to transfer PubCo Shares to certain of UWO’s’s shareholders to close the Arrangement as it effects PubCo and UWO;
- F. the Board of Directors of TARGETCO has unanimously determined that the Amalgamation is in the best interests of TARGETCO, has approved this Agreement and unanimously recommends that the TARGETCO Shareholders vote in favour of approving this Agreement;

- G. in furtherance of the Amalgamation, the Board of Directors of TARGETCO has determined to submit the TARGETCO Amalgamation Resolution to the holders of TARGETCO Shares for approval;
- H. the Board of Directors of UWO has unanimously approved this Agreement;
- I. the Board of Directors of PubCo has unanimously approved this Agreement;
- J. the Board of Directors of SubCo has unanimously approved this Agreement;
- K. UWO, as the sole shareholder of PubCo, has approved this Agreement;
- L. PubCo, as the sole shareholder of SubCo, will approve this Agreement;
- M. upon the Amalgamation becoming effective, the TARGETCO Shares will be exchanged for PubCo Shares and TARGETCO Warrants for PubCo Warrants, and the SubCo Shares will be exchanged for Amalco Shares in accordance with the provisions of this Agreement; and
- N. PubCo will apply to have its common shares listed on the Canadian Securities Exchange, and if accepted by the Canadian Securities Exchange, the closing of this Amalgamation shall occur immediately thereafter;

**NOW THEREFORE**, in consideration of the respective representations, warranties, covenants and conditions contained in this Agreement, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereby agree as follows:

## **ARTICLE 1 DEFINITIONS**

**1.1 Definitions.** In this agreement, the following definitions apply:

“**affiliate**” shall mean, with respect to any non-natural Person, any other Person that, directly or indirectly, controls, is under common control with or is controlled by such Person. For the purposes of this definition, “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities or by contract or otherwise;

“**Agreement**” and references to “**this agreement**” mean and refer to this amalgamation agreement including the schedules hereto;

“**Alberta Act**” means the *Business Corporations Act (Alberta)*, as amended;

“**Amalco**” means the continuing corporation to be constituted upon completion of the Amalgamation, to be named “NetCents Systems Ltd.”;

“**Amalco Shareholders**” means the holders of Amalco Shares;

“**Amalco Shares**” means the common shares in the capital of Amalco;

“**Amalgamation**” means the amalgamation of SubCo and TARGETCO pursuant to the Alberta Act as provided for in this Agreement;

“**Amalgamation Application**” means the amalgamation application (articles of amalgamation) to be filed by the amalgamation companies with the Registrar in accordance with the Alberta Act, substantially in the form attached as Schedule “D” to this Agreement;

“**Arrangement**” has the meaning ascribed to it in the Preamble hereof

“**Bylaws of Amalco**” means the bylaws of Amalco, substantially in the form attached to this Agreement as Schedule “A”;

“**Assets**” means all of the property and assets of a Party or a Person or in which a Party or a Person has an interest in used in connection with or otherwise relating to the business and operations of that Party or Person as a going concern, whether real or personal, tangible or intangible, fixed or moveable, of every kind and description, and wheresoever situated. Assets include Intellectual Property of a Party or a Person. For clarity, Assets include computer data or other electronic data, and any documentation (whether in a physical or electronic format) material to the operation and/or maintenance of the relevant Party’s or Person’s Business;

“**BC Act**” means the *Business Corporations Act* (British Columbia), as amended;

“**Board of Directors**” means all those individuals who serve from time to time as the directors of a Party or other entity;

“**Business**” means the business, operations, and Assets of a Party or a Person currently and heretofore carried on by that Party or Person and its subsidiaries (if any);

“**Business Day**” means a day on which commercial banks are generally open for business in Vancouver, British Columbia, other than a Saturday, Sunday or a day observed as a holiday under applicable Laws in any such location;

“**Certificate**” means the certificate of amalgamation to be issued by the Registrar under applicable Laws giving effect to the Amalgamation;

“**Closing**” means the completion of the Amalgamation;

“**Closing Date**” means the date of the Closing, which will not be later than the Termination Date;

“**Concurrent Financing**” means the private placement of 1,250,000 PubCo Units to be closed concurrent with the conditional listing approval of PubCo Shares on the Exchange;

“**Corporate Laws**” means all applicable corporate laws, including without limitation those set forth in the *Business Corporations Act* (British Columbia), as amended, and the *Business Corporations Act (Alberta)*, as amended;

“**Effective Date**” means the effective date of the Amalgamation, which will be the date of the Certificate;

**“Encumbrance(s)”** includes whether or not registered or recorded, any and all mortgages, liens, licenses, charges, security interests, pledges, conditional sales contracts, options, or other rights to acquire any interest in any Assets or Business of a Party or Person, and any adverse claims or rights in any such Assets or Business;

**“Exchange”** means the Canadian Securities Exchange;

**“Governmental Entity”** means any:

- (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, body or association, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign;
- (ii) subdivision, agent, commission, board, or authority of any of the foregoing; or
- (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under, or for the account of, any of the foregoing, including self-regulatory authorities, agencies, or organizations;

**“Indebtedness”** means, of any Party or Person, at any date, without duplication and without regard to whether matured or unmatured, absolute or contingent:

- (i) all obligations of such Party or Person for borrowed money;
- (ii) all obligations of such Party or Person evidenced by bonds, debentures, notes, or other similar instruments;
- (iii) all obligations of such Party or Person to pay the deferred purchase price of property or services;
- (iv) all obligations of such Party or Person as lessee under capital leases;
- (v) all obligations of such Party or Person to reimburse or prepay any bank or other Party or Person in respect of amounts paid under a letter of credit, banker’s acceptance, or similar instrument, whether drawn or undrawn;
- (vi) all obligations of such Party or Person to purchase, redeem, exchange, convert or otherwise acquire for value any share(s) of such Party or Person or any warrant(s), right(s) or option(s) to acquire such share(s), in each case for cash (excluding any cash paid in lieu of the issuance of fractional shares upon the exchange or conversion of any convertible securities), now or hereafter outstanding, except to the extent that such obligations remain performable solely at the option of such Party or Person;
- (vii) all obligations to repurchase accounts or chattel paper previously sold (including any obligation to repurchase any accounts or chattel paper under any factoring, receivables purchase, or similar arrangement);
- (viii) obligations of such Party or Person under interest rate swap, cap, collar or similar hedging arrangements; and
- (ix) all obligations of others of any type described in clause (i) through clause (viii) above guaranteed by such Party or Person.



“**Laws**” means all applicable statutes, regulations, statutory rules, orders, judgments, decrees and terms and conditions of any grant of approval, permission, authority, permit or license of any court, Governmental Entity, statutory body or self-regulatory authority. For clarity, Laws includes Corporate Laws and Securities Laws;

“**Material Adverse Change**” or “**Material Adverse Effect**” means, when used in connection with a Party or Person, any change or effect (or any condition, event or development involving a prospective change or effect) in or on the business, operations, results of operations, assets, properties, capitalization, financial condition, licenses, permits, concessions, rights or liabilities or obligations (whether absolute, accrued, conditional or otherwise), whether contractual or otherwise, of the Party or Person, taken as a whole, and which change or effect may reasonably be expected to significantly reduce the value of the equity securities of the Party or Person or be materially adverse to the Party’s or Person’s current or future business, operations, regulatory status, financial conditions or results of operations, other than a change or effect: (a) which arises out of or relates to a matter that has been publicly disclosed or otherwise disclosed in writing by the Party to the other Parties prior to the date of this Agreement; (b) resulting from or related to conditions affecting the beverage market as a whole; or (c) resulting from general economic, financial, currency, or market conditions in Canada, or elsewhere;

“**material fact**” means, when used in relation to securities issued or proposed to be issued, a fact that would reasonably be expected to have a significant effect on the market price or value of the securities;

“**misrepresentation**” includes any untrue statement of a material fact, any omission to state a material fact that is required to be stated and any omission to state a material fact that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made;

“**person**” or “**Person**” means a natural person, firm, sole proprietorship, unincorporated association, unincorporated organization, trustee, executor, administrator, or other legal representative, corporation (of any type or variety including, for instance, a limited liability company (LLC)), trust, partnership (general, limited, or otherwise), joint venture between any Persons, Governmental Entity, agency, or association;

“**PubCo**” has the meaning ascribed to it in the Preamble hereof;

“**PubCo Preferred Shares**” means the Class B preferred shares without par value in the capital of PubCo;

“**PubCo Shareholders**” means the holders of PubCo Shares;

“**PubCo Shares**” means the Class A common shares without par value in the capital of PubCo;

“**PubCo Units**” means the units to be issued pursuant to the Concurrent Financing at \$0.25 per unit, with each such unit being comprised of one PubCo Share and one share purchase warrant exercisable at \$0.75 per such warrant for 12 months from the date of issuance of such warrant. The exercise period for the mentioned warrants will be accelerated in the event PubCo Shares trade on the Exchange at a price of at least \$1.25 per PubCo Share for 20

consecutive trading days such that the warrants become exercisable within 10 business days of the acceleration notice provided by PubCo;

“**PubCo Warrants**” means the warrants that are to be issued in exchange of the TARGETCO Warrants pursuant to this Agreement;

“**Registrar**” means the Registrar of Corporations or a Deputy Registrar of Corporations appointed under the Alberta Act or a similar authority under the BC Act, as applicable;

“**Registrar and Transfer Agent**” means CST Trust Company, and any other person which may be appointed as registrar and transfer agent of PubCo from time to time;

“**Securities Laws**” means the securities laws (which include without limitation securities legislation, regulatory notices, orders, rules, regulations, policies, and other instruments incidental thereto), as amended from time to time, in all jurisdictions relevant to or having application to the issuance and transfer of securities pursuant to the terms of this Agreement, including, without limitation: (i) securities laws of the provinces and territories in Canada, as amended from time to time; and (ii) rules, policies, and decisions of the Exchange, as amended from time to time;

“**SubCo**” has the meaning ascribed to it in the Preamble hereof;

“**SubCo Amalgamation Resolution**” means the resolution of SubCo, to be signed by PubCo in its capacity as the sole shareholder of the SubCo Shares, approving the Amalgamation, to be substantially in the form and content of Schedule “C” hereto;

“**SubCo Preferred Shares**” means the preferred shares in the capital of SubCo;

“**SubCo Shares**” means the common shares in the capital of SubCo;

“**subsidiary**” means for the purposes of this Agreement, a corporation (or corporate entity) is a subsidiary of another corporation (or corporate entity) if:

(a) it is controlled by

- (i) that other corporation (or corporate entity),
- (ii) that other corporation (or corporate entity) and one or more corporations (or corporate entities) controlled by that other corporation (or corporate entity), or
- (iii) 2 or more corporations (or corporate entities) controlled by that other corporation (or corporate entity), or

(b) it is a subsidiary of a subsidiary of that other corporation (or corporate entity).

For the purposes of this definition, “control” (including, with correlative meaning, the term “controlled by”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“**TARGETCO**” has the meaning ascribed to it in the Preamble hereof;

“**TARGETCO Amalgamation Resolution**” means the approval of the holders of the TARGETCO Shares approving the Amalgamation, substantially in the form attached as Schedule “C1” to this agreement passed by a majority of two thirds of the votes cast thereon at the TARGETCO meeting or by the unanimous written consent of the TARGETCO Shareholders;

“**TARGETCO Shares**” means the common shares in the capital of TARGETCO;

“**TARGETCO Shareholders**” means the holders of TARGETCO Shares;

“**TARGETCO Warrants**” means the 620,161 warrants issued and outstanding in the capital of TARGETCO to be exchanged to PubCo Warrants pursuant to this Agreement;

“**TARGETCO Warrantholders**” means the holders of TARGETCO Warrants;

“**Termination Date**” means June 30, 2015, or such other date mutually agreed upon by PubCo and TARGETCO;

“**UWO**” has the meaning ascribed to it in the Preamble hereof; and

**1.2 Currency.** All amounts of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

**1.3 Date for Any Action.** In the event that any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

**1.4 Schedules.** The following Schedules are annexed to this Agreement and are hereby incorporated by reference into this Agreement and form part hereof:

- a. Schedule A - Bylaws of Amalco
- b. Schedule B - TARGETCO’s Financial Statements
- c. Schedule C - Form of Amalgamation Resolution of SubCo
- d. Schedule C1 - Form of Amalgamation Resolution of TARGETCO
- e. Schedule D - Form of Articles of Amalgamation
- f. Schedule E – Form of Director or Officer Certificate of TARGETCO

## **ARTICLE 2 THE AMALGAMATION**

**2.1 Amalgamation.** As soon as reasonably possible following the approvals of the TARGETCO Amalgamation Resolution and the SubCo Amalgamation Resolution and subject to the fulfilment or waiver of the conditions set forth herein, TARGETCO and SubCo shall amalgamate and continue as one corporation, Amalco, under the Laws of Alberta.

## **2.2 Implementation Steps.**

- (a) TARGETCO covenants in favour of PubCo, and SubCo that TARGETCO shall lawfully have the TARGETCO Amalgamation Resolution approved by TARGETCO Shareholders as soon as reasonably practicable and, in any event, no later than June 30, 2015, subject to postponements, as may be agreed to by TARGETCO and PubCo.
- (b) PubCo and SubCo covenant in favour of TARGETCO that Pubco shall in its capacity as the sole shareholder of SubCo sign the SubCo Amalgamation Resolution as soon as reasonably practicable and, in any event, no later than June 30, 2015, or such other date as may be agreed to by TARGETCO and PubCo.

## **2.3 Preparation of Filings.**

- (a) PubCo and TARGETCO shall cooperate in:
  - (i) the preparation of any application for the orders and the preparation of any documents reasonably deemed by PubCo or TARGETCO to be necessary to discharge their respective obligations under Corporate Laws and Securities Laws in connection with the Amalgamation and the other transactions contemplated hereby;
  - (ii) the taking of all such action as may be required under any applicable Corporate Laws and Securities Laws in connection with the issuance of the PubCo Shares and PubCo Warrants in connection with the Amalgamation; and
  - (iii) the taking of all such action as may be required under the BC Act and the Alberta Act or other applicable Laws in connection with the transactions contemplated by this Agreement.
- (b) Each of PubCo and TARGETCO shall promptly furnish to the other all information concerning it and its security holders as may be required for the effectuation of the actions described in Section 2.2 and the foregoing provisions of this Section 2.3, and each covenants that no information furnished by it (to its knowledge in the case of information concerning its shareholders) in connection with such actions or otherwise in connection with the consummation of the Amalgamation and the other transactions contemplated by this Agreement will contain any misrepresentation or any untrue statement of material fact or omit to state a material fact required to be stated in any such document or necessary in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it was furnished.

## **2.4 Amalco.** Unless and until otherwise determined in the manner required by law, by Amalco or its directors or the Amalco Shareholders, the following provisions shall apply to Amalco upon completion of the Amalgamation:

- (a) Amalco's name will be "NetCents Systems Ltd."
- (b) Amalco's bylaws will be in the form of Schedule "A".
- (c) Amalco's By-Laws will be the by-laws of TARGETCO.
- (d) The minimum number of Amalco directors will be 1 and the maximum number of

directors of Amalco will be 10.

(e) Amalco's directors will be as follows:

<b>Name</b>	<b>Address</b>
Clayton Moore	Suite 1105-1351 Continental St, Vancouver, BC, V6Z 0C6, Canada
<b><u>Gordon Jessop</u></b>	4944 Dogwood Drive, Delta, BC, V4M 1M6, Canada

Each of Amalco's directors will hold office until the first annual meeting of Amalco Shareholders following the Amalgamation, or until his successor is duly appointed or elected.

(f) Amalco's fiscal year end will be October 31.

(g) Amalco's registered office will be 421 7th Avenue S.W., Suite 1700, Calgary, Alberta, Canada, T2P 4K9.

(h) There shall be no restrictions on the business that Amalco may carry on or on the powers it may exercise.

(i) Amalco shall be authorized to issue such number of common shares as shall be determined by its Board of Directors.

(j) The transfer of shares in the capital of Amalco shall be restricted in that no share shall be transferred without the consent of the directors of Amalco as evidenced by a resolution passed by the Board of Directors or by an instrument or instruments in writing signed by all such directors.

(k) All of the assets of SubCo and TARGETCO immediately before the Amalgamation shall become the assets of Amalco.

(l) All of the liabilities of SubCo and TARGETCO immediately before the Amalgamation shall become the liabilities of Amalco.

## **2.5 Means of Effecting the Amalgamation.**

(a) On the Effective Date:

(i) TARGETCO and SubCo shall amalgamate to form Amalco and continue as one corporation under the Alberta Act;

(ii) the issued and outstanding TARGETCO Shares will be exchanged for PubCo Shares on the basis of one PubCo Share for each 0.706 of a TARGETCO Share, held immediately before the Effective Date, and any fractional share that results from such exchange as related to each TARGETCO Shareholder, whose TARGETCO Shares are being exchanged, shall be deemed to be cancelled and no fractional PubCo Shares shall be issued to such TARGETCO Shareholder. Additionally, the

issued and outstanding TARGETCO Warrants will be exchanged for PubCo Warrants on the basis of one PubCo Warrant for each 0.706 of a TARGETCO Warrant, held immediately before the Effective Date, and any fractional warrant that results from such exchange as related to each TARGETCO Warrantholder, whose TARGETCO Warrant(s) are being exchanged, shall be deemed to be cancelled and no fractional PubCo Warrant shall be issued to such TARGETCO Warrantholder;

(iii) the certificates (if any) evidencing such TARGETCO Shares and the TARGETCO Warrants shall be deemed to have been cancelled and the registers of shareholders of TARGETCO shall be updated accordingly;

(iv) the issued and outstanding SubCo Shares will be exchanged for Amalco Shares on the basis of one Amalco Share for each SubCo Share held immediately before the Effective Date, and the SubCo Shares so exchanged will immediately be cancelled; and

(v) PubCo will continue to hold the Amalco Shares;

provided that none of the foregoing shall occur or shall be deemed to occur unless all of the foregoing occurs.

- (b) Amalco shall add to the stated capital of the Amalco Shares an amount equal to the paid-up capital of the issued and outstanding SubCo Shares immediately before the Effective Date and the paid-up capital of the issued and outstanding TARGETCO Shares immediately before the Effective Date.
- (c) On the Effective Date, the registered TARGETCO Shareholders and the TARGETCO Warrantholders will cease to be registered TARGETCO Shareholders and TARGETCO Warrantholders and will be deemed to be registered PubCo Shareholders and warrantholders in accordance with Section 2.5(a). On the Effective Date, registered TARGETCO Shareholders and TARGETCO Warrantholders (who as mentioned cease to be registered TARGETCO Shareholders and TARGETCO Warrantholders on the Effective Date) shall be deemed to have surrendered the certificates (if any) representing their TARGETCO Shares and TARGETCO Warrants, and upon that surrender will be entitled to receive certificates representing the number of PubCo Shares and PubCo Warrants which they are entitled in accordance with Section 2.5(a), as soon as practicable, but in any event no later than ten Business Days following the Effective Date.
- (d) If any certificate which immediately prior to the Effective Date represented one or more outstanding TARGETCO Shares or TARGETCO Warrants (as applicable) has been lost, stolen or destroyed, upon executing an affidavit of that fact, claiming the certificate to be lost, stolen or destroyed, the Registrar and Transfer Agent will issue to the TARGETCO Shareholder or TARGETCO Warrantholder (as applicable) in exchange for the lost, stolen or destroyed certificate, a certificate representing the PubCo Shares or PubCo Warrants (as applicable) to which the TARGETCO Shareholder or TARGETCO Warrantholder is entitled under Section 2.5(a). When authorizing such issuance in exchange for any lost, stolen, or destroyed certificate, the TARGETCO Shareholder or TARGETCO Warrantholder to whom certificates are to be issued will, as a condition precedent to the issuance, give a bond satisfactory to PubCo and the Registrar and Transfer Agent in such sum as PubCo may

direct, or otherwise indemnify PubCo against any claim that may be made against PubCo with respect to the certificate alleged to have been lost, stolen or destroyed.

- (e) The parties acknowledge that certain of the PubCo Shares to be issued to TARGETCO Shareholders under the Amalgamation may be subject to escrow in accordance with the policies of the Exchange and Securities Laws. The parties also acknowledge that any PubCo Shares deposited into escrow will be held in escrow and released in accordance with the policies of the Exchange and Securities Laws. The parties agree that the terms of the escrow will be negotiated by counsel for the parties and the Exchange and the parties agree to accept the terms imposed by the Exchange and Securities Laws. The escrowed securities will be held in escrow under an escrow agreement in the form prescribed by the Exchange and Securities Laws as applicable.
- (f) As soon practicable after the Amalgamation, Amalco shall continue under the BC Act.

**2.6 Delivery of Amalgamation Application.** After this Agreement has been approved under applicable Laws and PubCo has received conditional acceptance from the Exchange, all Parties shall promptly send to the Registrar all documents required under applicable Laws. On receipt of the Amalgamation Application and other prescribed documents, and on receipt of the prescribed fees, the Registrar will issue a Certificate of Amalgamation in accordance with the Alberta Act. On the Effective Date:

- (a) the Amalgamation of TARGETCO and SubCo and their continuance as one corporation will become effective;
- (b) the Business of TARGETCO and the Business of SubCo will continue to be the Business of Amalco;
- (c) Amalco will continue to be liable for the obligations of each of TARGETCO and SubCo;
- (d) any existing cause of action, claim or liability to prosecution of either TARGETCO or SubCo will be unaffected;
- (e) any civil, criminal or administrative action or proceeding pending by or against either TARGETCO or SubCo may be continued to be prosecuted by or against Amalco;
- (f) a conviction against, or ruling, order or judgment in favour of or against, either TARGETCO and SubCo may be enforced by or against Amalco; and
- (g) the Bylaws of Amalco will be deemed to be the bylaws of Amalco and the Certificate of Amalgamation will be deemed to be the certificate of incorporation for Amalco.

**2.7 Filing of Amalgamation Application.** Subject to the rights of termination contained in Article 6 hereof and the satisfaction of the covenants and conditions set out in this Agreement, upon the holders of TARGETCO Shares approving the TARGETCO Amalgamation Resolution in the form attached in Schedule "C1" and upon PubCo, as the sole shareholder of SubCo, approving the SubCo Amalgamation Resolution in the form attached as Schedule "C" prior to the Effective Date, TARGETCO and SubCo shall jointly file with the Registrar the Amalgamation Application and such other documents as are required to be

filed under applicable Laws for acceptance by the Registrar to give effect to the Amalgamation.

### **ARTICLE 3 REPRESENTATIONS AND WARRANTIES**

**3.1 TARGETCO.** TARGETCO hereby represents and warrants to UWO, PubCo, and SubCo, as follows, and will be deemed to have so represented again at the Effective Date:

- (a) TARGETCO is duly incorporated and is in good standing under the Alberta Act;
- (b) TARGETCO has no subsidiaries or agreements of any nature to acquire any other companies, businesses, or assets;
- (c) TARGETCO has the power and authority to execute and perform its obligations under this agreement;
- (d) TARGETCO has duly executed and delivered this agreement, and this agreement is binding on, and enforceable against TARGETCO in accordance with its terms, subject, however, to limitations imposed by applicable Laws in connection with bankruptcy, insolvency, fraudulent transfer, reorganization, and other laws relating to or affecting creditors' rights generally or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction;
- (e) no approval of any third party which, if not obtained or made, would, individually or in the aggregate, have a Material Adverse Effect on TARGETCO or prevent or materially impair TARGETCO's ability to perform its obligations under this agreement, is required in connection with TARGETCO's execution of, and performance of its obligations under, this agreement, other than the TARGETCO Amalgamation Resolution and all other approvals contemplated by this agreement;
- (f) TARGETCO's execution and delivery of, and performance of its obligations under this agreement will not violate, conflict with, or result in the breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any Encumbrance upon any of the Assets of TARGETCO, or give any person or company any right to terminate or cancel any agreement, license, right, or any benefit enjoyed by TARGETCO because of such agreement, or result in the creation or imposition of any Encumbrance or restriction of any nature whatsoever in favour of a third party upon or against TARGETCO or the Assets of TARGETCO under any of the terms, conditions or provisions of:
  - (i) TARGETCO's by-laws, as applicable;
  - (ii) any agreement to which TARGETCO is a party ; or
  - (iii) any statute, regulation, by-law, order, judgment, or decree by which TARGETCO is bound, except for such violations which would not have a Material Adverse Effect on TARGETCO or the TARGETCO Shares or TARGETCO Warrants;
- (g) as of the date of this Agreement, the authorized share capital of TARGETCO consists of an unlimited number of TARGETCO Shares without par value with one vote each, of



which 35,573,724 TARGETCO Shares are validly issued and outstanding as fully paid and non-assessable. There are also 620,161 TARGETCO Warrants in the capital of TARGETCO issued and outstanding, which shall be exchanged to PubCo Warrants pursuant to this Agreement. Except as set out above, as of the date of this Agreement there are no securities of TARGETCO outstanding and no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by TARGETCO of any securities of TARGETCO (including the TARGETCO Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of TARGETCO (including the TARGETCO Shares and the TARGETCO Warrants), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attributes of TARGETCO. All outstanding TARGETCO Shares and TARGETCO Warrants have been duly authorized and are validly issued, as fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights;

- (h) except as disclosed by this Agreement, no Person has any written or oral agreement or option or right capable of becoming an agreement:
  - (i) to require the TARGETCO to issue any securities or to convert or exchange any securities into or for shares of the TARGETCO;
  - (ii) for the acquisition, purchase, subscription, allotment, or issuance of any of the unissued shares or other securities of the TARGETCO; or
  - (iii) to require the TARGETCO to purchase, redeem, or otherwise acquire any of the TARGETCO's issued and outstanding shares or other securities;
- (i) the TARGETCO is not a reporting issuer, a public company or similar entity in any jurisdiction under applicable Securities Laws, and there is no published market in respect of the TARGETCO Shares, and any other security of TARGETCO;
- (j) except as contemplated by this Agreement, as of the date of this Agreement, no person has any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued share capital of TARGETCO, or any other securities of TARGETCO;
- (k) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the knowledge of the directors and officers of TARGETCO threatened against or relating to TARGETCO or affecting its properties or business which if determined adversely to TARGETCO might materially and adversely affect the properties, business, future prospects or the financial condition of TARGETCO or the right of TARGETCO to use, produce or sell its Business or assets in whole or in part. There is not presently outstanding against TARGETCO any judgment, injunction, rule or order of any court, governmental department, commission, agency or arbitrator;
- (l) TARGETCO has not experienced nor, to the knowledge of the directors and officers of TARGETCO, is it aware of any occurrence or event which has had, or might reasonably be expected to have, a Material Adverse Effect on TARGETCO, its Business, or its Assets, or the results of its operations;

- (m) except as disclosed to PubCo and SubCo in writing, TARGETCO has not incurred any obligation or liability, contingent or otherwise, for broker's fees, commissions or finder's fees or other similar fees in respect of the transactions contemplated by this Agreement, and there is no Person that is entitled to a consultant's or finder's fee or any type of brokerage commission in relation to or in connection with the transactions contemplated by this Agreement;
- (n) the audited financial statements of TARGETCO and the notes thereto for the years ended October 31, 2014, 2013 and 2012 and the unaudited financial statements of TARGETCO and the notes thereto for the three month period ended January 31, 2015 and 2014, respectively, copies of which are attached as Schedule "B", are true and correct and present fairly, in all material respects, the financial position and condition of TARGETCO, on a consolidated basis, as at such date and the results of its operations and changes in financial position for the period indicated in the said statements, and to the best of TARGETCO's knowledge, have been prepared in accordance with International Financial Reporting Standards;
- (o) TARGETCO has no material liabilities, contingent or otherwise, except those set out in the financial statements referred to in Section 3.1(n), and TARGETCO has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any person;
- (p) TARGETCO is not indebted to:
  - (i) any director, employee, officer, or shareholder of TARGETCO (except for compensation or reimbursable expenses accrued in the ordinary course of business, consistent with past practice), or any of their affiliates;
  - (ii) any individual related to any of the foregoing by blood, marriage or adoption; or
  - (iii) any person controlled, directly or indirectly, by any one or more of those persons referred to in Sections 3.1(p)(i) and (ii).
- (q) none of those persons referred to in Section 3.1(p) is indebted to TARGETCO. There is no material Indebtedness of the TARGETCO that is not disclosed or reflected in this Agreement, and TARGETCO has not guaranteed or agreed to guarantee any Indebtedness of any Person;
- (r) no notices, reports, exemptions, or other filings are required to be made by TARGETCO with, nor are any consents, registrations, licenses, approvals, permits, exemptions, orders, or authorizations required to be obtained by TARGETCO from, any Governmental Entity other than the usual filings under applicable Laws, in connection with the execution and delivery of this agreement by TARGETCO and the performance of its obligations hereunder, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on TARGETCO or could prevent, materially delay or materially burden the transactions contemplated by this Agreement;
- (s) to the knowledge of the directors and officers of TARGETCO, TARGETCO is duly licensed, registered and qualified, in all material respects, and possesses all material, valid and subsisting certificates, authorizations, permits, registrations, or licenses issued by the appropriate regulatory authorities in the jurisdictions necessary to enable its Business to be carried on as now conducted and to enable its properties and assets to be owned, leased and operated as they are now, and all such licenses, registrations and qualifications are in good standing, in all material respects and has the requisite corporate power and capacity to carry on its Business as it is now being conducted, and no violations of those permits,

certificates, registrations, and licenses have been recorded and no proceeding is pending or threatened to revoke or limit any of them;

- (t) all material agreements, contracts, and commitments of TARGETCO are:
  - (i) in good standing, full force and effect, and TARGETCO is entitled to all benefits thereunder; and
  - (ii) TARGETCO is not in default under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived by the other party to such contract, agreement or commitment, and there exists no state of facts which after notice or lapse of time or both would constitute a default or breach;
- (u) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of TARGETCO under any of the provisions contained in any of the material contracts, commitments or agreements referred to in Section 3.1(t);
- (v) the corporate records and minute books of TARGETCO are current and complete in all material respects and represent accurate minutes of all meetings of the directors (and committees of the directors) and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meeting, duly signed. TARGETCO has promptly and properly recorded all of its material transactions in its respective books and records. TARGETCO has not altered its constating documents since incorporation, except as disclosed in its minute books, and all alterations have been approved and registered with the applicable corporate registries;
- (w) there are no reasonable grounds for believing that a creditor of TARGETCO will be prejudiced by the Amalgamation;
- (x) the execution and delivery of this Agreement and the performance by TARGETCO of its obligations hereunder have been duly authorized by TARGETCO's Board of Directors, and other than the approval of the TARGETCO Amalgamation Resolution by the holders of TARGETCO Shares, no other corporate or shareholder proceedings on the part of TARGETCO are necessary to authorize this Agreement or the performance by TARGETCO of its obligations hereunder;
- (y) to its knowledge, neither TARGETCO nor any of its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of TARGETCO;
- (z) the only present directors and officers of the TARGETCO are as follows:

<b>Name</b>	<b>Position</b>
Clayton Moore	CEO/Director
Gordon Jessop	President/COO

- (aa) Except as disclosed to PubCo and SubCo in writing, the TARGETCO owns and has good and marketable title to its Assets used in its Business, and TARGETCO's Assets are free and clear of material Encumbrances, covenants, conditions, options to purchase, and restrictions or other adverse claims or interests, or defects in title of any kind or nature;

- (bb) TARGETCO has not received any notice or claim challenging ownership of or rights by TARGETCO to its Assets or suggesting that such person has any claim of legal or beneficial ownership or other claim or interest with respect thereto nor, to the knowledge of the directors and officers of TARGETCO, is there a reasonable basis for such a claim;
- (cc) TARGETCO has all of the rights to develop, use, reproduce, sub-license, sell, offer for sale, or otherwise exploit its Assets, as allowed under applicable Laws, and to the extent required to operate all material aspects of its Business;
- (dd) TARGETCO is not or has not been a party to any action or proceeding nor has any action or proceeding been threatened against TARGETCO that alleges that the conduct of the Business of TARGETCO infringes any other person's rights, and to the knowledge of TARGETCO no person has infringed or is infringing the rights of TARGETCO in or to any of its Assets;
- (ee) TARGETCO has filed all tax returns, filings, and, to the knowledge of TARGETCO, reports required by law to be filed before the date of this Agreement and those returns, filings, and reports are complete and correct, and the TARGETCO has paid all taxes, assessments, rentals, levies, and other Government Authority charges or payments, including all income, excise, sales, business, and property taxes and other rates, charges, assessments, levies, duties, taxes, contributions, fees, and licenses, required to be paid relating to TARGETCO's Business and its Assets, and if any of those charges are not required to be paid as at this date, TARGETCO has accrued them in the TARGETCO financial statements contained in Schedule "B". Furthermore, TARGETCO has paid or withheld and remitted to all applicable tax collecting authorities all amounts required to be remitted;
- (ff) TARGETCO has made adequate provision for taxes payable for which tax returns are not yet required to be filed, and there are no agreements, waivers, or other arrangements providing for an extension of time for the filing of any tax return by or payment of any tax, government charge, or deficiency by TARGETCO, and to the best of TARGETCO's knowledge, there are no contingent tax liabilities on any grounds that would prompt a re-assessment;
- (gg) to the knowledge of TARGETCO there is no adverse claim or challenge against or to TARGETCO's ownership of, title, or right to any of its Assets (including the Intellectual Property), nor is there any basis therefor or interest therein, and there are no outstanding agreements or options to acquire or purchase TARGETCO's Assets (including the Intellectual Property) or any portion thereof, and no person other than TARGETCO has any interest in TARGETCO's Assets (including its Intellectual Property);
- (hh) TARGETCO is conducting and will conduct its Business in material compliance with all applicable Laws, rules and regulations of each jurisdiction in which the Business is or will be carried on, and the TARGETCO is not in material breach of any domestic or foreign laws to which it is subject or that apply to it;
- (ii) Neither TARGETCO, nor its Assets are subject to any charter, by-law, or other corporate restriction, nor any order or other restriction that would:
  - (i) prevent TARGETCO from entering into this Agreement or from completing the transactions contemplated by this Agreement; or
  - (ii) materially adversely affect the Business, the Assets, prospects, or condition, financial or otherwise, of TARGETCO or accelerate the due date for payment of any of TARGETCO's material liabilities or Indebtedness;

- (jj) since the date of this Agreement and except as disclosed in writing to PubCo and SubCo:
  - (i) there have been no material adverse changes in the corporate or financial affairs of TARGETCO;
  - (ii) TARGETCO has not waived or surrendered any right of material value;
  - (iii) TARGETCO has not made or authorized any payments of any kind to any of its officers, directors, or shareholders, or under any management agreements with TARGETCO, except in the ordinary course of business and at the regular rates of salary, management, or consulting fees;
  - (iv) TARGETCO has conducted its Business in the ordinary course;
  - (v) TARGETCO has not acquired or had the use of any Assets from a Person with whom they were not dealing at arm's length;
  - (vi) TARGETCO has not disposed of anything to a Person with whom they were not dealing at arm's length for proceeds less than the fair market value of the disposed object;
  - (vii) TARGETCO has not incurred any liability to any Person with whom they were not dealing at arm's length;
- (kk) TARGETCO has made full disclosure in all material respects to PubCo and SubCo of all aspects of TARGETCO's Business and have made all of TARGETCO's books and records available to the representatives of PubCo and SubCo in order to assist PubCo and SubCo in the performance of their due diligence searches and no material facts in relation to TARGETCO's Business have been concealed by TARGETCO;
- (ll) no proceedings are pending that could reasonably lead to the institution of any proceedings leading to the dissolution or winding-up of TARGETCO or the placing of TARGETCO into bankruptcy or subject to any other laws governing the affairs of insolvent persons;
- (mm) TARGETCO has not received from any Governmental Entity any notice of or communication relating to any actual or alleged claims against TARGETCO's Business or Assets;
- (nn) TARGETCO is not aware of a claim of any infringement or breach of any industrial or intellectual property rights of any other Person by TARGETCO, and TARGETCO does not have any knowledge of any infringement or violation of any of the rights of TARGETCO in such Intellectual Property. TARGETCO is not aware of any state of facts that casts doubt on the validity or enforceability of any of TARGETCO's Intellectual Property; and
- (oo) TARGETCO is not breaching any material contract, commitment or agreement between TARGETCO and any third-party by entering into this Agreement, the transactions contemplated herein, and performing TARGETCO's obligations herein.

**3.2 PubCo.** PubCo hereby represents to TARGETCO as follows, and will be deemed to have so represented again at the Effective Date:

- (a) PubCo is duly incorporated and is in good standing under the BC Act;
- (b) PubCo has no subsidiaries, other than SubCo;
- (c) PubCo has the power and authority to execute and perform its obligations under this agreement;
- (d) PubCo has duly executed and delivered this agreement, and this agreement is binding on, and enforceable against, PubCo in accordance with its terms, subject, however, to limitations imposed by applicable Laws in connection with bankruptcy, insolvency, fraudulent transfer, reorganization, and other laws relating to or affecting creditors' rights generally or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction;
- (e) no approval of any third party which, if not obtained or made, would, individually or in the aggregate, have a Material Adverse Effect on PubCo or prevent or materially impair PubCo's ability to perform its obligations under this agreement, is required in connection with PubCo's execution of, and performance of its obligations under, this agreement, other than the approvals contemplated by this agreement;
- (f) PubCo's execution and delivery of, and performance of its obligations under, this agreement will not violate:
  - (i) the articles of PubCo;
  - (ii) any agreement to which PubCo is a party and will not give any person or company any right to terminate or cancel any agreement or any right enjoyed by PubCo because of such agreement, and will not result in the creation or imposition of any Encumbrance or restriction of any nature whatsoever in favour of a third party upon or against PubCo or the Assets of PubCo; or
  - (iii) any statute, regulation, by-law, order, judgment, or decree by which PubCo is bound, except for such violations which would not have a Material Adverse Effect on PubCo or the PubCo Shares;
- (g) within five (5) Business Days of the Effective Date, PubCo will be a "reporting issuer" or equivalent under applicable Securities Laws in the Provinces of Alberta and British Columbia (Canada), and is not in default of the requirements of such legislation or the regulations and rules thereto, unless any securities regulatory authority does not grant "reporting issuer" to PubCo;
- (h) no cease trade order has been issued against PubCo or the PubCo Shares in any jurisdiction, and, to the knowledge of PubCo, no cease trade order is pending or threatened;
- (i) the authorized share capital of PubCo consists of an unlimited number of PubCo Shares without par value with one vote each, of which one is issued and outstanding (as of the date of this Agreement), and an unlimited of PubCo Preferred Shares without par value, of which no PubCo Preferred Shares are issued and outstanding. Except as set out above and the 1,010,549 PubCo Shares reserved for issuance under

the Arrangement and the 1,250,000 PubCo Units reserved for issuance pursuant to the Concurrent Financing, and the PubCo Shares and PubCo Warrants reserved for issuance under the Amalgamation, there are no securities of PubCo outstanding and no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by PubCo of any shares of PubCo (including the PubCo Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of PubCo (including the PubCo Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attributes of PubCo. All outstanding PubCo Shares have been duly authorized and are validly issued, as fully paid and non-assessable and are not subject to, nor were they issued in violation of, any preemptive rights. The Parties acknowledge that the number of PubCo Shares at the Effective Date may reflect the number of PubCo Shares to be issued pursuant to the Arrangement, the PubCo Shares (being part of the PubCo Units) to be issued pursuant to the Concurrent Financing, and any financing that may occur in PubCo prior to the Effective Date (such financing to be disclosed and consented to by Target);

- (j) except as contemplated by this Agreement, no person has any agreement, option or right to acquire or is capable of becoming an agreement for the purchase or acquisition of any of the unissued share capital of PubCo, or any other securities of PubCo;
- (k) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the knowledge of the directors and officers of PubCo, threatened against or relating to PubCo or affecting its properties or Business which if determined adversely to PubCo might materially and adversely affect the properties, Business, future prospects or the financial condition of PubCo, or the right of PubCo to use, produce or sell its Business or Assets in whole or in part. There is not presently outstanding against PubCo any judgment, injunction, rule or order of any court, governmental department, commission, agency or arbitrator;
- (l) PubCo has not experienced nor, to the knowledge of the directors and officers of PubCo, is it aware of any occurrence or event which has had, or might reasonably be expected to have, a Material Adverse Effect on PubCo;
- (m) PubCo has not incurred any obligation or liability, contingent or otherwise, for broker's fees, commissions or finder's fees or other similar fees in respect of the transactions contemplated by this agreement;
- (n) PubCo has no material liabilities, contingent or otherwise, and PubCo has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any person;
- (o) PubCo is not indebted to:
  - (i) any director, officer or shareholder of PubCo (except for reimbursable expenses accrued in the ordinary course of business);
  - (ii) any individual related to any of the foregoing by blood, marriage or adoption;  
or
  - (iii) any person controlled, directly or indirectly, by any one or more of those

persons referred to in sections 3.2(o)(i) and (ii);

- (p) none of those persons referred to in section 3.2(o) is indebted to PubCo;
- (q) no notices, reports or other filings are required to be made by PubCo with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by PubCo from, any governmental or regulatory authority other than the usual filings under applicable Corporate Laws and Securities Laws, in connection with the execution and delivery of this agreement by PubCo and the performance of its obligations hereunder, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on PubCo or could prevent, materially delay or materially burden the transactions contemplated by this agreement;
- (r) PubCo has filed all required forms, reports and documents (collectively, the “**PubCo Public Disclosure**”) with the applicable regulatory authorities having jurisdiction over PubCo. None of the PubCo Public Disclosure filed by PubCo with the applicable securities regulatory authorities having jurisdiction, at the time filed or as subsequently amended, contained any misrepresentation or any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;
- (s) all material contracts, agreements and commitments of PubCo (whether written or oral) are in full force and effect and PubCo is not in default under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived by the other party to such contract, agreement or commitment;
- (t) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of PubCo under any of the provisions contained in any of the material contracts, commitments or agreements referred to in section 3.2(s);
- (u) the corporate records and minute books of PubCo are current and complete in all material respects and represent accurate minutes of all meetings of the directors (and committees of the directors) and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meeting, duly signed;
- (v) there are no reasonable grounds for believing that a creditor of PubCo will be prejudiced by the Amalgamation;
- (w) the execution and delivery of this Agreement and the performance by PubCo of its obligations hereunder have been duly authorized by PubCo’s Board of Directors, and other than the approval of the SubCo Amalgamation Resolution, no other corporate or shareholder proceedings on the part of PubCo are necessary to authorize this Agreement or the performance by PubCo of its obligations hereunder; and
- (x) to its knowledge, neither PubCo nor any of its shareholders is a party to any



unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of PubCo.

**3.3 SubCo.** SubCo hereby represents to TARGETCO as follows, and will be deemed to have so represented again at the Effective Date:

- (a) SubCo is duly incorporated and in good standing under the Alberta Act;
- (b) SubCo has no subsidiaries;
- (c) SubCo has the power and authority to execute and perform its obligations under this agreement;
- (d) SubCo has duly executed and delivered this Agreement, and this Agreement is binding on, and enforceable against SubCo in accordance with its terms, subject, however, to limitations imposed by applicable Laws in connection with bankruptcy, insolvency, fraudulent transfer, reorganization, and other laws relating to or affecting creditors' rights generally or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction;
- (e) no approval of any third party which, if not obtained or made, would, individually or in the aggregate, have a Material Adverse Effect on SubCo or prevent or materially impair SubCo's ability to perform its obligations under this agreement, is required in connection with SubCo's execution of, and performance of its obligations under, this Agreement, other than the approvals contemplated by this Agreement;
- (f) SubCo's execution and delivery of, and performance of its obligations under, this Agreement will not violate:
  - (i) the bylaws of SubCo;
  - (ii) any agreement to which SubCo is a party and will not give any person or company any right to terminate or cancel any agreement or any right enjoyed by SubCo because of such agreement, and will not result in the creation or imposition of any Encumbrance or restriction of any nature whatsoever in favour of a third party upon or against SubCo or the Assets of SubCo; or
  - (iii) any statute, regulation, by-law, order, judgment, or decree by which SubCo is bound, except for such violations which would not have a Material Adverse Effect on SubCo or the SubCo Shares;
- (g) SubCo is not a "reporting issuer" or equivalent under applicable Securities Laws in any jurisdiction;
- (h) the authorized share capital of SubCo consists of an unlimited number of SubCo Shares, without par value with one vote each, of which one share is issued and outstanding and an unlimited number of SubCo Preferred Shares without par value, of which no SubCo Preferred Shares are issued and outstanding. Except as set out above, there are no securities of SubCo outstanding and no options, warrants or other

rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by SubCo of any shares of SubCo or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of SubCo, nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attributes of SubCo. All outstanding SubCo Shares have been duly authorized and are validly issued, as fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights;

- (i) no person has any agreement, option or right to acquire or is capable of becoming an agreement for the purchase or acquisition of any of the unissued share capital of SubCo, or any other securities of SubCo;
- (j) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the knowledge of SubCo, threatened against or relating to SubCo or affecting its Business which if determined adverse to SubCo might materially and adversely affect the Assets, Business, future prospects or the financial condition of SubCo, or the right of SubCo to use, produce or sell its business or assets in whole or in part. There is not presently outstanding against SubCo any judgment, injunction, rule or order of any court, governmental department, commission, agency or arbitrator;
- (k) SubCo has not experienced nor, to the knowledge of SubCo, are either aware of any occurrence or event which has had, or might reasonably be expected to have, a Material Adverse Effect on SubCo;
- (l) SubCo has not incurred any obligation or liability, contingent or otherwise, for broker's fees, commissions or finder's fees or other similar fees in respect of the transactions contemplated by this agreement;
- (m) SubCo has no material liabilities, contingent or otherwise, and SubCo has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any person;
- (n) SubCo is not indebted to:
  - (i) any director, officer or shareholder of SubCo (except for reimbursable expenses accrued in the ordinary course of business);
  - (ii) any individual related to any of the foregoing by blood, marriage or adoption;  
or
  - (iii) any person controlled, directly or indirectly, by any one or more of those persons referred to in sections 3.3(n)(i) and (ii);
- (o) none of those persons referred to in section 3.3(n) is indebted to SubCo;
- (p) no notices, reports or other filings are required to be made by SubCo with, nor are any consents, registrations, approvals, permits or authorizations required to be

obtained by SubCo from, any governmental or regulatory authority other than the usual filings under applicable Corporate Laws and Securities Laws, in connection with the execution and delivery of this agreement by SubCo and the performance of its obligations hereunder, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on SubCo or could prevent, materially delay or materially burden the transactions contemplated by this agreement;

- (q) all material contracts, agreements and commitments of SubCo (whether written or oral) are in full force and effect and SubCo is not in default under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived by the other party to such contract, agreement or commitment;
- (r) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of SubCo under any of the provisions contained in any of the material contracts, commitments or agreements referred to in section 3.3(q);
- (s) the corporate records and minute books of SubCo are current and complete in all material respects and represent accurate minutes of all meetings of the directors (and committees of the directors) and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meeting, duly signed; and
- (t) there are no reasonable grounds for believing that a creditor of SubCo will be prejudiced by the Amalgamation;
- (u) the execution and delivery of this Agreement and the performance by SubCo of each of its respective obligations hereunder has been duly authorized by SubCo's Board of Directors, and no other corporate or shareholder proceedings on the part of SubCo is necessary to authorize this Agreement or the performance by SubCo of its obligations hereunder; and
- (v) to SubCo's knowledge, neither SubCo nor any of their respective shareholders are a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of SubCo.

#### **ARTICLE 4 COVENANTS**

**4.1 Covenants of TARGETCO.** TARGETCO covenants in favour of PubCo and SubCo that TARGETCO will not, prior to the Effective Date:

- (a) declare, pay or set aside any dividends or provide for any distribution of its properties or Assets, or make any payment by way of return of capital or otherwise, to its shareholders;
- (b) split, combine or reclassify any outstanding shares except pursuant to the Amalgamation as

contemplated by this Agreement;

- (c) enter into any material contract, other than in the ordinary course of business consistent with past practice;
- (d) redeem, purchase or offer to purchase any of its shares or other securities;
- (e) reorganize, amalgamate or merge with any other Person or other business organization whatsoever;
- (f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or Assets or otherwise) any Person or other business organization or division or any Assets or properties of a material nature except pursuant to this agreement;
- (g) incur or commit to incur any Indebtedness for borrowed money, other than in the ordinary course of business consistent with past practice, or issue any debt securities;
- (h) issue or commit to issue any shares of its capital stock, or rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options;
- (i) except as contemplated by this agreement, alter or amend in any way its constating documents as the same exist at the date of this Agreement;
- (j) take any action which would be outside the ordinary course of business or which is likely to result in a Material Adverse Change;
- (k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any material component of its Assets, other than in the ordinary course of business consistent with past practice;
- (l) engage in any business enterprise or other activity other than in the ordinary course of business and except as contemplated herein;
- (m) enter into any transaction with or make payments or issue securities to a party or parties with which TARGETCO does not deal at arm's length, other than in the ordinary course of business consistent with past practice;
- (n) enter into any employment or consulting agreement with any director, officer or employee who has a policy-making function, or hire or promote any such person; or
- (o) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this agreement.

**4.2 Further Covenants of TARGETCO.** TARGETCO covenants in favour of PubCo and SubCo that TARGETCO will, prior to the Effective Date:

- (a) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfill its obligations under and to carry out the transactions contemplated by this agreement;

- (b) as soon as reasonably practicable after execution of this agreement, use its reasonable commercial efforts to obtain approval of TARGETCO Shareholders of the TARGETCO Amalgamation Resolution;
- (c) provide PubCo, on a timely basis, with all relevant information concerning itself and its Business, operations and financial statements and such information will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in the light of the circumstances in which it will be made, and such information will constitute full, true and plain disclosure of all material facts relating to the particular matters concerning TARGETCO;
- (d) except for proxies and other non-substantive communications with security holders, provide promptly to PubCo a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with: (i) the Amalgamation; (ii) any filings under applicable Laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated herein;
- (e) make all necessary filings and applications under applicable foreign, federal and provincial Laws required on its part in connection with the transactions contemplated in this agreement, and take all reasonable action necessary to be in compliance with such laws and regulations;
- (f) use all commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein will be true and correct on and as of the Effective Date as if made on the Effective Date, except to the extent that such representations and warranties are made as of a certain date or require modification to give effect to the transactions contemplated herein;
- (g) use all commercially reasonable efforts and do all such acts and things that are reasonably necessary to cause each of the conditions precedent specified in sections 5.1 and 5.3 to be complied with;
- (h) subject to the satisfaction of the conditions precedent in sections 5.1 and 5.2, thereafter together with PubCo and SubCo file with the Registrar such documents as may be required to give effect to the Amalgamation on or before the Termination Date;
- (i) notify PubCo and SubCo immediately upon becoming aware that any of the representations and warranties of TARGETCO contained herein are no longer true and correct in any material respect;
- (j) permit PubCo and SubCo to inspect, for a reasonable time and without undue interference with TARGETCO's Business, TARGETCO's Assets (on more than one occasion) for all purposes of this Agreement without PubCo or SubCo making any payment to and without accounting to or obtaining the permission of TARGETCO or any other Person, other than any payment required to be made and disclosed under this Agreement;

- (k) not issue any shares, grant any options or warrants or otherwise create any rights that are convertible into shares that will or could result in more than 35,573,724 TARGETCO Shares being issued and outstanding prior to the Closing or during the term of this Agreement, whichever date is earlier, without the prior written consent of the PubCo and SubCo;
- (l) take all necessary corporate action on TARGETCO's part by the Closing to validly authorize the signing, delivery, and performance of this Agreement and the completion of the transactions contemplated by this Agreement; and
- (m) have a senior officer or director of TARGETCO sign a certificate substantially in the form attached as Schedule E.

**4.3 Covenants of PubCo.** PubCo covenants in favour of TARGETCO that PubCo will not, prior to the Effective Date, other than as contemplated in or pursuant to this Agreement and the Arrangement:

- (a) declare, pay or set aside any dividends or provide for any distribution of its properties or Assets, or make any payment by way of return of capital or otherwise, to its shareholders;
- (b) split, combine or reclassify any outstanding shares;
- (c) enter into any material contract, other than in the ordinary course of business;
- (d) redeem, purchase or offer to purchase any of its shares or other securities;
- (e) reorganize, amalgamate or merge with any other Person or other business organization whatsoever;
- (f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or Assets or otherwise) any Person or other business organization or division, or any Assets or properties of a material nature;
- (g) incur or commit to incur any Indebtedness for borrowed money, other than in the ordinary course of business, or issue any debt securities;
- (h) issue or commit to issue any shares of its capital stock, or rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options;
- (i) alter or amend in any way its constating documents or by-laws as the same exist at the date of this agreement;
- (j) take any action which would be outside the ordinary course of business or which may result in a Material Adverse Change;
- (k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any material component of its Assets other than in the ordinary course of business;
- (l) engage in any business enterprise or other activity, other than as contemplated herein

and as required as a public company;

- (m) enter into any transaction with or make payments or issue securities to a party or parties with whom PubCo does not deal at arm's length, other than in the ordinary course of business ;
- (n) enter into any employment or consulting agreement with any director, officer or employee who has a policy-making function, or hire or promote any such person; or
- (o) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this agreement, except that the issuance of certain shares pursuant to the Arrangement as indicated in preamble "E." are deemed not to "materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this agreement".

**4.4 Further Covenants of PubCo.** PubCo covenants in favour of TARGETCO that PubCo will:

- (a) use all commercially reasonable efforts to complete the Amalgamation;
- (b) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfill its obligations under and to carry out the transactions contemplated by this agreement, including obtaining any necessary approvals of the relevant securities regulatory authorities;
- (c) provide TARGETCO, on a timely basis, with all relevant information concerning itself and its Business, operations and financial statements and such information will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in light of the circumstances in which it will be made, and such information will constitute full, true and plain disclosure of all material facts relating to the particular matters concerning PubCo;
- (d) make all necessary filings and applications under applicable foreign, federal and provincial Laws required on the part of PubCo to acquire or maintain its reporting issuer status as applicable and take all reasonable action necessary to be in compliance with such laws and regulations;
- (e) use all commercially reasonable efforts to conduct its affairs so that all of PubCo's representations and warranties contained herein will be true and correct on and as of the Effective Date as if made on the Effective Date, except to the extent that such representations and warranties are made as of a certain date or require modification to give effect to the transactions contemplated herein;
- (f) use all commercially reasonable efforts and do all such acts and things that are reasonably necessary to cause each of the conditions precedent specified in sections 5.1 and 5.2 to be complied with;
- (g) subject to the satisfaction of the conditions precedent in sections 5.1 and 5.3,

thereafter together with TARGETCO and SubCo file with the Registrar the documents as may be required to give effect to the Amalgamation on or before the Termination Date;

- (h) notify TARGETCO immediately upon becoming aware that any of the representations and warranties of PubCo contained herein are no longer true and correct in any material respect; and
- (i) approve the SubCo Amalgamation Resolution.

**4.5 Covenants of SubCo.** SubCo covenants in favour of TARGETCO that it will not, prior to the Effective Date, other than as contemplated in or pursuant to this Agreement and the Arrangement:

- (a) declare, pay or set aside any dividends or provide for any distribution of its properties or Assets, or make any payment by way of return of capital or otherwise, to its shareholders;
- (b) split, combine or reclassify any outstanding shares;
- (c) enter into any material contract, other than in the ordinary course of business;
- (d) redeem, purchase or offer to purchase any of its shares or other securities;
- (e) reorganize, amalgamate or merge with any other Person or other business organization whatsoever;
- (f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or Assets or otherwise) any Person or other business organization or division, or any Assets or properties of a material nature;
- (g) incur or commit to incur any Indebtedness for borrowed money, other than in the ordinary course of business, or issue any debt securities;
- (h) make any changes to its issued and outstanding capital stock, including issuing or committing to issue any shares of its capital stock, or rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options;
- (i) alter or amend in any way its constating documents or by-laws as the same exist at the date of this agreement;
- (j) take any action which would be outside the ordinary course of business or which may result in a Material Adverse Change;
- (k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any material component of its Assets other than in the ordinary course of business;
- (l) engage in any business enterprise or other activity, other than as contemplated herein;



- (m) enter into any transaction with or make payments or issue securities to a party or parties with whom it does not deal at arm's length, other than in the ordinary course of business;
- (n) enter into any employment or consulting agreement with any director, officer or employee who has a policy-making function, or hire or promote any such person; or
- (o) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this agreement.

**4.6 Further Covenants of SubCo.** SubCo covenants in favour of TARGETCO that it will:

- (a) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfill its obligations under and to carry out the transactions contemplated by this agreement;
- (b) make all necessary filings and applications under applicable foreign, federal and provincial Laws required on the part of it in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations;
- (c) use all commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein will be true and correct on and as of the Effective Date as if made on the Effective Date, except to the extent that such representations and warranties are made as of a certain date or require modification to give effect to the transactions contemplated herein;
- (d) use all commercially reasonable efforts and do all such acts and things that are reasonably necessary to cause each of the conditions precedent specified in sections 5.1 and 5.2 to be complied with;
- (e) subject to the satisfaction of the conditions precedent in sections 5.1 and 5.3, thereafter together with TARGETCO and PubCo file with the Registrar the documents as may be required to give effect to the Amalgamation on or before the Termination Date; and
- (f) notify TARGETCO immediately upon becoming aware that any of its representations and warranties contained herein are no longer true and correct in any material respect.

**4.7 Covenants of UWO.**

- (a) UWO shall take such action(s) necessary or desirable to carry out the purposes of this Agreement and/or the other related documents, and to effectuate the transactions contemplated herein, including but not limited to: (a) executing and delivering documents in furtherance of this Agreement; and (b) do such other acts and things, all as the other Parties may reasonably request for the purposes of carrying out the intent of this Agreement and the transactions contemplated herein.

**ARTICLE 5**  
**CONDITIONS PRECEDENT AND OTHER MATTERS**

**5.1 Mutual Conditions Precedent.** The respective obligations of the parties to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, of the following conditions any of which may be waived by the mutual consent of such parties without prejudice to their rights to rely on any other or others of such conditions:

- (a) the PubCo Shares to be issued upon the completion of the Amalgamation will have been conditionally approved for listing by the Exchange, subject to PubCo fulfilling the Exchange's customary listing requirements;
- (b) the Amalgamation will have been approved by the TARGETCO Shareholders;
- (c) there will not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this agreement and there shall be no proceeding, whether of a judicial or administrative nature or otherwise, in progress that relates to or results from the transactions contemplated under this Agreement that would, if successful, result in an order or ruling that would preclude completion of the transactions contemplated under this Agreement in accordance with the terms and conditions hereof or thereof;
- (d) all consents, orders and approvals, including, without limitation, regulatory approvals, required or necessary or desirable for the completion of the transactions provided for in this agreement will have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the parties, acting reasonably and all other applicable regulatory requirements, conditions and consents shall have been complied with, the failure to obtain which would, individually or in the aggregate, have a Material Adverse Effect on PubCo, SubCo, TARGETCO or Amalco after the Effective Date;
- (e) this Agreement will not have been terminated in accordance with Section 6.2 of this Agreement;
- (f) Holders of not more than 5% of the outstanding TARGETCO Shares shall have exercised their right of dissent pursuant to section 191 of the Alberta Act; and
- (g) the Concurrent Financing has closed.

**5.2 Conditions to Obligations of TARGETCO.** The obligation of TARGETCO to consummate the transactions contemplated in this Agreement is subject to the satisfaction, on or before the Closing Date, or such other date specified below, of the following conditions:

- (a) each of the acts and undertakings, obligations and covenants of PubCo to be performed on or before the Closing Date pursuant to the terms of this Agreement will have been duly performed by PubCo in all material respects;
- (b) no Material Adverse Change in PubCo will have occurred between the date of this agreement and the Closing Date;

- (c) except as affected by the transactions contemplated herein, the representations and warranties of PubCo and SubCo contained in sections 3.2 and 3.3 will be true in all material respects on the Closing Date with the same effect as though such representations and warranties had been made at and as of such time;
- (d) there shall not be any action taken, any law enacted, entered, enforced or deemed applicable by any Governmental Entity or pending or threatened any suit, action or proceeding by any Governmental Entity in connection with the grant of any appropriate regulatory approval or otherwise:
  - (i) seeking to prohibit or restrict the acquisition by PubCo or SubCo of any TARGETCO Shares or TARGETCO Warrants;
  - (ii) challenging or seeking to restrain or prohibit the consummation of the Amalgamation or seeking to obtain from TARGETCO, PubCo or SubCo any damages that are material in relation to PubCo or SubCo;
  - (iii) seeking to prohibit or materially limit the ownership or operation by PubCo or SubCo of any material portion of the Business or Assets of PubCo, TARGETCO or any of their respective subsidiaries or to compel PubCo or SubCo to dispose of or hold separate any material portion of the Business or Assets of PubCo, TARGETCO or Amalco or any of their respective subsidiaries, as a result of the Amalgamation; or
  - (iv) imposing any condition or restriction that in the judgment of TARGETCO, acting reasonably, would be materially burdensome to the future operations or business of any business unit of PubCo or Amalco after the Effective Date; and
- (e) PubCo and SubCo shall have adopted all necessary resolutions, and all other necessary corporate action shall have been taken by PubCo and SubCo, to permit the consummation of the Amalgamation.

The conditions described above are for the exclusive benefit of TARGETCO and may be asserted by TARGETCO regardless of the circumstances, or may be waived by TARGETCO in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which TARGETCO may have hereunder or at law.

**5.3 Conditions to Obligations of PubCo and SubCo.** The obligations of PubCo and SubCo to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, or such other date specified below, of the following conditions:

- (a) each of the acts and undertakings of TARGETCO to be performed on or before the Closing Date pursuant to the terms of this agreement will have been duly performed by TARGETCO in all material respects;
- (b) no Material Adverse Change in TARGETCO will have occurred between the date of this agreement and the Closing Date;
- (c) except as affected by the transactions contemplated herein, the representations and

warranties of TARGETCO contained in sections 3.1 will be true in all material respects on the Closing Date with the same effect as though such representations and warranties had been made at and as of such time, and PubCo will have received a certificate to such effect, dated the Closing Date, of a senior officer or director of TARGETCO acceptable to PubCo to the best of their knowledge, after having made reasonable inquiry;

- (d) the covenants of TARGETCO contained in sections 4.1 and 4.2 will have been complied with, and PubCo will have received a certificate, dated the Closing Date, of a senior officer or director of TARGETCO acceptable to PubCo to such effect; and
- (e) TARGETCO will have provided PubCo with:
  - (i) certified copies of the resolutions passed by the Board of Directors of TARGETCO approving this agreement and the consummation of the transactions contemplated herein; and
  - (ii) certified copies of the unanimous written consent of the TARGETCO Shareholders approving the Amalgamation Agreement; and
- (f) TargetCo: (A) preparing its annual financial statements for the preceding three years (if TargetCo or its predecessor has been operating in the previous three years) from the date hereof in accordance with International Financial Reporting Standards (IFRS); (B) having the aforementioned financial statements audited in accordance with IFRS and/or the International Standards on Auditing (ISA) as required by the Exchange; and (C) furnishing all of such prepared and audited financial statements to UWO and PubCo as soon as practicable.

The conditions described above are for the exclusive benefit of PubCo and SubCo and may be asserted by PubCo and SubCo regardless of the circumstances, or may be waived by each of PubCo or SubCo in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which PubCo and SubCo may have hereunder or at law.

**5.4 Amalgamation of Conditions.** The conditions set out in sections 5.1, 5.2 and 5.3 will be conclusively deemed to have been satisfied, waived or released on the filing by SubCo and TARGETCO of the Amalgamation Application, and such other documents as are required to be filed under applicable Laws for acceptance by the Registrar to give effect to the Amalgamation.

**5.5 Acknowledgements.** Each of the parties acknowledges and agrees that:

- (a) Amalco will fulfil its obligations pursuant to indemnities provided or available to past and present officers and directors of TARGETCO and SubCo pursuant to the provisions of their respective constating documents and applicable Laws, as applicable; and
- (b) the provisions of subsection 5.5(a) above are: (i) intended for the benefit of all present and former directors and officers of TARGETCO and SubCo, and will be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the “**Third Party Beneficiaries**”) and each of

TARGETCO and SubCo will hold the rights and benefits of subsection 5.5(a) above in trust for, and on behalf of, their respective Third Party Beneficiaries and each of TARGETCO and SubCo hereby accept such trust and agree to hold the benefit of, and enforce performance of, such covenants on behalf of their respective Third Party Beneficiaries; and (ii) in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

## **ARTICLE 6**

### **AMENDMENT AND TERMINATION OF AGREEMENT**

**6.1 Amendment.** This agreement may, at any time and from time to time, be amended by written agreement of all of the Parties without, subject to applicable Laws, further notice to or authorization on the part of their respective shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant to this agreement;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein; provided that no such amendment will change the provisions of this Agreement regarding the consideration to be received by the security holders of TARGETCO and the security holder of SubCo without approval by such security holders of TARGETCO and SubCo given in the same manner as required for the approval of the Amalgamation.

**6.2 Rights of Termination.** If any of the conditions contained in Article 5 are not fulfilled or performed by the applicable date or time specified in Article 5, and if no applicable date provided, then not fulfilled or performed by the Termination Date, and such condition is contained in:

- (a) section 5.1, then any of the Parties may terminate this agreement by notice to the other Parties;
- (b) section 5.2, then TARGETCO may terminate this agreement by notice to PubCo and SubCo; or
- (c) section 5.3, then PubCo or SubCo may terminate this agreement by notice to TARGETCO,

provided that, if the conditions contained in Article 5 have not been fulfilled or performed as a result of the breach by the Party seeking to terminate this agreement pursuant to this section 6.2 of any covenant, obligation, representation or warranty of such Party under this agreement, then such Party will not be permitted to so terminate this agreement.

If this agreement is terminated as aforesaid, the Party terminating this agreement will be released from all obligations under this agreement, all rights of specific performance against such Party will terminate and, unless such Party can show that the condition or conditions the nonperformance of which has caused such Party to terminate this agreement were reasonably capable of being performed by the other Party, then the other Party will also be released from all obligations hereunder; and further provided that any of such conditions may be waived in full or in part by either of the Parties without prejudice to its rights of termination in the event of the non-fulfillment or non-performance of any other condition.

- 6.3 Notice of Unfulfilled Conditions.** If any Party determines at any time prior to the Effective Date that it intends to refuse to consummate the Amalgamation or any of the other transactions contemplated herein because of any unfulfilled or unperformed condition contained in this agreement on the part of the other Party to be fulfilled or performed, that Party will so notify the other Parties forthwith upon making such determination in order that such other Party will have the right and opportunity to take such steps, at its own expense, as may be necessary for the purpose of fulfilling or performing such condition within a reasonable period of time, but in no event later than the Termination Date.
- 6.4 Mutual Termination.** This Agreement may be terminated at any time (but no later than the last Business Day immediately preceding the Effective Date) by mutual agreement of the Parties without further action on the part of the Parties' shareholders, and if the Amalgamation does not become effective by the Termination Date, then any Party may unilaterally terminate this agreement, which termination will be effective upon written notice thereof being given to the other Parties.

## **ARTICLE 7 NOTICES AND CONFIDENTIALITY**

- 7.1 Valid Notices.** A notice or other communication to a party under this agreement is valid if (a) it is in writing, and (b) it is delivered by hand, by registered mail, or by any courier service that provides proof of delivery, or (c) it is sent by electronic mail, and (d) it is addressed using the information for that party set out below (or any other information specified by that party in accordance with this section 7.1):

**To UWO:**

Name of company: UWO Consulting Ltd.  
Address: 605-815 Hornby Street, Vancouver, B.C., V6Z 2E6  
Attention: Nick Ayling  
E-Mail: nick@uwoconsulting.com

**To PubCo:**

Name of company: 1018758 B.C. Ltd.  
Address: 605-815 Hornby Street, Vancouver, B.C., V6Z 2E6  
Attention: Nick Ayling  
E-Mail: nick@uwoconsulting.com

**To SubCo:**

Name of company: 1887217 Alberta Ltd.  
Address: 605-815 Hornby Street, Vancouver, B.C., V6Z 2E6  
Attention: Nick Ayling  
E-Mail: nick@uwoconsulting.com

**To TARGETCO:**

Name of company: NetCents Systems Ltd.  
Address: 4944 Dogwood Drive, Delta, BC, V4M 1M6, Canada  
Attention: Gordon Jessop  
E-Mail: gord.jessop@net-cents.com

- 7.2 Effective Notices.** A valid notice or other communication under this agreement will be effective when the party to which it is addressed receives it. A party is deemed to have received a notice or other communication under this agreement at the time and date indicated on the signed receipt or in the case of e-mail transmission the day of transmission; and, if the party to which it is addressed rejects or otherwise refuses to accept it, or if it cannot be delivered because of a change in address (including change of an e-mail address) for which no notice was given, then upon that rejection, refusal or inability to deliver.

**ARTICLE 8  
CERTIFICATES OR DIRECT REGISTRATION SYSTEM**

- 8.1** At or immediately following the Effective Date, PubCo shall deposit (or be deemed to have deposited) with the Registrar and Transfer Agent, for the benefit of the holders of TARGETCO Shares and TARGETCO Warrantholders who will receive PubCo Shares and PubCo Warrants in connection with the Amalgamation, certificates representing the maximum number of PubCo Shares and PubCo Warrants that are issuable in connection with the Amalgamation. The holder of TARGETCO Shares and TARGETCO Warrants shall be deemed to have surrendered to the Registrar and Transfer Agent for transfer to PubCo of TARGETCO Shares and TARGETCO Warrants which immediately prior to or upon the Effective Date represents TARGETCO Shares and TARGETCO Warrants in respect of which the holder is entitled to receive PubCo Shares and PubCo Warrants, respectively, in connection with the Amalgamation, and such other documents and instruments as would have been required to effect the transfer of the securities formerly represented by such certificate under applicable Laws (or by Direct Registration System), the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and after the Effective Date the Registrar and Transfer Agent shall deliver to such holder, a certificate (or by Direct Registration System) representing that number of PubCo Shares and/or PubCo Warrants which such holder has the right to receive and any TARGETCO Shares and/or TARGETCO Warrants so surrendered shall forthwith be cancelled. No dividends and distributions will be payable to holders of TARGETCO Shares or TARGETCO Warrants. In the event of a transfer of ownership of TARGETCO Shares or TARGETCO Warrants that was not

registered in the applicable securities register of TARGETCO, a certificate representing the proper number of PubCo Shares or PubCo Warrants, as applicable, may be issued to the transferee if the certificate representing such TARGETCO Shares or TARGETCO Warrants is presented to the Registrar and Transfer Agent as provided above, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid. Until surrendered, as contemplated by this Section 8.1, all TARGETCO Shares and TARGETCO Warrants (or certificate(s) which immediately prior to or upon the Effective Date represented one or more TARGETCO Shares and/or TARGETCO Warrants) under the Amalgamation, that were exchanged for PubCo Shares and PubCo Warrants, shall be deemed at all times after the Effective Date, to represent only the right to receive upon such surrender a certificate representing that number of PubCo Shares and PubCo Warrants which such holder has the right to receive. Upon the Effective Date the central securities register of PubCo, TARGETCO, SubCo and Amalco shall be deemed to have been updated to reflect the completed transaction as contemplated under this Agreement.

## **ARTICLE 9 GENERAL**

- 9.1 Standstill Agreement.** As long as this Agreement is in effect, no Party (including each of their respective directors, officers and agents) will solicit any discussions, expressions of interest, proposals or accept any offers from any Person relating to a possible (i) amalgamation, (ii) arrangement, (iii) sale of substantially all of the shares or Assets, or any controlling equity interest of any Party, or (iv) any transaction or series of transactions that would have a similar effect as the transaction(s) contemplated under this Agreement; and further provided that any Party (including each of their directors, officers and agents) may, after the Termination Date, solicit and accept offers if the applicable documents are not filed with the Registrar by the Termination Date.
- 9.2 Disclosure of Alternative Transaction.** If any Party receives an unsolicited proposal, offer or expression of interest in connection with any of the matters referred to in section 9.1 on or before the Termination Date, the recipient of such proposal, offer or expression of interest shall notify the other Parties and shall provide details of such proposal, offer or expression of interest to the other Parties.
- 9.3 Confidentiality.** Each Party will provide such information as to its financial condition, business, properties, title, Assets and affairs (including any material contracts) as may reasonably be requested by the other Parties. Such information which:
- (a) has not become generally available to the public; or
  - (b) was not available to a Party or its representatives on a non-confidential basis before the date of this agreement; or
  - (c) does not become available to a Party or its representatives on a non-confidential basis from a Person who is not, to the knowledge of the Party or its representatives, otherwise bound by confidentiality obligations to the provider of such information or otherwise prohibited from transmitting the information to the Party or its representatives,

will be kept confidential by each Party and will constitute confidential information (the



“**Confidential Information**”). No Confidential Information may be released to third parties without the consent of the provider, except that the Parties agree that they will not unreasonably withhold such consent to the extent that such Confidential Information is compelled to be released by legal process or must be released to regulatory bodies or included in public documents.

**9.4 Public Disclosure.** The Parties agree to consult with each other before making any public disclosure or announcement of or pertaining to this agreement, and that any such disclosure or announcement will be mutually satisfactory to all Parties; provided, however, this section 9.4 will not apply in the event any Party is advised by its counsel that certain disclosures or announcements, which the other Parties after reasonable notice will not consent to, are required to be made by applicable Laws, stock exchange rules or policies of regulatory authorities having jurisdiction.

**9.5 No personal Liability.**

(a) No director, officer, employee or agent of UWO, PubCo and SubCo will have any personal liability whatsoever to TARGETCO, and Amalco under this agreement, or any other document delivered in connection with the Amalgamation on behalf of UWO, PubCo and SubCo.

(b) No director, officer, employee or agent of TARGETCO will have any personal liability whatsoever to UWO, PubCo or SubCo under this agreement, or any other document delivered in connection with the Amalgamation on behalf of TARGETCO.

**9.6 Entire Agreement.** This agreement constitutes the entire understanding between the Parties with respect to the subject matter of this agreement, and supersedes all other prior agreements, whether written or oral, between the Parties.

**9.7 Amendment.** No amendment to this agreement will be effective unless it is in writing and signed by all Parties.

**9.8 Severability.** If any provision of this agreement is held to be unenforceable, then that provision will be construed by modifying it to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded in or severed from this agreement. If an unenforceable provision is modified, disregarded or severed in accordance with this section, then the rest of this agreement will remain in effect as written, and the unenforceable provision will remain as written in any circumstances other than those in which the provision is held to be unenforceable.

**9.9 Assignment.** No Party shall assign any of its rights or delegate any of its obligations under this agreement without the prior written consent of the other Parties. Any purported assignment or delegation in breach of this section 9.9 will be void.

**9.10 Governing Law.** This agreement is to be interpreted in accordance with, and any adversarial proceedings arising out of this agreement are to be governed by, the laws of British Columbia and Canada, and the parties hereby submit to the exclusive jurisdiction of British Columbia's courts.

- 9.11 Further Assurances.** Each Party will, from time to time, and at all times hereafter, at the request of the other Parties, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as will be reasonably required in order to fully perform and carry out the terms and intent of this agreement.
- 9.12 Counterparts.** This Agreement may be signed in counterparts, each of which will be deemed to be an original and together will be deemed to constitute the same instrument. This Agreement may be signed and delivered manually or electronically.
- 9.13 Independent Legal Advice.** Each Party acknowledges that it has had the opportunity to discuss this Agreement and the transactions this Agreement contemplates with its own independent legal advisor(s) (lawyer(s)), or that it has based on its own volition decided not to seek such independent legal advice. Each Party acknowledges that the legal counsel for each other Party is not representing the first Party.

The Parties are signing this agreement on the date stated in the introductory clause.

**[Signature Page Follows on the Next Page]**

**ACCEPTED AND AGREED BY:**

<p><b>UWO Consulting Ltd.</b></p> <p><i>“Nick Ayling”</i></p> <p>Per: _____</p> <p>Name: <b>Nick Ayling</b></p> <p>Position: CEO, CFO, and Director</p>	<p><b>NetCents Systems Ltd.</b></p> <p><i>“Gordon Jessop”</i></p> <p>Per: _____</p> <p>Name: <b>Gordon Jessop</b></p> <p>Position: President/COO</p>
<p><b>1018758 B.C. Ltd.</b></p> <p><i>“Nick Ayling”</i></p> <p>Per: _____</p> <p>Name: <b>Nick Ayling</b></p> <p>Position: Director</p>	<p><b>1887217 Alberta Ltd.</b></p> <p><i>“Nick Ayling”</i></p> <p>Per: _____</p> <p>Name: <b>Nick Ayling</b></p> <p>Position: Director</p>

**SCHEDULE A**

**Bylaws of Amalco**

**BY-LAW NUMBER 1**

A by-law relating generally to the transaction of the business and affairs of the Corporation.

**CONTENTS**

SECTION

ONE	INTERPRETATION
TWO	ADMINISTRATION
THREE	BORROWING AND SECURITIES
FOUR	DIRECTORS
FIVE	COMMITTEES
SIX	OFFICERS
SEVEN	PROTECTION OF DIRECTORS, OFFICERS AND OTHERS
EIGHT	SHARES
NINE	DIVIDENDS AND RIGHTS
TEN	MEETINGS OF SHAREHOLDERS
ELEVEN	DIVISIONS AND DEPARTMENTS
TWELVE	INFORMATION AVAILABLE TO SHAREHOLDERS
THIRTEEN	NOTICES
FOURTEEN	EFFECTIVE DATE (AND REPEAL)

BE IT ENACTED as a by-law of ● (hereinafter called the “Corporation”) as follows:

**SECTION ONE****INTERPRETATION**

1.01 DEFINITIONS. In the by-laws and all resolutions of the Corporation, unless the context otherwise requires:

- (a) "Act" means the *Business Corporations Act* (Alberta), and any statute that may be substituted therefor, as from time to time amended;
- (b) "appoint" includes "elect" and vice versa;
- (c) "articles" means the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement, articles of dissolution and articles of revival and includes an amendment to any of them;
- (d) "board" means the board of directors of the Corporation;
- (e) "by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;
- (f) "corporation" means a body corporate incorporated or continued under the Act and not discontinued under the Act;
- (g) "meeting of shareholders" means an annual meeting of shareholders and a special meeting of shareholders;
- (h) "non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Alberta) or the *Interpretation Act* (Canada);
- (i) "ordinary resolution" means a resolution
  - (i) passed by a majority of the votes cast by the shareholders who voted in respect of that resolution, or
  - (ii) signed by all the shareholders entitled to vote on that resolution;
- (j) "recorded address" means, in the case of a shareholder, his address as recorded in the Securities Register of the Corporation; and, in the case of joint shareholders, the address appearing in the Securities Register of the Corporation in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation;
- (k) "resident Canadian" means an individual who is
  - (i) a Canadian citizen ordinarily resident in Canada,
  - (ii) a Canadian citizen not ordinarily resident in Canada who is a member of a prescribed class of persons, or
  - (iii) a permanent resident within the meaning of the *Immigration Act* (Canada) and ordinarily resident in Canada;

- (l) "signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by Clause 2.04 or by a resolution passed pursuant thereto;
- (m) "special business" means all business transacted at a special meeting of shareholders and all business transacted at an annual meeting of shareholders, except consideration of the financial statements and auditor's report, fixing the number of directors for the following year, election of directors and reappointment of the incumbent auditor;
- (n) "special meeting of shareholders" means a meeting, other than an annual meeting, of shareholders entitled to vote at an annual meeting of shareholders, and includes a meeting of any class or classes of shareholders acting separately from any other class or classes of shareholders;
- (o) "special resolution" means a resolution passed by a majority of not less than 2/3 of the votes cast by the shareholders who voted in respect of that resolution or signed by all the shareholders entitled to vote on that resolution;
- (p) "unanimous shareholder agreement" means
  - (i) a written agreement to which all the shareholders of a corporation are or are deemed to be parties, whether or not any other person is also a party, or
  - (ii) a written declaration by a person who is the beneficial owner of all the issued shares of a corporation,

that provides for any of the matters enumerated in section 146(1) of the Act.

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

## SECTION TWO

### ADMINISTRATION

2.01 REGISTERED OFFICE, RECORDS OFFICE AND ADDRESS FOR SERVICE. Until changed in accordance with the Act, the registered office of the Corporation, the designated records office (if separate from the registered office) of the Corporation and the post office box (if any) designated as the address for service upon the Corporation by mail shall initially be at the address or addresses in Alberta specified in the notice thereof filed with the articles and thereafter as the board may from time to time determine.

2.02 CORPORATE SEAL. The corporate seal of the Corporation shall be in the form as determined by the board from time to time.

2.03 FINANCIAL YEAR. The financial year of the Corporation shall be determined by the board from time to time.

2.04 EXECUTION OF INSTRUMENTS. Any officer or any director may sign certificates and similar instruments (other than share certificates) on the Corporation's behalf with respect to any factual matters relating to the Corporation's business and affairs, including certificates certifying copies of the articles, by-laws, resolutions and minutes of meetings of the Corporation. Subject to the foregoing:

- (a) Deeds, transfers, assignments, contracts, obligations, and other instruments shall be signed on behalf of the Corporation by one or more persons who hold the office of director, chairman of the board, president, managing director, vice-president, secretary, treasurer, assistant secretary or assistant treasurer or any other office created by by-law or by resolution of the board. When there is only one director and that director is the only officer of the Corporation, deeds, transfers, assignments, contracts, obligations and other instruments may be signed by that person alone, as director or officer, on behalf of the Corporation;
- (b) Security certificates (including share certificates) shall be signed by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent or branch transfer agent of the Corporation or by a trustee who certifies it in accordance with a trust indenture. Any signatures required on a security certificate (including share certificates) may be printed or otherwise mechanically reproduced on it.

In addition, the board may from time to time direct the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer or director may affix the corporate seal to any instrument requiring the same.

Any resolutions of the directors or shareholders of the Corporation and any documents and other instruments in writing requiring execution on behalf of the Corporation may be executed in separate counterparts, and all such executed counterparts when taken together shall constitute one resolution, document or other instrument in writing as the case may be. The Corporation and the directors and shareholders shall be entitled to rely on delivery of a facsimile copy of any executed resolution of the directors or shareholders of the Corporation or any executed document or other instrument in writing and such facsimile copy shall be legally effective to create a valid and binding resolution, document or other instrument in writing as the case may be.

2.05 **BANKING ARRANGEMENTS.** The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 **VOTING RIGHTS IN OTHER BODIES CORPORATE.** The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board, or failing the board, the signing officers of the Corporation, may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

### **SECTION THREE**

#### **BORROWING AND SECURITIES**

3.01 **BORROWING POWER.** Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles or any unanimous shareholders agreement, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation in such amounts and on such terms as may be deemed expedient by obtaining loans or advances or by way of overdraft or otherwise;



- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured for such sums and at such prices as may be deemed expedient;
- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person;
- (d) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any present and future property, real and personal, immovable and moveable, of the Corporation, including its undertakings and rights, to secure any bonds, debentures, notes or other evidences of indebtedness or guarantee or any other indebtedness, liability or obligation of the Corporation, present or future; and
- (e) delegate to a committee of the board, a director or an officer of the Corporation all or any of the powers conferred aforesaid or by the Act to such extent and in such manner as the directors may determine.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 DELEGATION. The board may from time to time delegate to such one or more of the directors and officers of the Corporation as may be designated by the board all or any of the powers conferred on the board by Clause 3.01 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

## SECTION FOUR

### DIRECTORS

4.01 NUMBER OF DIRECTORS AND QUORUM. Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided in the articles. Subject to Clause 4.08, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the Board of Directors of the Corporation or such greater or lesser number of directors as the board may from time to time determine. If a quorum is present at the opening of any meeting of directors, the directors present may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of directors, the directors present may adjourn the meeting to a fixed time and place but may not transact any other business other than as provided in these by-laws or in the Act until a quorum is present.

4.02 QUALIFICATION. The following persons are disqualified from being a director of the Corporation:

- (a) anyone who is less than 18 years of age;
- (b) anyone who
  - (i) is a dependent adult as defined in the *Dependent Adults Act* (Alberta) or is the subject of a certificate of incapacity under that Act,
  - (ii) is a formal patient as defined in the *Mental Health Act* (Alberta),

- (iii) is the subject of an order under the *Mentally Incapacitated Persons Act* (Alberta) appointing a committee of his person or estate or both, or
- (iv) has been found to be a person of unsound mind by a court elsewhere than in Alberta;
- (c) a person who is not an individual;
- (d) a person who has the status of bankrupt.

A director need not be a shareholder. At least one-quarter of the directors shall be resident Canadians.

4.03 CONSENT TO ACT. A person who is elected or appointed a director is not a director unless:

- (a) he was present at the meeting when he was elected or appointed and did not refuse to act as a director, or
- (b) if he was not present at the meeting when he was elected or appointed, he consented to act as a director in writing before his election or appointment or within 10 days after it, or he has acted as a director pursuant to the election or appointment.

4.04 ELECTION AND TERM. Shareholders of the Corporation shall, by ordinary resolution at the first meeting of shareholders and at each succeeding annual meeting at which an election of directors is required, elect directors to hold office for a term expiring not later than the close of the annual meeting of shareholders following the election. At each annual meeting of shareholders, all directors whose term of office has expired or then expires shall retire but, if qualified, shall be eligible for re-election. A director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following his election. Notwithstanding the foregoing, if directors are not elected at a meeting of shareholders, the incumbent directors continue in office until their successors are elected. The number of directors to be elected at any such meeting shall be the number of directors whose term of office has expired or then expires unless the directors or the shareholders otherwise determine. It is not necessary that all directors elected at a meeting of shareholders hold office for the same term. If the articles so provide, the directors may, between annual meetings of shareholders, appoint one or more additional directors of the Corporation to serve until the next annual meeting of shareholders, but the number of additional directors shall not at any time exceed one-third of the number of directors who held office at the expiration of the last annual meeting of the Corporation.

4.05 REMOVAL OF DIRECTORS. Subject to the Act, the shareholders may, by ordinary resolution passed at a special meeting, remove any director from office and the vacancy created by such removal may be filled at the meeting of the shareholders at which the director was removed or, if not so filled, may be filled by the directors.

4.06 CEASING TO HOLD OFFICE. A director ceases to hold office when he dies, when he is removed from office by the shareholders, when he ceases to be qualified for election as a director, or when his written resignation is sent or delivered to the Corporation, or if a time is specified in such resignation, at the time so specified, whichever is later. Provided always that, subject to the Act, the shareholders of the Corporation may by ordinary resolution at a special meeting remove any director or directors from office.

4.07 VACANCIES. Subject to the Act, a quorum of the board may fill a vacancy in the board. In the absence of a quorum of the board, the board shall forthwith call a special meeting of the shareholders to fill the vacancy. If the board fails to call such meeting or if there are no such directors then in office, any shareholder may call the meeting.

4.08 ACTION BY THE BOARD. Subject to any unanimous shareholder agreement, the board shall manage or supervise the management of the business and affairs of the Corporation. Subject to Clauses 4.09 and 4.10, the powers of the board may be exercised by a meeting at which the quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.

4.09 CANADIAN REPRESENTATION. Subject to the Act, the board shall not transact business at a meeting, other than filling a vacancy in the board, unless at least one-quarter of the directors present are resident Canadians, except where:

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) the number of resident Canadian directors present at the meeting, together with any resident Canadian director who gives his approval under clause (a), totals at least one-quarter of the directors present at the meeting.

4.10 PARTICIPATION IN MEETING. A director may participate in a meeting of the board or of a committee of the board by electronic means, telephone or other communication facilities as permit all persons participating in the meeting to hear each other, and a director participating in such a meeting by such means is deemed to be present at the meeting.

4.11 PLACE OF MEETINGS. Subject to the Articles, meetings of the board may be held at any place in or outside Canada.

4.12 CALLING OF MEETINGS. Meetings of the board shall be held from time to time at such time and at such place as the board, the chairman of the board, the managing director, the president or any two directors may determine. Provided always that should more than one of the above named call a meeting at or for substantially the same time there shall be held only one meeting and such meeting shall occur at the time and place determined by, in order of priority, the board, the chairman or the president.

4.13 NOTICE OF MEETING. Notice of the time and place of each meeting of the board shall be given in the manner provided in Clause 13.01 to each director not less than forty-eight hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where the Act requires such purpose or business to be specified, including any proposal to:

- (a) submit to the shareholders any question or matter requiring approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor;
- (c) appoint additional directors;
- (d) issue securities;
- (e) declare dividends;
- (f) purchase, redeem, or otherwise acquire shares of the Corporation;
- (g) pay a commission for the sale of shares;
- (h) approve a management proxy circular;

- (i) approve any annual financial statements; or
- (j) adopt, amend or repeal by-laws.

A director may, in any manner, waive notice of or otherwise consent to a meeting of the board; and attendance of a director at a meeting of directors is a waiver of notice of the meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of business on the grounds that the meeting is not lawfully called.

4.14 **FIRST MEETING OF NEW BOARD.** Provided a quorum of directors is present, each newly elected board may, without notice, hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.15 **ADJOURNED MEETING.** Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.16 **REGULAR MEETINGS.** The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.17 **CHAIRMAN AND SECRETARY.** The chairman of the board, or, in his absence, the president, or in his absence, a vice-president shall be chairman of any meeting of the board. If none of the said officers are present, the directors present shall choose one of their number to be chairman. The secretary of the Corporation shall act as secretary at any meeting of the board, and if the secretary of the Corporation be absent, the chairman of the meeting shall appoint a person, who need not be a director, to act as secretary of the meeting.

4.18 **CASTING VOTES.** At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.

4.19 **CONFLICT OF INTEREST.** A director or officer shall not be disqualified by his office, or be required to vacate his office, by reason only that he is a party to, or is a director or officer of or has a material interest in any person who is party to, a material contract or material transaction or proposed material contract or material transaction with the Corporation or subsidiary thereof. Such a director or officer shall, however, disclose the nature and extent of his interest in the contract or transaction at the time and in the manner provided by the Act. Any such contract or transaction or proposed contract or transaction shall be referred to the board or shareholders for approval even if such contract or transaction is one that in the ordinary course of the Corporation's business would not require approval by the board or shareholders. Subject to the provisions of the Act, a director or officer shall not by reason only of his office be accountable to the Corporation or to its shareholders for any profit or gain realized from such a contract or transaction, and such contract or transaction shall not be void or voidable by reason only of the director's or officer's interest therein.

4.20 **REMUNERATION AND EXPENSES.** The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for traveling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

**SECTION FIVE****COMMITTEES**

5.01 **COMMITTEE OF DIRECTORS.** The board may appoint a committee of directors, however designated, or a managing director, who must be a resident Canadian, and delegate to such committee or managing director any of the powers of the board except those which, under the Act, a committee of directors or managing director has no authority to exercise. At least one-quarter of the members of such committee shall be resident Canadians. A committee may be comprised of one director.

5.02 **TRANSACTION OF BUSINESS.** Subject to the provisions of these by-laws relating to participation by electronic means or telephone, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Canada and may be called by any one member of the committee giving notice in accordance with the by-laws governing the calling of directors' meetings.

5.03 **PROCEDURE.** Unless otherwise determined herein or by the board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

**SECTION SIX****OFFICERS**

6.01 **APPOINTMENT OF OFFICERS.** Subject to any unanimous shareholder agreement, the board may from time to time appoint a chairman of the board, a managing director (who shall be a resident Canadian), a president, one or more vice-presidents, a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Except for a managing director and a chairman of the board, an officer may but need not be a director and one person may hold more than one office. The president or such other officer as the board may designate, shall be the chief executive officer of the Corporation.

6.02 **CHAIRMAN OF THE BOARD.** The board may from time to time appoint a chairman of the board who shall be a director. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the managing director or to the president; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. He shall preside at all meetings of the shareholders at which he is present. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president if there is no managing director.

6.03 **MANAGING DIRECTOR.** The board may from time to time appoint a managing director who shall be a resident Canadian and a director. If appointed, he shall have, subject to the authority of the board, general supervision of the business and affairs of the Corporation; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.

6.04 **PRESIDENT.** If appointed, the president shall, subject to the discretion of the board, be the chief executive officer, and, subject to the authority of the board, shall have general supervision of the

business of the Corporation; and he shall have such other powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office.

6.05 VICE-PRESIDENT. A vice-president, if appointed, shall have such powers and duties as the board or the chief executive officer may specify.

6.06 SECRETARY. The secretary, if appointed, shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.07 TREASURER. The treasurer, if appointed, shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board, whenever required, an account of all his transactions as treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.08 POWERS AND DUTIES OF OTHER OFFICERS. The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.09 VARIATION OF POWERS AND DUTIES. The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.10 TERM OF OFFICE. The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office until his successor is appointed.

6.11 TERMS OF EMPLOYMENT AND REMUNERATION. The terms of employment and the remuneration of officers appointed by the board shall be settled by it from time to time. The fact that any officer is a director or shareholder of the Corporation shall not disqualify him from receiving such remuneration as an officer as may be determined.

6.12 CONFLICT OF INTEREST. An officer shall disclose his interest in any material contract or material transaction or proposed material contract or material transaction with the Corporation in accordance with Clause 4.19.

6.13 AGENTS AND ATTORNEYS. The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

6.14 FIDELITY BONDS. The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such forms and with such surety as the board may from time to time determine.

**SECTION SEVEN****PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

7.01 **LIMITATION OF LIABILITY.** Every director and officer of the Corporation in exercising his powers and discharging his duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his office or in relation thereto, unless the same are occasioned by his own wilful neglect or default; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

No act or proceeding of any director or officer or the board shall be deemed invalid or ineffective by reason of the subsequent ascertainment of any irregularity in regard to such act or proceeding or the qualification of such director or officer or board.

Directors may rely upon the accuracy of any statement or report prepared by the Corporation's auditors, internal accountants or other responsible officials and shall not be responsible or held liable for any loss or damage resulting from the paying of any dividends or otherwise acting upon such statement or report.

7.02 **INDEMNITY.** Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Corporation or any such body corporate) and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if:

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

7.03 **INSURANCE.** Subject to the limitations contained in the Act, the Corporation may purchase and maintain such insurance for the benefit of any person referred to in section 7.02 against any liability incurred by him, as the board may from time to time determine.

**SECTION EIGHT****SHARES**

8.01 **ALLOTMENT AND ISSUE.** The board may, from time to time, allot, or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times

and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as prescribed by the Act. Subject to the articles, no holder of any class of share of the capital of the Corporation shall be entitled as of right to subscribe for, purchase or receive any part of any new or additional issue of shares of any class, whether now or hereafter authorized or any bonds, debentures or other securities convertible into shares of any class.

8.02 COMMISSIONS. The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.03 SECURITIES REGISTER. The Corporation shall maintain a securities register in which it records the securities issued by it in registered form, showing with respect to each class or series of securities:

- (a) the names, alphabetically arranged, and the latest known address of each person who is or has been a security holder,
- (b) the number of securities held by each security holder, and
- (c) the date and particulars of the issue and transfer of each security.

The Corporation shall keep the information entered in the securities register for the period of time prescribed in the regulations to the Act.

8.04 TRANSFER AGENTS AND REGISTRARS. The board may from time to time appoint one or more trust companies registered under *The Trust Companies Act* (Alberta) as its agent or agents to maintain the central securities register or registers, and an agent or agents to maintain branch securities registers. Such a person may be designated as transfer agent or registrar according to his functions and one person may be appointed both registrar and transfer agent. The board may at any time terminate such appointment.

8.05 REGISTRATION OF TRANSFER. Subject to the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with a transfer endorsed thereon or delivered therewith duly executed by the registered holder or by his attorney or successor duly appointed, together with such reasonable assurance or evidence of signature, identification and authority to transfer as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board; upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in Clause 8.06.

8.06 LIEN FOR INDEBTEDNESS. If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be enforced, subject to any other provision of the articles and to any unanimous shareholder agreement, by the sale of the shares thereby affected, or by the cancellation by the Corporation of the shares thereby affected and the appropriate corresponding reduction of the stated capital account for said shares, or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, may refuse to register a transfer of the whole or any part of such shares.

8.07 NON-RECOGNITION OF TRUSTS. Subject to the provisions of the Act, the Corporation shall treat as absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership irrespective of any indication to the contrary through knowledge or notice or description in the Corporation's records or on the share certificate.



8.08 **SHARE CERTIFICATES.** Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written acknowledgement of his right to obtain a share certificate, stating the name of the person to whom the certificate or acknowledgment was issued, and the number and class or scries of shares held by him as shown on the securities register. Share certificates and acknowledgments of a shareholder's right to a share certificate, shall, subject to the Act, be in such form as the board shall from time to time approve. Any share certificate shall be signed in accordance with Clause 2.04 and need not be under the corporate seal; provided that, unless the board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of share certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers may be printed or mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A share certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.09 **REPLACEMENT OF SHARE CERTIFICATES.** The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share certificate in lieu of and upon cancellation of a share certificate that has been mutilated or in substitution for a share certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding the maximum amount prescribed in the regulations to the Act for a share certificate issued in respect of a transfer, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.10 **JOINT SHAREHOLDERS.** If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificates issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such shares.

8.11 **DECEASED SHAREHOLDERS.** In the event of the death of a holder, or one of the joint holders, of any share, the Corporation shall not be required to make any entry in the register of shareholders in respect thereof except on production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

## **SECTION NINE**

### **DIVIDENDS AND RIGHTS**

9.01 **DIVIDENDS.** Subject to the provisions of the Act, the board may, from time to time, declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.

9.02 **DIVIDEND CHEQUES.** A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.03 NON-RECEIPT OF CHEQUES. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 RECORD DATE FOR DIVIDENDS AND RIGHTS. The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to receive the right to subscribe for such securities, provided that if the Corporation is a distributing corporation, notice of any such record date is given, not less than 7 days before such record date, in the manner provided in the Act. Where no record date is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend or to receive the right to subscribe for such securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.05 UNCLAIMED DIVIDENDS. Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## SECTION TEN

### MEETINGS OF SHAREHOLDERS

10.01 ANNUAL MEETINGS. The annual meeting of shareholders shall be held at such time in each year and, subject to the Act and to Clause 10.04, at such place as the board, the chairman of the board, the managing director or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

10.02 SPECIAL MEETINGS. The board, the chairman of the board, the managing director or the president shall have power to call a special meeting of shareholders at any time.

10.03 SPECIAL BUSINESS. All business transacted at a special meeting of shareholders and all business transacted at an annual meeting of shareholders, except consideration of the financial statements and auditor's report, fixing the number of directors for the following year, election of directors and reappointment of the incumbent auditors, is deemed to be special business.

10.04 PLACE OF MEETINGS. Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situated or, if the board shall so determine, at some other place in Alberta or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Alberta. Notwithstanding the foregoing, if the articles of the Corporation so provide, meetings of shareholders may be held outside Alberta.

10.05 NOTICE OF MEETINGS. Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Clause 13.01 not less than 21 days nor more than 50 days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and re-appointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special

resolution to be submitted to the meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders.

10.06 **RECORD DATE FOR NOTICE.** The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than 50 days and not less than 21 days, as a record date for the determination of the shareholders entitled to notice of or to vote at the meeting, provided that if the Corporation is a distributing corporation, notice of any such record date shall be given not less than 7 days before such record date in the manner provided in the Act. If no such record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the last business day immediately preceding the day on which the notice is sent or, if no notice is sent, shall be the day on which the meeting is held.

10.07 **LISTS OF SHAREHOLDERS ENTITLED TO NOTICE AND TO VOTE.**

- (a) For every meeting of shareholders, the Corporation shall, within the time period prescribed by the Act, prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to receive notice of the meeting, as of the record date for notice of the meeting as fixed by the directors, or, if no record date is fixed by the directors, as deemed by the Act.
- (b) For every meeting of shareholders, the Corporation shall, within the time period prescribed by the Act, prepare a list of shareholders entitled to vote at the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting, as of the record date for voting at the meeting as fixed by the directors, or, if no record date is fixed by the directors, as deemed by the Act.

10.08 **MEETINGS WITHOUT NOTICE.** A meeting of shareholders may be held without notice at any time and place permitted by the Act:

- (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy, waive notice of or otherwise consent to such meeting being held, and
- (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held;

so long as such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Alberta, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.09 **CHAIRMAN AND SECRETARY.** The chairman of any meeting of shareholders shall be the chairman, or in his absence, the president, or in his absence, a vice-president who is a shareholder. If no such officer is present within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting.

10.10 **PERSONS ENTITLED TO BE PRESENT.** The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of

the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

10.11 QUORUM. A quorum for the transaction of business at any meeting of shareholders shall be at least one (1) person present in person, being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled and representing in the aggregate not less than ten percent (10%) of the outstanding shares of the Corporation carrying voting rights at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholder(s) present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholder(s) present or represented may adjourn the meeting to a fixed time and place but may not transact any other business other than as provided in these By-laws or in the Act until a quorum is present.

10.12 RIGHT TO VOTE. Every person named in the list of shareholders entitled to vote referred to in Clause 10.07 shall be entitled to vote the shares shown thereon opposite his name at the meeting to which such list relates, except to the extent that:

- (a) where the Corporation has fixed a record date in respect of such meeting, such person has transferred any of his shares after such record date or, where the Corporation has not fixed a record date in respect of such meeting, such person has transferred any of his shares after the date on which the list of shareholders entitled to notice of the meeting is prepared, and
- (b) the transferee, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, has demanded not later than 10 days before the meeting that his name be included in such list.

In any such excepted case, the transferee shall be entitled to vote the transferred shares at such meeting.

10.13 PROXIES AND REPRESENTATIVES. Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, and one or more alternate proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act. Alternatively, every such shareholder which is a body corporate or association may authorize, by resolution of its directors or governing body, an individual, who need not be a shareholder, to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chairman of the meeting.

10.14 TIME FOR DEPOSIT OF PROXIES. The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting or an adjournment thereof by not more than 48 hours, exclusive of non-business days, before which proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting; provided that the chairman of the meeting may, in his sole discretion, at the meeting, elect to waive the requirement that proxies be deposited prior to the time specified in such notice and accept any and all proxies deposited at or before the time of the meeting or any adjournment thereof.

10.15 JOINT SHAREHOLDERS. If two or more persons hold shares jointly, any one of them present in person or represented at a meeting of shareholders may, in the absence of the other or others

vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one on the shares jointly held by them.

10.16 VOTES TO GOVERN. At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall not be entitled to a second or casting vote.

10.17 SHOW OF HANDS. Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by a show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.18 BALLOTS. On any question proposed for consideration at a meeting of shareholders, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot, either before or on the declaration of the result of any vote by show of hands. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.19 ADMISSION OR REJECTION OF A VOTE. In case of any dispute as to the admission or rejection of a vote, the chairman shall determine the same and such determination made in good faith shall be final and conclusive.

10.20 ADJOURNMENT. If a meeting of the shareholders is adjourned by one or more adjournments for an aggregate of less than thirty days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the time of an adjournment. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.21 PARTICIPATION IN MEETINGS. Subject to the Act, a shareholder or any other person entitled to attend a meeting of shareholders may participate in the meeting by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear or otherwise communicate with each other, and a person participating in such a meeting by those means is deemed to be present at the meeting. If the directors or the shareholders of the Corporation call a meeting of shareholders, the directors or the shareholders, as the case may be, may determine that the meeting shall be held, in accordance with the Act, entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting. Notwithstanding Clause 10.17, a vote at any meeting of shareholders may be held, in accordance with the Act, entirely by electronic means, telephone or other communication facility, if the Corporation makes such a communication facility available. Any person participating in a meeting of shareholders by electronic means, telephone or other communication facilities as provided in this Clause 10.21 and entitled to vote at the meeting may vote, in accordance with the Act, by electronic means, telephone or other communication facility that the Corporation has made available for that purpose.

10.22 RESOLUTION IN WRITING. A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders.

10.23 ONLY ONE SHAREHOLDER. Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

## SECTION ELEVEN

### DIVISIONS AND DEPARTMENTS

11.01 CREATION AND CONSOLIDATION OF DIVISIONS. The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units shall be consolidated upon such basis as the board may consider appropriate in each case.

11.02 NAME OF DIVISION. Subject to law, any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business, enter into contracts, sign cheques and other documents of any kind and do all acts and things under such name. Any such contract, cheque or document shall be binding upon the Corporation as if it had been entered into or signed in the name of the Corporation.

11.03 OFFICERS OF DIVISIONS. From time to time the board or, if authorized by the board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or, if authorized by the board, the chief executive officer, may remove at its or his pleasure any officer so appointed without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub-units shall not, as such, be officers of the Corporation.

## SECTION TWELVE

### INFORMATION AVAILABLE TO SHAREHOLDERS

12.01 DIRECTORS MAY RESTRICT ACCESS. Except as provided by the Act, no shareholder shall be entitled to discovery of any information respecting any details or conduct of the Corporation's business which in the opinion of the directors would be inexpedient in the interests of the Corporation to communicate to the public.

12.02 DIRECTORS TO DETERMINE ACCESS. The directors may, from time to time, subject to the rights conferred by the Act, determine whether and to what extent and at what time and place and under what circumstances or regulations the documents, books and registers and accounting records of the Corporation or any of them shall be open to inspection of shareholders and no shareholder shall have any right to inspect any document or book or register or accounting records of the Corporation except as conferred by statute or authorized by the board of directors or by a resolution of the shareholders.

**SECTION THIRTEEN****NOTICES**

13.01 **METHOD OF GIVING NOTICES.** Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary or air mail or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. In addition to the foregoing, a notice may be sent or delivered by electronic means in accordance with the provisions of the *Electronic Transactions Act* (Alberta) and shall be deemed to have been given in accordance with the provisions of that Act. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

13.02 **NOTICE TO JOINT SHAREHOLDERS.** If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them.

13.03 **COMPUTATION OF TIME.** In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

13.04 **UNDELIVERED NOTICES.** If notices given to a shareholder pursuant to Clause 13.01 are returned on two consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

13.05 **OMISSIONS AND ERRORS.** The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

13.06 **PERSONS ENTITLED BY DEATH OR OPERATION OF LAW.** Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

13.07 **WAIVER OF NOTICE.** Any shareholder (or his duly appointed proxyholder), director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board which may be given in any manner.

**SECTION FOURTEEN**

**EFFECTIVE DATE (AND REPEAL)**

14.01           **EFFECTIVE DATE.** This by-law shall come into force when made by the board in accordance with the Act.

14.02           **REPEAL.** All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.



**SCHEDULE B**

**TARGETCO's Financial Statements**

**NETCENTS SYSTEMS LTD.**

Financial Statements

Years Ended October 31, 2014, 2013 and 2012

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Netcents Systems Ltd.:

We have audited the accompanying financial statements of Netcents Systems Ltd., which comprise the statements of financial position as at October 31, 2014, 2013 and 2012, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Netcents Systems Ltd. as at October 31, 2014, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Netcents Systems Ltd's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
August 11, 2015

An independent firm associated with  
Moore Stephens International Limited

**MOORE STEPHENS**

**NETCENTS SYSTEMS LTD.**Statements of Financial Position  
(Expressed in Canadian dollars)

	October 31, 2014	October 31, 2013	October 31, 2012
<b>Assets</b>			
Current assets:			
Cash	\$ 5	\$ 307	\$ 323
Total assets	\$ 5	\$ 307	\$ 323
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	\$ 682,142	\$ 562,193	\$ 440,974
Loans payable (note 5)	430,298	365,238	204,759
	1,112,440	927,431	645,733
Shareholders' equity:			
Share capital (note 6)	971,290	971,290	971,290
Shares to be issued (note 6)	695,000	470,000	470,000
Deficit	(2,778,725)	(2,368,414)	(2,086,700)
	(1,112,435)	(927,124)	(645,410)
Total liabilities and shareholders' equity	\$ 5	\$ 307	\$ 323

Subsequent events (note 10)

Approved on behalf of the Board:

"Gord Jessop""Clayton Moore"

See accompanying notes to financial statements

## NETCENTS SYSTEMS LTD.

Statements of Comprehensive Loss  
(Expressed in Canadian dollars)

	Year Ended October 31, 2014	Year Ended October 31, 2013	Year Ended October 31, 2012
Operating Expenses:			
Consulting fees (note 7)	\$ 395,000	\$ 213,444	\$ 245,427
Professional fees	-	41,642	20,900
Software development	-	1,001	17,305
General and administrative	2,409	8,619	17,487
	(397,409)	(264,706)	(301,119)
Other Items:			
Impairment of property and equipment	-	-	1,497
Foreign exchange expense	-	-	586
Other income expense	(3,098)	1,238	-
Interest expense (note 5)	16,000	15,770	10,000
	(12,902)	(17,008)	(12,083)
Net and comprehensive loss	\$ (410,311)	\$ (281,714)	\$ (313,202)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted	16,417,421	16,417,421	16,372,884

*See accompanying notes to financial statements*

**NETCENTS SYSTEMS LTD.**Statement of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Share capital		Shares to be issued		Deficit	Total
	Number of shares	Amount	Number of shares	Amount		
Balance at October 31, 2011	16,305,421	\$ 943,290	1,720,000	\$ 430,000	\$ (1,773,498)	\$ (400,208)
Shares issued for cash (note 6)	112,000	28,000	-	-	-	28,000
Debt settled by obligation to issue shares (note 6)	-	-	160,000	40,000	-	40,000
Comprehensive loss:						
Net loss	-	-	-	-	(313,202)	(313,202)
Balance at October 31, 2012	16,417,421	971,290	1,880,000	470,000	(2,086,700)	(645,410)
Comprehensive loss:						
Net loss	-	-	-	-	(281,714)	(281,714)
Balance at October 31, 2013	16,417,421	971,290	1,860,000	470,000	(2,368,414)	(927,124)
Shares to be issued for services (note 6)	-	-	2,250,000	225,000	-	225,000
Comprehensive loss:						
Net loss	-	-	-	-	(410,311)	(410,311)
Balance at October 31, 2014	16,417,421	\$ 971,290	4,130,000	\$ 695,000	\$ (2,778,725)	\$ (1,112,435)

*See accompanying notes to financial statements*

## NETCENTS SYSTEMS LTD.

Statements of Cash Flows  
(Expressed in Canadian dollars)

	October 31, 2014	October 31, 2013	October 31, 2012
Operating activities			
Net loss	\$ (410,311)	\$ (281,714)	\$ (313,202)
Items not effecting cash:			
Impairment of equipment	-	-	1,497
Interest expense	16,000	15,770	10,000
Shares to be issued for services	225,000		
Changes in non-cash working capital			
Receivables	-	-	3,624
Accounts payable and accrued liabilities	119,949	121,219	140,462
Cash used in operating activities	(49,362)	(144,725)	(157,619)
Financing activity			
Issuance of share capital for cash	-	-	28,000
Proceeds from loans	49,060	144,709	122,225
Cash provided by financing activities	49,060	144,709	150,225
Decrease in cash	(302)	(16)	(7,394)
Cash, beginning	307	323	7,717
Cash, ending	\$ 5	\$ 307	\$ 323

See accompanying notes to financial statements

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 1. Nature of operations

Netcents Systems Ltd. (the "Company") is engaged in software development for the payment processing industry.

The head office and the registered and records office of the Company are located at 1500 – 885 West Georgia Street, Vancouver, BC V6C 3E8.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at October 31, 2014 the Company had not earned revenues and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful development and marketing of its payment platform software and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

## 2. Basis of Preparation

The financial statements were authorized for issue on August 11, 2015 by the directors of the Company.

### (a) *Statement of Compliance with International Financial Reporting Standards*

The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### (b) *Basis of Measurement*

The financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, unless otherwise noted.

### (c) *Significant estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, fair value measurements of shares-based payments and contingent liabilities.



# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 2. Basis of Preparation (continued)

### (d) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- whether expenditures incurred meet the definition of research or development, and whether expenditures on development meet the criteria to be capitalized as intangible assets.

## 3. Significant Accounting Policies

### (a) Financial Instruments

The Company initially measures financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value at the balance sheet date with any gain or loss recognized in the statement of comprehensive loss. Interest and dividends earned from these assets are also included in the statement of comprehensive loss. The Company has no financial assets classified as FVTPL.

Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss. The Company classifies cash as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company has no financial assets classified as available-for-sale financial assets.

Non-derivative financial liabilities are measured at amortized cost using the effective interest method. Non-derivate financial liabilities consist of trade payables and loans payable.

Transactions costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception (except for transaction costs related to financial instruments related to FVTPL financial assets which are expensed as incurred), and are recognized over the term of the assets or liabilities using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 3. Significant Accounting Policies *(continued)*

### *(a) Financial Instruments (continued)*

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company does not have any derivative financial assets and liabilities.

### *(b) Income and loss per share*

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income (loss) attributable to common shareholders equals the reported income (loss) attributable to owners of the Company. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

### *(c) Income taxes*

#### Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred income tax

Deferred income tax is provided using the asset and liability sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### *(d) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 3. Significant Accounting Policies (continued)

### (e) Research and development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of three years. The Company did not have any development costs that met the capitalization criteria for the years ended October 31, 2014, 2013 and 2012.

### (f) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### (h) Accounting standards issued but not yet effective

#### New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

The Company has not early adopted this revised standard and is currently assessing the impact that it will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 4. Accounts Payable and Accrued Liabilities

	October 31, 2014	October 31, 2013	October 31, 2012
Trade payables	\$ 215,343	\$ 265,393	\$ 305,075
Accrued liabilities	466,799	296,800	135,899
	<u>\$ 682,142</u>	<u>\$ 562,193</u>	<u>\$ 440,974</u>

See note 7.

## NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

### 5. Loans Payable

Pursuant to an agreement entered into on May 5, 2009, the Company was loaned \$50,000 bearing interest at 20% per year. The loan was repayable on September 2, 2009 is secured by the assets of the Company. At October 31, 2014 the loan was unpaid and there was outstanding interest of \$52,534 (October 31, 2013: \$42,534, October 31, 2012: \$32,534). As the Company did not repay the loan when due, the agreement required the Company to issue 200,000 common shares (note 6). Subsequent to October 31, 2014, the lender agreed to settle the loan and unpaid interest by payments totaling \$60,000 (note 10).

Pursuant to an agreement entered into on May 6, 2013, the Company was advanced a total of \$50,000 during the year ended October 31, 2013. The amounts advanced are due 6 months subsequent to the date of advancement (the "Due Date"). The Company has the option of extending the due date by an additional 6 months. The loan bears interest at a rate of 12% per annum up to the Due Date and 15% per annum thereafter. The loan is convertible into units at an exercise price equal to the lower of \$0.25 per unit and the price of the then most recent public offering of the Company's shares. Each unit consists of one common share and one warrant. Each warrant allows the holder to purchase one additional common share for a period of two years from the date of issuance at an exercise price equal to the lower of \$0.25 per common share and the price of the then most recent public offering of the Company's shares. The value of the conversion feature was determined to be immaterial. Subsequent to October 31, 2014, the loan was converted and the Company issued 620,161 units (note 10).

The Company entered into a loan agreement on November 14, 2011. Pursuant to the agreement, during the year ended October 31, 2012, the Company was loaned \$60,000 bearing interest at 10% per year commencing on November 14, 2012. The loan was repayable on May 14, 2013. At October 31, 2014 the loan was unpaid and there was outstanding interest of \$11,770 (October 31, 2013: \$5,770, October 31, 2012: \$Nil).

Other loans totaling \$206,994 (October 31, 2013: \$156,934, October 31, 2012: \$62,225) are unsecured, non-interest bearing with no fixed terms of repayment (note 7). Subsequent to October 31, 2014, \$163,494 of this balance was forgiven by a related party (note 10).

### 6. Share Capital

#### (a) Authorized

Unlimited class A common shares, without par value.

#### (b) Issued

At October 31, 2014, 2013 and 2012, there were 16,417,421 common shares issued and fully paid common shares outstanding.

During the year ended October 31, 2012, the Company issued 112,000 common shares at a price of \$0.25 per share for proceeds of \$28,000.

#### (c) Shares to be issued

As at October 31, 2014, 2013 and 2012 there were 20,000 common shares to be issued relating to a subscription of \$5,000 received prior to October 31, 2011. These common shares were issued subsequent to October 31, 2014 (note 10).

During the year ended October 31, 2014, the Company entered into an employment agreed with the Company's president. Pursuant to this agreement, the Company was required to issue 2,250,000 common shares by October 31, 2014 (note 7) for services rendered. The Company has recorded these shares as shares to be issued within equity at \$0.10 per share, being the estimated fair value of the shares, resulting in an expense of \$225,000.

## NETCENTS SYSTEMS LTD.

Notes to Financial Statements  
(Expressed in Canadian)  
Years ended October 31, 2014, 2013 and 2012

### 6. Share Capital (continued)

#### (c) Shares to be issued (continued)

As at October 31, 2011, included in shares to be issued is 1,500,000 common shares due to a vendor for services provided (the "Services"). During the year ended October 31, 2012, the Company agreed to settle an account payable of \$40,000 due to the vendor and the Services by issuing an aggregate total of 1,660,000 common shares with an estimated fair value of \$0.25 per share. Subsequent to October 31, 2014, the third party agreed to waive the Company's obligation to issue the 1,660,000 common shares (note 10).

At October 31, 2014, 2013 and 2012, shares to be issued includes 200,000 common shares to be issued to a third party lender where the Company had failed to repay the loan when due (note 5). These shares were recorded at \$0.25 per share, being their estimated fair value at repayment date of the loan.

#### (d) Warrants and Stock Options

As of October 31, 2014, 2013 and 2012, the Company did not have any outstanding options or warrants.

### 7. Related Party Transactions

#### (a) Related party transactions

Transactions with related parties for the years ended October 31, 2014, 2013 and 2012 are as follows:

	October 31, 2014	October 31, 2013	October 31, 2012
Consulting fees incurred to officers and directors of the Company	\$ 170,000	\$ 162,159	\$ 176,600
Consulting fees paid to the president of the Company in the form of common shares to be issued (note 6)	225,000	-	-
	\$ 395,000	\$ 162,159	\$ 176,600

#### (b) Related party balances

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$277,519 due to a director of the Company (October 31, 2013: \$208,310, October 31, 2012: \$162,026). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$7,000 due to a relative of a director of the Company (October 31, 2013: \$7,000, October 31, 2012: \$7,000). This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$61,244 due to a former officer of the Company (October 31, 2013: \$61,244, October 31, 2012: \$33,044). This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$72,500 plus accrued interest of \$11,770. The lender was appointed as president of the Company during the year ended October 31, 2014. The loan is unsecured. \$60,000 of the loan bears interest at 10% per year was repayable on May 14, 2013. The remainder of the loan is non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$163,494 due to a Company with a director and officer in common (October 31, 2013: \$114,434, October 31, 2012: \$49,725). This amount is unsecured, non-interest bearing with no fixed terms of repayment. Subsequent to October 31, 2014, this balance was forgiven by the lender (note 10).

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 7. Related Party Transactions *(continued)*

### *(b) Commitments with related parties*

Pursuant to an employment agreement effective January 1, 2014, the Company will remunerate the president of the Company as follows:

- Salary of:
  - o \$5,000 per month for the 12 month period ended December 31, 2014;
  - o \$7,500 per month for the 12 month period ended December 31, 2015; and
  - o \$12,000 per month thereafter;
- Common share issuances:
  - o 750,000 shares on or before March 31, 2014;
  - o 750,000 shares on or before June 30, 2014;
  - o 750,000 shares on or before September 30, 2014; and
  - o 750,000 shares on or before December 31, 2014.

In the event that the president is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

Pursuant to an employment agreement effective January 1, 2014, the Company will remunerate the Chief Executive Officer of the Company as follows:

- Salary of:
  - o \$10,000 per month for the 24 month period ended December 31, 2015; and
  - o \$15,000 per month thereafter;

In the event that the CEO is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

## 8. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery for the years ended October 31, 2014, 2013 and 2012 is as follows

	October 31, 2014	October 31, 2013	October 31, 2012
Net loss	\$ (747,811)	\$ (281,714)	\$ (313,202)
Statutory income tax rate	26%	26%	26%
Expected income tax recovery	(194,431)	(73,246)	(81,433)
Non-deductible expenses	58,500	-	-
Deductible temporary differences not recognized	135,931	73,246	81,433
Income tax recovery	\$ -	\$ -	\$ -

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 8. Income taxes (continued)

At October 31, 2014, the Company had non-capital losses of approximately \$2,266,862 (October 31, 2013: \$1,744,051, October 31, 2012: \$1,462,337) for which no deferred tax asset has been recognized. These losses expire as follows:

Year	Amount
2027	\$ 145,950
2028	140,115
2029	365,228
2030	220,899
2031	278,440
2032	311,705
2033	281,714
2034	522,811
	\$ 2,266,862

## 9. Financial Risk and Capital Management

### (a) Financial risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. Substantially all of the Company's cash are deposited in bank accounts held with major banks in Canada. As the majority of the Company's cash is held by the same bank there is a concentration of credit risk. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company assesses liquidity risk as high.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's liabilities are either non-interest bearing or pay interest at fixed rates. Therefore, interest rate risk is not considered significant.

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any financial instruments denominated in foreign currencies and is therefore not exposed to foreign currency risk.

# NETCENTS SYSTEMS LTD.

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

## 9. Financial Risk and Capital Management (*continued*)

### (b) *Management of capital*

The Company's objectives when managing capital are:

- i. to ensure that the Company will continue as a going concern so that it can continue to provide services to its customers and offer a return on investment to its shareholders; and
- ii. to maintain a capital structure which optimizes the cost of capital while providing flexibility and diversity of funding sources and timing of debt maturities along with adequate anticipated liquidity for future growth.

The Company defines capital that it manages as the aggregate of its cash and share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances. The Company's investment policy is to invest only in investment grade, highly liquid money market and fixed income securities with less than one year maturity.

At October 31, 2014, the Company is not subject to any externally imposed capital requirements. The Company's overall strategy with respect to management of capital remains unchanged from the prior year.

## 10. Subsequent events

On November 11, 2014, a related party agreed to release and forever discharge the Company of all monies and debt owing up to that date. At October 31, 2014, included in loans payable was \$163,494 payable to this related party (note 7). In connection with this loan settlement, on May 4, 2015, the Company issued 62,220 common shares to a third party that had previously incurred expenses relating to a proposed transaction between the Company and the related party.

On January 1, 2015, the Company and a third party creditor agreed to settle all amounts owing. At October 31, 2014, amounts owing to this creditor consisted of a loan payable with a principal balance of \$50,000 plus accrued interest and fees of \$52,534 as well as \$113,000 in accounts payable and accrued liabilities. To settle amounts these amounts the Company must make the following payments:

- \$30,000 on or before January 31, 2015 (paid);
- \$20,000 on or before May 30, 2015 (paid); and
- \$10,000 on or before September 30, 2015 (paid).

On July 16, 2015, a third party agreed to waive the Company's obligation to issue the 1,660,000 common shares (note 6) and settle all amounts owing for a cash payment of \$25,000. At October 31, 2014, included in accounts payable and accrued liabilities was \$36,000 owing to this creditor.

On December 10, 2014, the Company completed a private placement and issued 1,900,000 common shares at a price of \$0.10 per shares for total proceeds of \$190,000.

On May 4, 2015, pursuant to an agreement entered into effective January 1, 2015, the Company issued 7,143,000 to certain third parties for services.

On May 4, 2015, the Company issued 20,000 common shares to a third party to satisfy an obligation to issue shares.

Pursuant to a promissory note agreement entered into on February 6, 2015, a third party loaned the Company \$35,000. On May 4, 2015, the Company issued 291,667 common shares to repay this loan.

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's president pursuant to his employment agreement (note 7).

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's Chief Executive Officer and 3,000,000 common shares to third parties for services rendered.



## **NETCENTS SYSTEMS LTD.**

Notes to Financial Statements

(Expressed in Canadian)

Years ended October 31, 2014, 2013 and 2012

### **10. Subsequent events *(continued)***

On May 4, 2015, the Company issued 620,161 units on the conversion of a convertible loan of \$50,000 plus accrued interest that was issued during the year ended October 31, 2013 (note 5). Each unit consisted of one common share and one warrant. Each warrant allows the holder to purchase one additional common share at an exercise price of \$0.10 per common share for a period of two years.

On July 6, 2015, the Company completed a private placement and issued 1,700,000 common shares at a price of \$0.25 per shares for total proceeds of \$425,000

**NetCents Systems Ltd.**

**Management Discussion and Analysis**

For the Year Ended October 31, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") is dated August 28, 2015 and should be read in conjunction with the audited financial statements of NetCents Systems Ltd. ("NetCents" or the "Corporation") for the year ended October 31, 2015, and accompanying notes.

NetCents prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, fair value measurements of shares-based payments and contingent liabilities.

## **FORWARD-LOOKING INFORMATION**

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the oil and gas industry and prevailing economic conditions in the regions the Corporation operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements are as of the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as assumptions that increases in market activity and growth will be consistent with industry activity in Canada. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including, but not limited to factors referred to and under

the heading “Risk Factors” in this MD&A. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them.

The Corporation’s actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below and elsewhere in this document; general economic conditions in Canada; risks inherent in the Corporation’s ability to generate sufficient cash flow from operations to meet its current and future obligations, the Corporation’s ability to access external sources of debt and equity capital, changes in legislation and the regulatory environment, and credit risk to which the Corporation is exposed in the conduct of its business.

Although forward-looking statements contained in this MD&A are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are expressly qualified by this cautionary statement. Unless otherwise required by law, NetCents does not intend, or assume any obligation, to update these forward-looking statements.

## **BUSINESS DESCRIPTION AND READER GUIDANCE**

NetCents Systems Ltd. (the “Corporation”) was incorporated in Alberta under the Alberta *Business Corporations Act*. NetCents Systems Ltd. (“NetCents”) was incorporated on January 11, 2006 under the laws of the Business Corporations Act (Alberta), as “Lunapay Ltd.” and changed its name to “NetCents Systems Ltd.” on November 27, 2006. NetCents business is to identify and evaluate corporations, businesses or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

NetCents Systems Ltd. (“NetCents”) is an innovative electronic Payment Service Provider (or “PSP”) with industry leading capabilities that benefit both merchants and consumers. As a PSP, NetCents offers clients and merchants efficient online services for managing electronic payments by a variety of payment methods through its technology that offers a bundled suite of payment services. The system is designed to exploit existing inadequacies in the PSP market space as well as the dynamic opportunities to transition towards any future opportunities in the sector utilizing new financial technology. The next-generation platform is specifically architected to meet the complexities of the evolving payments environment. It will excel where traditional systems are challenged in delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems.

The NetCents transaction platform utilizes the clearing services of the Royal Bank of Canada (“RBC”, “Royal Bank”) and runs on the RBC Corporate Bill Payment Services Platform. The NetCents platform is also integrated with Automatic Clearing House (“ACH”) Network. NetCents is a digital transaction technology company that is specializing in online, mobile and emerging payments.

Automated Clearing House (ACH) is an electronic network for financial transactions in the United States. ACH processes large volumes of credit and debit transactions in batches. ACH credit transfers include direct deposit, payroll and vendor payments. ACH direct debit transfers include consumer payments on insurance premiums, mortgage loans, and other kinds of bills. Debit transfers also include new applications such as the point-of-purchase (POP) check conversion pilot program sponsored by NACHA. Both the government and the commercial sectors use ACH payments. Businesses increasingly use ACH online to have customers pay, rather than via credit or debit cards. (ACH Direct Payments and RBC: <http://www.rbcroyalbank.com/commercial/cashmanagement/rp-payments.html>)

ACH is a computer-based clearing and settlement facility established to process the exchange of electronic transactions between participating depository institutions. The benefits of using ACH payment

Processing is that during an ACH payment, the customer's account is debited, and the funds are credited to the business, merchant or trader's bank account. NetCents believes that offering the ability pay clients through ACH payment will make their business more attractive to customers who do not use credit cards or have reached the limit on their cards. All they need is a checking or savings account to pay you for your services or products.

Rules and regulations that govern the ACH network are established by NACHA and the Federal Reserve.

NACHA manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data in the United States. It is funded by the financial institutions it governs.

The premise of NetCents is to provide a consumer driven payment platform with a multitude of payment options. When fully built out, NetCents will allow consumers to "Pay Your Way". As the platform evolves, it will allow for cash, credit cards, debit cards, gift cards, crypto-currencies, as well as Loyalty/Rewards transactions.

The NetCents platform offers merchants from all over the world a convenient and secure method of receiving payments from customers who prefer to pay through electronic methods. Utilizing the RBC Corporate Bill Payment Services Platform and the ACH network we connect businesses and their customers to facilitate payments. When it comes to processing your transactions, safety, security and compliance are at the forefront. NetCents works to meet the standards of all compliance and regulatory bodies.

NetCents' business model is different than those trying to capture the currency trading market. NetCents believes that the market is looking for technology that offers multiple payment and financial services in a single web-based application that is all encompassing, easy to access, simple to setup and effective in its use.

NetCents' proprietary network builds on and utilizes the existing financial infrastructure of bank accounts to create an efficient cost effective payment solution. NetCents delivers a product ideally suited for any size business, online merchants and consumers currently underserved by traditional payment mechanisms. NetCents' revenues will be generated primarily from transaction fees paid by both the merchant and the consumer. Merchant fees are lower than what current payment providers charge, thus making NetCents an attractive additional payment option.

NetCents can be quickly and easily utilized via any online PC, laptop or smart phone. Prior to NetCents, typical online purchases entailed the user electing to make a payment for a purchase, being connected to a secure server to perform authentication and authorization, and subsequently being presented with confirmation of the completed transaction. NetCents provides all of these functions and more without the necessity of disclosing vital financial and personal information over the internet. NetCents enables any business or consumer with an email address to securely, conveniently and cost-effectively send and receive payments online.

The next-generation platform is specifically architected to meet the complexities of the evolving payments environment. It will excel where traditional systems are challenged in delivering end-to-end solutions that bridge the gap between financial and on-line and mobile systems. NetCents aims to allow consumers to "Pay Your Way".

## SELECTED ANNUAL RESULTS

	October 31, 2014	October 31, 2013	October 31, 2012
<b>Assets</b>			
Current assets:			
Cash	\$ 5	\$ 307	\$ 323
Total assets	\$ 5	\$ 307	\$ 323
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	\$ 682,142	\$ 562,193	\$ 440,974
Loans payable (note 5)	430,298	365,238	204,759
	1,112,440	927,431	645,733
Shareholders' equity:			
Share capital (note 6)	976,290	976,290	976,290
Shares payable (note 6)	690,000	465,000	465,000
Deficit	(2,778,725)	(2,368,414)	(2,086,700)
	(1,112,435)	(927,124)	(645,410)
Total liabilities and shareholders' equity	\$ 5	\$ 307	\$ 323

## OVERALL PERFORMANCE

As at October 31, 2014, the Company held cash in the amount of \$5.00 as compared to \$307 at October 31, 2013, and \$323 at October 31, 2012.

The financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at October 31, 2014 the Company had not earned revenues and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful develop and market its payment platform software and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

## DISCUSSION OF OPERATIONS



## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

As at October 31, 2014 NetCents had a cash balance of \$5.00 to settle liabilities of \$1,112,440. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company assesses liquidity risk as high. The Corporation has not yet been able to generate transactions required to sustain future 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 is uncertain.

### **Working Capital**

As at October 31, 2014 NetCents had a cash balance of \$5.00.

### **Capital Management**

Management closely monitors cash flow requirements however; currently the Corporation does not have sufficient cash to meet all of its current operational and financial obligations if demanded to do so. The Corporation is actively pursuing sales and commercialization efforts, including targeting currently underserved markets.

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development and sales of its payment services and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk. However, it should be noted that the Corporation is at an early stage of its redefined commercialization program and will continue to be dependent on its ability to manage cash on hand, increase its revenues and raise additional debt or equity to meet its obligations and repay its liabilities arising from normal business operations when they become due.

The management of capital includes the components of shareholders' equity, comprised of share capital and retained earnings (deficit). The Corporation strives to maximize the value associated with shareholders' equity. In order to maintain or adjust its capital structure, the Corporation may from time to time issue shares, issue new debt, dispose of assets or adjust its spending, taking into account changes in economic conditions and the risk characteristics of the underlying assets. If expenditure outweigh revenues, the Corporation plans to fund future expenditures through various financing options including equity and/or debt financing.

## **SELECTED ANNUAL FINANCIAL INFORMATION**

### **Results of Operations**

	Year Ended October 31, 2014	Year Ended October 31, 2013	Year Ended October 31,2012
Operating Expenses:			
Consulting fees (note 7)	\$ 395,000	\$ 213,444	\$ 245,427
Professional fees	-	41,642	20,900
Software development	-	1,001	17,305
General and administrative	2,409	8,619	18,487

	Year Ended October 31, 2014	Year Ended October 31, 2013	Year Ended October 31,2012
<b>Other Items:</b>			
Impairment of property and equipment	\$ -	\$ -	\$ 1,497
Foreign exchange expense	-	-	586
Other income expense	(3,098)	1,237	-
Interest expense	16,000	15,770	10,000
	(12,902)	(17,007)	(12,083)
<b>Net and comprehensive loss</b>	<b>\$ (410,311)</b>	<b>\$ (281,714)</b>	<b>\$ (314,202)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>			
	16,417,421	16,417,421	16,369,903

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

## RISK FACTORS

Due to the nature of the business, the legal and economic climate in which the Corporation is operating and the present stage of development of its operations, the Corporation is subject to risks. The Corporation's future development and actual operating results may be different from those expected as at the date of this MD&A. There can be no certainty that the Corporation will be able to successfully implement its corporate strategy. No representation is or can be made as to the future performance of the Corporation and there can be no assurance that the Corporation will achieve its objectives. Accordingly, readers should carefully consider the following discussion of risks that pertain to the Corporation (the text below summarizes some of these risks and is not intended to be complete or exhaustive).

NetCents is a private company under the laws of the Business Corporations Act (Alberta). Even though NetCents has been incorporated since 2006, it has Limited Operating and has no history of earnings. NetCents is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that NetCents will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. Although management of NetCents will work diligently to identify opportunities in the sector the reliance on Management will be significant. The success of NetCents is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management.



NetCents believes it has no significant credit risk and it does not have assets or liabilities in foreign currency.

#### Additional Capital Requirements

The Corporation intends to continue to make investments to support its business growth and will require additional funds to implement its business strategy, including expansion of sales and marketing activities; development of new software, products and features; enhancement of its current operating infrastructure; and acquisition of complementary businesses and technologies. The Corporation's cash reserves may not be sufficient to fund its ongoing activities at all times. Accordingly, the Corporation may need to engage in equity or debt financings to secure additional funds. If the Corporation raises additional funds through further issuances of equity or convertible debt securities, shareholders of the Corporation could suffer significant dilution, and any new equity securities the Corporation issues could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by the Corporation in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which might make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities. The Corporation can provide no assurance that sufficient debt or equity financing will be available for necessary or desirable infrastructure expenditures or acquisitions or to cover losses, and accordingly, the Corporation's ability to continue to support its business growth and to respond to business challenges could be significantly limited.

#### Banking & Processing

The Corporation's success depends on its ability to secure and develop banking and/or third party processing relationships that can effectively support the Corporation's service offering in target markets. Some of the Corporation's service offering is focused on new and emerging markets that can be considered high risk from a banking perspective and consequently requires sophisticated approaches to transactional risk management, compliance and financial crime prevention. Due to the high-risk nature of some of these markets, the Corporation may be unable to successfully secure and retain banking partners. Failure to do so could materially reduce the Corporation's revenue potential.

#### Regulatory Risk

NetCents' anticipated global operations may require it to be compliant with laws in many jurisdictions on matters such as anticorruption, trade restrictions, taxation, securities regulation, banking regulations and data privacy, amongst others. Complying with these diverse requirements in multiple jurisdictions may be a challenge and could require significant resources. Some of these laws may impose conflicting requirements; there may be restrictions on the movement of cash and other assets; or restrictions on the import and export of certain technologies; or restrictions on the repatriation of earnings, all of which may expose the Corporation to penalties for non-compliance and harm its reputation. Netcents's relationship with its banking partners requires that it comply with complex laws and regulations relating to the banking and payment processing industry.

#### New Technology

The Corporation's success will depend in part on its ability to develop outsource software and products that keep pace with continuing changes in technology, evolving industry standards and changing client preferences and requirements. The Corporation's software and products embody complex technology that may not meet those standards, changes and preferences. The Corporation may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and cost-effectively to

new developments through the development of software and new products or enhancements to existing software and products could reduce the Corporation's revenue.

### Competition

The Corporation operates in a competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. The Corporation's competitors may have greater financial, technical, sales, and production and marketing resources. The Corporation may not be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins and / or increased operating expenses.

### Customer Base and Market Acceptance

While Management believes it can grow its client base, the inability to grow such a client base could have a material adverse effect on the Corporation. Although the Corporation believes that its products offer advantages over competitive companies and products, no assurance can be given that the Corporation's products will attain a degree of market acceptance on a sustained basis or that it will generate revenues sufficient for sustained profitable operations.

### Consumer Privacy, Data Use and Security

The Corporation is subject to regulations related to privacy and data protection and information security in the jurisdictions in which it does business, and could be negatively impacted by these regulations. Recently, these topics have received heightened legislative and regulatory focus in jurisdictions around the world. Regulation of privacy and data protection and information security may raise concerns about and scrutiny of the Corporation's practices in regard to the collection, use, disclosure or security of personal and sensitive information. Failure to comply with the privacy and data protection and security laws and regulations to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect the Corporation's results of operations and overall business, as well as have an impact on the Corporation's reputation. Any addition or change to regulations in these areas (as well as the manner in which such laws could be interpreted or applied) may also increase the Corporation's costs to comply with such regulations. Changes to these laws could also impact the Corporation's business operations by requiring changes to the Corporation's data practices and could impact aspects of the Corporation's business such as fraud monitoring. Any of these changes could materially and adversely affect the Corporation's overall business and results of operations.

### Future Acquisitions

The Corporation may seek to expand its business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favorable terms, or that the acquired operations can be profitably operated or integrated in the Corporation's operations. To the extent Management is successful in identifying suitable companies or products for acquisition, the Corporation may deem it necessary or advisable to finance such acquisitions through the issuance of shares, securities convertible into shares, debt financing, or a combination thereof. In such cases, the issuance of shares or convertible securities could result in dilution to the shareholders of the Corporation at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of the Corporation's assets, impeding the Corporation's ability to obtain bank financing, decreasing the Corporation's liquidity, and adversely affecting its ability to declare and pay dividends to shareholders of the Corporation.

## Continued Losses from Operations

We have a history of operating losses and need additional capital to implement our business plan. As at October 31, 2014, the Corporation's cash and cash equivalents of \$5 (October 31, 2013 was \$307 and October 31, 2012 was \$323). The Corporation has not yet been able to generate any transactions 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 is uncertain.

## Stage of Development

The Corporation may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of the Corporation's development. The ability of the Corporation to manage growth effectively will require it to continue to expand its operational and financial systems and to train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

## Transaction Processing Systems

The Corporation's payment processing systems and other key service offerings may experience interruptions as a result of a disaster including, but not limited to, technology malfunctions, fire, weather events, power outages, telecommunications disruptions, terrorism, workplace violence, accidents or other catastrophic events. A disaster that occurs at, or in the vicinity of, our primary and/or back-up facilities in any location could interrupt our services. Although the Corporation continually monitors and assesses risks and potential impacts, and develops effective response strategies, the Corporation cannot ensure that its business would be immune to these risks.

Additionally, the Corporation relies on third-party service providers for the timely transmission of information across its global data network. Inadequate infrastructure in lesser-developed markets could also result in service disruptions, which could impact the Corporation's ability to do business in those markets. If, as a result of natural disaster, one of our service providers fails to provide the communications capacity or services the Corporation requires, the failure could interrupt the Corporation's services. Because of the intrinsic importance of the Corporation's processing systems to its business, any interruption or degradation could adversely affect the perception of the reliability of products carrying the Corporation's brand and materially reduce the Corporation's results of operations.

## Legal Risks

The Corporation is subject to legal risks related to operations, contracts, and relationships and otherwise, which could result in the Corporation being served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement and other costs as well as significant time and distraction of Management and employees.

## Money Laundering and Terrorism

The Corporation is subject to regulations that affect the payments industry. In particular, many of the Corporation's customers are subject to regulations applicable to banks and other financial institutions and, consequently, the Corporation is at times affected by such regulations. Regulation of the payments industry, including regulations applicable to the Corporation and its customers, has increased significantly in the last several years. The Corporation is subject to Anti-Money Laundering and Anti-Terrorism

regulations with respect to the activities of its internet payment gateway. Money laundering or terrorist financing involving the Corporation's payment gateway could result in an enforcement action and/or damage the Corporation's reputation, which could result in a material adverse impact on the Corporation's business.

#### Operating Results and Financial Condition May Fluctuate on a Quarterly and Annual Basis

Operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to continue to vary due to a number of factors, some of which are outside of the Corporation's control. These events could, in turn, cause the market price of the Corporation's shares to fluctuate. If operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of the Corporation's shares would likely decline.

Due to all of the foregoing factors and risks discussed in this "Risk and Uncertainties" section, individuals should not rely on quarter-to-quarter or year-to-year comparisons of the Corporation's operating results as an indicator of future performance.

#### Forward Looking Statements May Prove Inaccurate

Prospective purchasers are cautioned not to place undue reliance on forward-looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks, and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See under the heading "Special Note Regarding Forward-Looking Information".

#### Conflicts of Interest

Certain directors of the Corporation may engage in businesses similar to the Corporation and situations may arise where the directors may be in direct competition with the Corporation's business. Conflicts of interest, if any, that arise will be subject to and governed by the procedures prescribed by the Act, which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his/her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the Act.

#### Absence of Cash Dividends

The Corporation has not paid any cash dividends to date on the common shares and there are no plans for such dividend payments in the foreseeable future.

#### Cryptocurrency Risks

A significant portion of the proposed business of NetCents is based upon crypto currency transactions, which are digital or virtual currency transactions that use cryptography for security. The crypto currency market is unregulated and in its infancy. Accordingly, there are certain risks related to crypto currencies, including the risk of regulation reforms which may prohibit payment processing transactions related to the business of NetCents. Additionally, financial institutions may impose restrictions on persons that engage in business that is based on crypto currency transactions. Risks related to the acceptance and use of crypto currencies will have a significant

impact on the volume of crypto currency transactions. Such acceptance or lack thereof, and reforms in regulation could materially and adversely affect NetCents's assets, liabilities, business, financial condition, prospects and results of operations.

### Regulatory Regime

From time-to-time, governments and regulatory bodies may review the legislation and regulations applied to the crypto currency financial services industry and the payment processing industry in which NetCents operates. Such reviews could result in the enactment of new laws and/or the adoption of new regulations in Canada, the United States of America, Europe or elsewhere, which might adversely impact businesses in Canada, the USA, Europe or other countries in general and consequently, may threaten NetCents's growth prospects. More specifically, NetCents is operating in the payment processing industry, which is strictly regulated. Regulation is extensive and designed to protect consumers and the public, while providing standard guidelines for business operations. In the offering of its products, NetCents is subject to certain federal and provincial laws and regulations relating to its financial product offerings, including laws and regulations governing such things as Know-Your-Customer (KYC), Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and safeguarding the privacy of customers' personal information. Legislation has been passed in most provinces with respect to prepaid gift or stored-value cards. The Canadian government recently released its consultation paper Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, which contains proposals to strengthen the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Several of the proposals relate to emerging payment technologies and could have a significant impact on the payments and cards industry in Canada. NetCents believes that at this time it is in compliance with all laws and regulations although many of the rules that apply to it have only recently been implemented, are complex and sometimes ambiguous and, accordingly, NetCents cannot assure that it is in 100% compliance with all applicable laws, much less that all courts, arbitrators and regulators would agree that it is in 100% compliance. Failure to comply with, or changes to, existing or future laws and regulations could result in significant unforeseen costs and limitations, and could have an adverse impact on the Company's business, results of operations and/or financial condition.

### Legislative, Regulatory, Normative, and Political Considerations

NetCents is subject to local, provincial, federal and international laws, regulations, rules and policies as well as to social, economic and political contexts prevailing in places where NetCents conducts its activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on NetCents's results and operations and may require expenditures by NetCents in order to adapt or comply with such modification or change. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on NetCents's ability to adapt to, comply with and mitigate such changes.

## ACCOUNTING POLICIES

### Significant Accounting Policies

- (a) *Financial Instruments*

The Company initially measures financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

Financial assets at fair value through profit or loss (“FVTPL”) are measured at fair value at the balance sheet date with any gain or loss recognized in the statement of comprehensive loss. Interest and dividends earned from these assets are also included in the statement of comprehensive loss. The Company has no financial assets classified as FVTPL.

Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss. The Company classifies cash as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company has no financial assets classified as available-for-sale financial assets.

Non-derivative financial liabilities are measured at amortized cost using the effective interest method. Non-derivate financial liabilities consist of trade payables and loans payable.

Transactions costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception (except for transaction costs related to financial instruments related to FVTPL financial assets which are expensed as incurred), and are recognized over the term of the assets or liabilities using the effective interest method. Any gains or losses are recognized in the statement of comprehensive loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company does not have any derivative financial assets and liabilities.

(b) *Income and loss per share*

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income (loss) attributable to common shareholders equals the reported income (loss) attributable to owners of the Company. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

(c) *Income taxes*

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*(d) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

*(e) Research and development*

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of three years. The Company did not have any development costs that met the capitalization criteria for the years ended October 31, 2014 or 2013.

*(f) Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

*(h) Accounting standards issued but not yet effective*

## **CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

### **CRITICAL ACCOUNTING ESTIMATES AND POLICIES**

Certain accounting policies are identified as critical accounting policies because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain. These accounting policies could result in materially different results should the underlying assumptions or



conditions change. Management assumptions are based on factors that, in management's opinion are relevant and appropriate at the time such assumptions are made, and may change over time as operating conditions change. There are no critical accounting estimates at this time.

## **NEW AND PENDING ACCOUNTING STANDARDS**

### **Adoption of New Accounting Policies**

These financial statements represent NetCents's financial results of operations and financial position under IFRS for the period ended October 31, 2014.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are NetCents's first financial statements prepared in accordance with IFRSs and IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied.

#### New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

The Company has not early adopted this revised standard and is currently assessing the impact that it will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

### **Estimates**

Certain accounting policies are identified as critical accounting policies because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain. These accounting policies could result in materially different results should the underlying assumptions or conditions change. Management assumptions are based on factors that, in management's opinion are relevant and appropriate at the time such assumptions are made, and may change over time as operating conditions change. There are no critical accounting estimates at this time.

### **Internal Control over Financial Reporting**

As at the date of this report, Management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties for the periods ended October 31, 2014, 2013 and 2012 are as follows:

	October 31, 2014	October 31, 2013	October 31, 2012
Consulting fees incurred to officers and directors of the Company	\$170,000	\$ 162,159	\$ 176,600
Consulting fees paid to the president of the Company in the form of common shares to be issued (Note 6)	225,000	-	-
	\$395,000	\$ 162,159	\$ 176,000

### *Related party balances*

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$277,519 to a director and the CEO of the Company (October 31, 2013: \$208,310, October 31, 2012: \$162,026). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$7,000 to a relative of a director and the CEO of the Company (October 31, 2013: \$7,000, October 31, 2012: \$7,000). This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Included in accounts payable and accrued liabilities as at October 31, 2014 is \$61,244 to a former officer of the Company (October 31, 2013: \$61,244, October 31, 2012: \$33,044). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$72,500 plus accrued interest of \$11,770. The lender was appointed as president of the Company during the year ended October 31, 2014. The loan is not secured. \$60,000 of the loan bears interest at 10% per year was repayable on May 14, 2013. The remainder of the loan is non-interest bearing with no fixed terms of repayment.

Included in loans payable as at October 31, 2014 is \$213,494 to a Company with a director and officer in common (October 31, 2013: \$164,434, October 31, 2012: \$49,725). These amounts are unsecured, non-interest bearing with no fixed terms of repayment. Subsequent to October 31, 2014, this balance was forgiven by the lender (Note 10).

### *Commitments with related parties*

Pursuant to an employment agreement (the "Agreement") effective January 1, 2014, the Company will remunerate the president of the Company as follows:

Salary of:

- o \$5,000 per month for the 12 month period ended December 31, 2014;
- o \$7,500 per month for the 12 month period ended December 31, 2015; and
- o \$12,000 per month thereafter;

- Common share issuances:

- o 750,000 shares on or before March 31, 2014;
- o 750,000 shares on or before June 30, 2014;

- o 750,000 shares on or before September 30, 2014; and
- o 750,000 shares on or before December 31, 2014.

In the event that the president is terminated without cause, the Company must continue paying the salary of the president for a period of 18 months.

## **OUTSTANDING SHARE DATA**

### **Share Capital**

#### (a) Authorized

Unlimited class A common shares, without par value.

#### (b) Issued

At October 31, 2014, 2013 and 2012 there were 16,417,421 common shares issued and fully paid common shares outstanding.

During the year ended October 31, 2012, the Company issued 112,000 common shares at a price of \$0.25 per share for proceeds of \$28,000.

#### (c) Shares to be issued

During the year ended October 31, 2014, the Company entered into an employment agreement with the Company's president. Pursuant to this agreement, the Company was required to issue 2,250,000 common shares by October 31, 2014 (Note 7) for services rendered. The Company has recorded these shares as shares to be issued within equity at \$0.10 per share, being the estimated fair value of the shares at the time the services were provided resulting in an expense of \$225,000.

During the year ended October 31, 2012, the Company agreed to settle an account payable of \$40,000 by issuing 160,000 common shares with an estimated fair value of \$0.25 per share. At October 31, 2014, 2013 and 2012, the Company is obligated to issue 1,660,000 common shares. Subsequent to October 31, 2014, the third party agreed to waive the Company's obligation to issue the 1,660,000 common shares (Note 10).

At October 31, 2014, 2013 and 2012 shares to be issued includes 200,000 common shares to be issued to a third party lender where the Company had failed to repay the loan when due (Note 4). These shares were recorded at \$0.25 per share, being their estimated fair value at repayment date of the loan.

### **Loans Payable**

Pursuant to an agreement entered into on May 5, 2009, the Company was loaned \$50,000 bearing interest at 20% per year. The loan was repayable on September 2, 2009 and is secured by the assets of the Company.

At October 31, 2014 the loan was unpaid and there was outstanding interest and fees of \$52,534 (October 31, 2013: \$42,534, October 31, 2012: \$32,534). As the Company did not repay the loan when due, the agreement required the Company to issue 200,000 common shares (Note 6). Subsequent to October 31, 2014, the lender agreed to settle the loan and unpaid interest by payments totaling \$60,000 (Note 10).

Pursuant to an agreement entered into on November 14, 2011, the Company was loaned \$60,000 bearing interest at 10% per year. The loan was repayable on May 14, 2013. At October 31, 2014 the loan was unpaid and there was outstanding interest of \$11,770 (October 31, 2013: \$5,770, October 31, 2012: \$Nil).

Other loans totaling \$255,994 (October 31, 2013: \$206,934, October 31, 2012: \$62,225) are unsecured, non-interest bearing with no fixed terms of repayment.

### **Warrants,**

As of October 31, 2014, the Company did not have any outstanding warrants.

### **Outstanding Stock Options**

NetCents has no Stock Option plan in place as of October 31, 2014

### **Escrow**

NetCents has no share deposited in Escrow as of October 31, 2014.

### **Subsequent events**

On November 11, 2014, a related party agreed to release and forever discharge the Company of all monies and debt owing up to that date. At October 31, 2014, included in loans payable was 163,494 payable to this related party (note 7). In connection with this loan settlement, on May 4, 2015, the Company issued 62,220 common shares to a third party that had previously incurred expenses relating to a proposed transaction between the Company and the related party.

On January 1, 2015, the Company and a third party creditor agreed to settle all amounts owing. At October 31, 2014, amounts owing to this creditor consisted of a loan payable with a principal balance of \$50,000 plus accrued interest and fees of \$52,534 as well as \$113,000 in accounts payable and accrued liabilities. To settle amounts these amounts the Company must make the following payments:

- \$30,000 on or before January 31, 2015 (paid);
- \$20,000 on or before May 30, 2015 (paid); and
- \$10,000 on or before September 30, 2015.

On July 16, 2015, the a third party agreed to waive the Company's obligation to issue the 1,660,000 common shares (note 6) and settle all amounts owing for a cash payment of \$25,000. At October 31, 2014, included in accounts payable and accrued liabilities was \$36,000 owing to this creditor.

On December 10, 2014, Company completed a private placement and issued 1,900,000 common shares at a price of \$0.10 per shares for total proceeds of \$190,000. On May 4 2015, the Company issued 62,220 common share to a third party that had previously incurred expenses relating to a proposed transaction between the Company and a related party.

On May 4, 2015, the Company issued 20,000 common shares to a third party to satisfy an obligation to issue shares.

Pursuant to a promissory note agreement entered into on February 6, 2015, a third party loaned the Company \$35,000 (note 5). On May 4, 2015, the Company issued 291,667 common shares to repay this loan.

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's president pursuant to his employment agreement (Note 7).

On May 4, 2015, the Company issued 3,000,000 common shares to the Company's chief executive officer and 3,000,000 common shares to third parties for services rendered.

On May 4, 2015, pursuant to a consulting and services agreement that was effective January 1, 2015, the Company committed to issuing 7,143,000 common shares to third parties for services to be rendered.

On May 4, 2015, the Company issued 620,621 units on conversion of a convertible loan of \$50,000 plus accrued interest that was issued during the year-ended October 31, 2013 (Note 5). Each unit consisted of one common share and one warrant. Each warrant allows the holder to purchase one additional common share at an exercise price of \$0.10 per common share for the period of two years.

Consulting Ltd. (“UWO”), 1018758 B.C. Ltd. (“PubCo”) and 1887217 Alberta Ltd. (“SubCo”). SubCo is a wholly-owned subsidiary of PubCo and PubCo is a wholly-owned subsidiary of UWO. Pursuant to the agreement, the following will occur (the “Transactions”):

- PubCo will apply to have its shares listed in the Canadian Securities Exchange (“CSE”);
- the Company and SubCo will amalgamate to form “AmalCo” and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of the Company will be exchanged for common shares and warrants of PubCo on the basis of one share or warrant of PubCo for 0.706 shares or warrants of the Company; and
- PubCo will issue 1,010,549 common shares to UWO’s shareholders such that PubCo ceases to be a subsidiary of UWO.

The Transactions will result in the reverse takeover of PubCo by the Company.

On July 6, 2015, the Company completed a private placement and issued 1,700,000 common shares at a price of \$0.25 per share for a total proceeds of \$425,000.

On July 16, 2015, the a third party agreed to waive the Company’s obligation to issue the 1,660,000 common shares and settle all amounts owing for a cash payment of \$25,000. At April 30, 2015, included in accounts payable and accrued liabilities was \$36,000 owing to this creditor.

**SCHEDULE C**

**Form of Amalgamation Resolution of SubCo**

**1887217 Alberta Ltd.**  
**(the “Corporation”)**

**RESOLUTIONS CONSENTED TO BY A SHAREHOLDER OF THE COMPANY**

The following resolution has been consented to in writing by the undersigned shareholder of the Corporation as set forth below.

**WHEREAS:**

- A. The Corporation’s sole director has determined that it is in the Corporation’s best interest to enter into an amalgamation agreement (the “**Amalgamation Agreement**”), attached hereto as Schedule “A”, among the Corporation, UWO Consulting Ltd., 1018758 B.C. Ltd. (“**PubCo**”), and NetCents Systems Ltd. (“**TargetCo**”) pursuant to which the Corporation will complete an amalgamation with TargetCo (the “**Amalgamation**”), pursuant to the provisions of the *Business Corporations Act* (Alberta) (the “**ABCA**”), pursuant to which PubCo will acquire all of the issued and outstanding common shares of TargetCo in exchange for Class A common shares of PubCo; and
- B. Pursuant to the provisions of the ABCA and the terms of the Amalgamation Agreement, shareholder consent is being sought for the Amalgamation.

**NOW THEREFORE BE IT RESOLVED THAT:**

- 1. The Amalgamation Agreement is hereby authorized, approved, ratified and confirmed, and the Corporation be and is authorized to perform its obligations under the Amalgamation Agreement.
- 2. The appropriate filings of notices to and applications for decisions, rulings, orders, consents or waivers from applicable governmental entities and securities regulatory authorities on behalf of the Corporation with respect to any of the transactions contemplated in the Amalgamation Agreement are hereby authorized, approved, ratified and confirmed, and each officer and director is hereby authorized and directed to do all such acts and take any such actions that he or she considers necessary or desirable to effect such filings and applications.
- 3. The Corporation be and is hereby authorized to amalgamate with TargetCo and such Amalgamation to be effected substantially as set forth in the Amalgamation Agreement, and continue as one corporation (the “**Amalgamated Corporation**”).
- 4. The Articles of Amalgamation of the Amalgamated Corporation shall be filed with the Registrar under the ABCA.
- 5. The Bylaws of the Amalgamated Corporation shall be the Bylaws of the Corporation.
- 6. Consent is granted to the Corporation to send all notices and documents contained herein by electronic means, where permitted by the provisions of the ABCA, the *Electronic Transactions Act* (Alberta) and the bylaws of the Corporation.

7. Any one director or officer of the Corporation be and is hereby authorized to take, or cause to be taken, any and all such action and to sign, for and on behalf of the Corporation, all such documentation as may be necessary, desirable or useful for the implementation of this resolution.
8. These resolutions may be delivered electronically by e-mail, and signed manually or by electronic signature.

DATED as of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Print name of registered or beneficial shareholder

\_\_\_\_\_  
Signature of registered or beneficial shareholder  
(or authorized signatory thereof)

\_\_\_\_\_  
Number of shares held by registered or beneficial  
shareolder



**SCHEDULE "A"**  
**AMALGAMATION AGREEMENT**

**SCHEDULE C1**

**Form of Amalgamation Resolution of TargetCo**

**NETCENTS SYSTEMS LTD.**  
**(the “Corporation”)**

**RESOLUTIONS CONSENTED TO BY A SHAREHOLDER OF THE COMPANY**

The following resolution has been consented to in writing by the undersigned shareholder of the Corporation as set forth below.

**WHEREAS:**

- A. The Corporation’s sole director has determined that it is in the Corporation’s best interest to enter into an amalgamation agreement (the “**Amalgamation Agreement**”), attached hereto as Schedule “A”, among the Corporation, UWO Consulting Ltd., 1018758 B.C. Ltd. (“**PubCo**”), and 1887217 Alberta Ltd. (“**SubCo**”) pursuant to which the Corporation will complete an amalgamation with Subco (the “**Amalgamation**”), pursuant to the provisions of the *Business Corporations Act* (Alberta) (the “**ABCA**”), pursuant to which PubCo will acquire all of the issued and outstanding common shares of the Corporation in exchange for Class A common shares of PubCo; and
- B. Pursuant to the provisions of the ABCA and the terms of the Amalgamation Agreement, shareholder consent is being sought for the Amalgamation.

**NOW THEREFORE BE IT RESOLVED THAT:**

- 1. The Amalgamation Agreement is hereby authorized, approved, ratified and confirmed, and the Corporation be and is authorized to perform its obligations under the Amalgamation Agreement.
- 2. The appropriate filings of notices to and applications for decisions, rulings, orders, consents or waivers from applicable governmental entities and securities regulatory authorities on behalf of the Corporation with respect to any of the transactions contemplated in the Amalgamation Agreement are hereby authorized, approved, ratified and confirmed, and each officer and director is hereby authorized and directed to do all such acts and take any such actions that he or she considers necessary or desirable to effect such filings and applications.
- 3. The Corporation be and is hereby authorized to amalgamate with SubCo and such Amalgamation to be effected substantially as set forth in the Amalgamation Agreement, and continue as one corporation (the “**Amalgamated Corporation**”).
- 4. The Articles of Amalgamation of the Amalgamated Corporation shall be filed with the Registrar under the ABCA.
- 5. The Bylaws of the Amalgamated Corporation shall be the Bylaws of the Corporation.
- 6. Consent is granted to the Corporation to send all notices and documents contained herein by electronic means, where permitted by the provisions of the ABCA, the *Electronic Transactions Act* (Alberta) and the bylaws of the Corporation.

7. Any one director or officer of the Corporation be and is hereby authorized to take, or cause to be taken, any and all such action and to sign, for and on behalf of the Corporation, all such documentation as may be necessary, desirable or useful for the implementation of this resolution.

DATED as of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Print name of registered or beneficial shareholder

\_\_\_\_\_  
Signature of registered or beneficial shareholder  
(or authorized signatory thereof)

\_\_\_\_\_  
Number of shares held by registered or beneficial  
shareolder

**SCHEDULE "A"**  
**AMALGAMATION AGREEMENT**

**SCHEDULE D**

**Form of Articles of Amalgamation**

# Articles of Amalgamation

Business Corporations Act  
Section 185

## 1. Name of Amalgamated Corporation

NetCents Systems Ltd.

## 2. The classes of shares, and any maximum number of shares that the corporation is authorized to issue:

Common shares with no maximum.

## 3. Restrictions on share transfers (if any):

No share shall be transferred without the consent of the directors as evidenced by a resolution passed by the board of directors or by an instrument or instruments in writing signed by all such directors.

## 4. Number, or minimum and maximum number of directors:

Minimum One (1); Maximum Ten (10)

## 5. If the corporation is restricted FROM carrying on a certain business or restricted TO carrying on a certain business, specify the restriction(s):

Not Applicable

## 6. Other provisions (if any):

Not Applicable

## 7. Name of Amalgamating Corporations

## Corporate Access Number

NetCents Systems Ltd.	2012154106
1887217 Alberta Ltd.	2018872172

\_\_\_\_\_  
Name of Person Authorizing (please print)

\_\_\_\_\_  
Identification

\_\_\_\_\_  
Title (please print)

\_\_\_\_\_  
Date

*This information is being collected for the purposes of corporate registry records in accordance with the Business Corporations Act. Questions about the collection of this information can be directed to the Freedom of Information and Protection of Privacy Coordinator for the Alberta Government, Box 3140, Edmonton, Alberta T5J 2G7, (780) 427-7013.*

# Articles of Amalgamation

## BUSINESS CORPORATIONS ACT

### INSTRUCTIONS

**This information is submitted to your authorized service provider for filing with the Registrar pursuant to the Business Corporations Act and must conform to Section 1 of the Regulations made under the Act.**

- Item 1. Enter the proposed name of the amalgamated corporation that complies with Sections 10 and 12 of the Act.
- Item 2. Enter the details required by paragraph 6 (1) (b) of the Act, including details of the rights, privileges, restrictions and conditions attached to each class of shares. All shares must be without nominal or par value and must comply with the provisions of Part 5 of the Act.
- Item 3. Enter the nature of restrictions, if any, that are to be placed on the right to transfer shares of the corporation. If this is not applicable, please enter "Not Applicable".
- Item 4. Enter the number of directors, or a minimum and maximum number of directors.
- Item 5. If restrictions are to be placed on the business a corporation may carry on, name the restrictions and indicate whether they are restricted FROM carrying on a particular business or restricted TO carrying on the particular business.
- Item 6. Enter any provisions permitted by the Act or Regulations to be set out in the by-laws of the corporation that are to form part of the articles.
- Item 7. Enter the amalgamating corporations and give their corporate access numbers.

**The Articles of Amalgamation must be submitted to your authorized service provider and filed with:**

- Notice of Address
- Notice of Directors
- Statutory Declaration of a proposed Director of the amalgamated corporation in accordance with Section 185(2) of the Act
- the amalgamation agreement, if an amalgamation is effected under Section 183 of the Act.

If a new name is adopted, an Alberta Name Search Report (from the NUANS database) is required dated not more than 90 days from the date the Articles of Amalgamation are submitted to your authorized service provider.

**The following information must be included:**

- name of person authorizing (director/authorizing officer)
- title
- identification
- date

**NOTE:** Due to limited space, an appropriate attachment adhering to Section 1 of the Regulations is acceptable.



**SCHEDULE E**

**FORM OF DIRECTOR OR OFFICER CERTIFICATE OF TARGETCO**

**CERTIFICATE OF DIRECTOR OR OFFICER**

**OF**

**NetCents Systems Ltd.  
(the "Corporation")**

**TO: UWO Consulting Ltd., 1018758 B.C. Ltd., and 1887217 Alberta Ltd., (with the Corporation collectively the "Parties")**

**RE: Amalgamation Agreement between the Parties and shareholders of the Corporation dated ●, 2015, as amended (if applicable as of the date of this instrument) (the "Amalgamation Agreement")**

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This certificate is given pursuant to the Amalgamation Agreement.

I, Gordon Jessop, President/COO [or insert the name of another director or officer providing the certificate at the relevant time] of the Corporation, hereby certify on behalf of the Corporation, and not in my personal capacity that, to the best of my knowledge, information and belief, after reasonable inquiry:

1. The representations and warranties of the Corporation contained in the Amalgamation Agreement are true, complete and accurate in all material respects as of the date hereof.

DATED: the \_\_\_\_ day of ●, 2015.

**NetCents Systems Ltd.**

Per: \_\_\_\_\_  
Gordon Jessop  
President/COO  
[or name and title of other director or officer making the certification]

## APPENDIX "E"

## STOCK OPTION PLAN

1018758 B.C. Ltd.

### ARTICLE 1 PURPOSE OF PLAN

1.1 The purpose of this stock option plan (the "**Plan**") of 1018758 B.C. Ltd. (the "**Corporation**"), a corporation incorporated under the *Business Corporations Act* (British Columbia), is to advance the interests of the Corporation by encouraging the directors, employees and consultants of the Corporation and of its subsidiaries or affiliates, if any, by providing them with the opportunity, through options, to acquire Class A common shares in the share capital of the Corporation (the "**Shares**"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

### ARTICLE 2 ADMINISTRATION OF PLAN

2.1 The Plan shall be administered by the board of directors of the Corporation or by a special committee of the directors appointed from time to time by the board of directors of the Corporation pursuant to rules of procedure fixed by the board of directors (such committee or, if no such committee is appointed, the board of directors of the Corporation is hereinafter referred to as the "**Board**"). A majority of the Board shall constitute a quorum and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously by consent in writing, shall be the acts of the directors.

2.2 Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all Optionees (as defined herein) under the Plan and on their legal personal representatives and beneficiaries.

2.3 Each option to purchase Shares (an "**Option**") granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the Optionee (as defined herein), in such form as the Board shall approve, and each such agreement shall recite that it is subject to the provisions of this Plan (each such agreement being an "**option agreement**").

### ARTICLE 3 STOCK EXCHANGE RULES

3.1 All Options granted pursuant to this Plan shall be subject to rules and policies of the Canadian Securities Exchange (the "**Exchange**"), applicable corporate and securities laws, and rules and policies of any stock exchange or exchanges (other than the Exchange) on which the Shares may be listed on in the future, and any other regulatory body having jurisdiction hereinafter (collectively, "**Applicable Laws**").

#### **ARTICLE 4 SHARES SUBJECT TO PLAN**

4.1 Subject to adjustment as provided in Article 16 hereof, the Shares to be offered under the Plan shall consist of authorized but unissued Shares of the Corporation. The aggregate number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 15% of the issued and outstanding Shares of the Corporation from time to time. If any Option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the Shares subject to such unexercised Option shall again be available for the purpose of this Plan.

#### **ARTICLE 5 MAINTENANCE OF SUFFICIENT CAPITAL**

5.1 The Corporation shall at all times during the term of the Plan keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

#### **ARTICLE 6 ELIGIBILITY AND PARTICIPATION**

6.1 Directors, consultants and employees (and any other person that the Board wishes to grant stock options to) of the Corporation or any of its subsidiaries, and employees of a person or company which provides management services to the Corporation or any of its subsidiaries ("**Management Company Employee(s)**") shall be eligible for selection to participate in the Plan (collectively, the "**Optionees**" and individually, an "**Optionee**"). Subject to compliance with Applicable Laws, Optionees may elect to hold Options granted to them in an incorporated entity wholly-owned by them and such entity shall be bound by the Plan in the same manner as if the Options were held by the Optionee.

6.2 Subject to the terms hereof, the Board shall determine to whom Options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such Options shall be granted and vested, and the number of Shares to be subject to each option.

6.3 The Corporation represents that, in the event that the Corporation wishes to grant Options under the Plan to any director, employee, consultant, or Management Company Employees, it will only grant such Options to Optionees who are bona fide directors, employees, consultants, or Management Company Employees, as the case may be.

6.4 An Optionee who has been granted an Option may, if such Optionee is otherwise eligible, and if permitted under Applicable Laws, be granted an additional Option or Options if the Board shall so determine.

**ARTICLE 7  
EXERCISE PRICE**

7.1

(a) The exercise price of the Shares shall be determined by the Board, subject to applicable Exchange approval, at the time any Option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.

(b) Once the exercise price has been determined by the Board and accepted by the Exchange and the Option has been granted, the exercise price of an Option may be reduced upon receipt of Board approval and in compliance with the rules and policies of the Exchange and other Applicable Laws.

**ARTICLE 8  
NUMBER OF OPTIONED SHARES**

8.1

(a) The number of Shares subject to an option granted to any one Optionee shall be determined by the Board, but no one Optionee shall be granted an Option which exceeds the maximum number permitted by the Exchange.

(b) No single Optionee may be granted Options to purchase a number of Shares equaling more than 5% of the issued Shares of the Corporation in any twelve-month period, unless the Corporation meets requirements under Applicable Laws including applicable Exchange requirements.

(c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries).

(d) Options shall not be granted if the exercise thereof would result in the issuance of more than 1% of the issued Shares of the Corporation in any twelve-month period to employees conducting Investor Relations Activities (as such term is defined in the policies of the Exchange). Options granted to persons performing Investor Relations Activities will contain vesting provisions such that vesting occurs over at least twelve months with no more than  $\frac{1}{4}$  of the Options vesting in any three-month period.

**ARTICLE 9  
DURATION OF OPTION**

9.1 Each Option and all rights thereunder shall be expressed to expire on the date set out in the option agreement for each Optionee and shall be subject to earlier termination as provided in Articles 11 and 12 hereof, provided that in no circumstances shall the duration of an Option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the Exchange, the maximum term may not exceed ten (10) years from the date of grant.

**ARTICLE 10**  
**OPTION PERIOD, CONSIDERATION AND PAYMENT**

## 10.1

(a) The Option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the Option period shall be reduced with respect to any Option as provided in Articles 11 and 12 covering cessation as a director, consultant, employee, or Management Company Employee of the Corporation or any of its subsidiaries or death of the Optionee.

(b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, or that no vesting restriction shall exist.

(c) Subject to any vesting restrictions imposed by the Board, Options may be exercised in whole or in part at any time and from time to time during the Option period.

(d) Except as set forth in Articles 11 and 12, no Option may be exercised unless the Optionee is at the time of such exercise a director, consultant, or employee of the Corporation or any of its subsidiaries or a Management Company Employee of the Corporation or any of its subsidiaries.

(e) The exercise of any Option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, addressed to the chief financial officer of the Corporation, specifying the number of Shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the Option is exercised. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment. Neither the Optionee nor his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares of the Corporation unless and until the certificates for the Shares issuable pursuant to Options under the Plan are issued to him or them under the terms of the Plan and the related option agreement.

(f) Notwithstanding any of the provisions contained in this Plan or in any option agreement, any and all obligations of the Corporation whatsoever to issue Shares to an Optionee pursuant to the exercise of an Option and/or this Plan shall at all times be subject to:

- (i) completion of such registration or other qualification of such Shares, and obtaining approval of such governmental authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (ii) the Corporation being satisfied that the issuance of such Shares shall not (whether with notice or the passage of time or both) breach, violate or be contrary to any of its constating documents, partnership agreements,

applicable laws, regulations, stock exchange rules and policies, and other agreements to which it is a party;

- (iii) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed; and
- (iv) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction and Applicable Laws.

In connection therewith, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any stock exchange on which the Shares are then listed.

## **ARTICLE 11 CEASING TO BE A DIRECTOR, OFFICER, CONSULTANT OR EMPLOYEE**

11.1 Subject to Section 11.2, if an Optionee ceases to be a director, employee, consultant, or Management Company Employee of the Corporation or any of its subsidiaries as a result of having been dismissed from any such position for cause, all unexercised Option rights of that Optionee under the Plan shall immediately become terminated and shall lapse, notwithstanding the original term of the Option granted to such Optionee under the Plan and under that Optionee's option agreement.

11.2 If an Optionee ceases to be either a director, employee, consultant, or Management Company Employee of the Corporation or any of its subsidiaries for any reason other than as a result of having been dismissed for cause as provided in Section 11.1 or as a result of the Optionee's death, such Optionee shall have the right for a period of ninety (90) days (or until the normal expiry date of the Option rights of such Optionee if earlier) from the date of ceasing to be either a director, employee, consultant, or Management Company Employee to exercise his Option under the Plan to the extent that the Optionee was entitled to exercise it on the date of ceasing to be either a director, employee, consultant, or Management Company Employee. Upon the expiration of such ninety (90) day period all unexercised Option rights of that Optionee shall immediately become terminated and shall lapse, notwithstanding the original term of the Option granted to such Optionee under the Plan and under that Optionee's option agreement.

11.3 If an Optionee engaged in providing Investor Relations Activities to the Corporation ceases to be employed in providing such Investor Relations Activities, such Optionee shall have the right for a period of thirty (30) days (or until the normal expiry date of the Option rights of such Optionee if earlier) from the date of ceasing to provide such Investor Relations Activities to exercise his Option under the Plan to the extent that the Optionee was entitled to exercise it on the date of ceasing to provide such Investor Relations Activities. Upon the expiration of such thirty (30) day period (or the normal expiry date of the Option rights, as applicable) all unexercised Option rights of that Optionee shall immediately become terminated and shall lapse,

notwithstanding the original term of the Option granted to such Optionee under the Plan and under that Optionee's option agreement.

11.4 Nothing contained in the Plan, nor in any Option granted pursuant to the Plan in an option agreement, shall as such confer upon any Optionee any right with respect to continuance as a director, consultant, employee, or Management Company Employee of the Corporation or of any of its subsidiaries.

11.5 Options granted to an individual who is a director, employee, consultant, or Management Company Employee of the Corporation shall not be affected by any change of employment of that individual where the change immediately results in the individual becoming a director, employee, consultant, or Management Company Employee of the Corporation.

## **ARTICLE 12 DEATH OF OPTIONEE**

12.1 In the event of the death of any Optionee, the legal representatives of the deceased Optionee shall have the right for a period of one year (or until the normal expiry date of the Option rights of such Optionee if earlier) from the date of death of the deceased Optionee to exercise the deceased Optionee's Option under the Plan and pursuant to such Optionee's option agreement to the extent that it was exercisable on the date of death. Upon the expiration of such period all unexercised Option rights of the deceased Optionee shall immediately become terminated and shall lapse, notwithstanding the original term of the Option granted to the deceased Optionee under the Plan and option agreement.

## **ARTICLE 13 RIGHTS OF OPTIONEE**

13.1 No person entitled to exercise any Option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until certificates representing such Shares shall have been issued and delivered by the Corporation to such person or such person's representative, as applicable.

## **ARTICLE 14 HOLD PERIOD**

14.1 If required by Applicable Laws or by the Exchange any Shares issued upon the exercise of an Option shall be subject to a hold period, and may not be traded for a period of four (4) months plus a day from the date of grant (and/or any other applicable hold period(s)).

## **ARTICLE 15 PROCEEDS FROM SALE OF SHARES**

15.1 The proceeds from the sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.



## **ARTICLE 16 ADJUSTMENTS**

16.1 If the outstanding Shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision, or consolidation, or other similar transaction, an appropriate and proportionate adjustment shall be made by the Board in its discretion in the number or kind of Shares optioned and the exercise price per Share, as regards previously granted and unexercised Options or portions thereof, and as regards Options which may be granted subsequent to any such change in the Corporation's capital.

Adjustments under this Article shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional shares shall be required to be issued under the Plan on any such adjustment.

16.2 Upon the liquidation or dissolution of the Corporation, the Plan shall terminate, and any Options granted hereunder shall terminate. In the event of a re-organization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the property or more than eighty (80%) percent of the then outstanding Shares of the Corporation to another corporation (a "**Change of Control**") all Options granted which have not yet vested shall immediately vest without consideration as to time or any other vesting provision set forth in the Plan or stock option agreement governing such Options, provided that such vesting is not in violation of the then current policies of the Exchange, if applicable, and all Optionees then entitled to exercise Options then outstanding shall have the right at such time immediately prior to consummation of the Change of Control to exercise their Options to the full extent not theretofore exercised. Upon consummation of the Change of Control, the Plan shall terminate and any Options theretofore granted hereunder that remain unexercised upon termination shall also terminate.

## **ARTICLE 17 TRANSFERABILITY**

17.1 All benefits, rights and Options accruing to any Optionee in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or to the extent, if any, permitted by the Exchange. During the lifetime of an Optionee any benefits, rights and Options may only be exercised by the Optionee.

## **ARTICLE 18 AMENDMENT AND TERMINATION OF PLAN**

18.1 Subject to applicable approval of the Exchange, the Board may, at any time, suspend or terminate the Plan. Subject to applicable approval of the Exchange, the Board may also at any time amend or revise the terms of the Plan, provided that no such amendment or revision shall alter the terms of any Options theretofore granted under the Plan, unless allowed under and pursuant to Applicable Laws.

**ARTICLE 19  
NECESSARY APPROVALS**

19.1 The ability of an Optionee to exercise Options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation and subject to Applicable Laws. If any Shares cannot be issued to any Optionee for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any Option exercise price paid to the Corporation will be returned to the Optionee.

**ARTICLE 20  
EFFECTIVE DATE OF PLAN**

20.1 The Plan has been adopted by the Board subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

**ARTICLE 21  
INTERPRETATION**

21.1 The Plan will be governed by and construed in accordance with the laws of the Province of British Columbia and the applicable Federal laws of Canada therein.

21.2 Nothing in this Plan or in any Option shall confer upon any director, employee, consultant, or Management Company Employee any right to continue in the employ of the Corporation or any of its subsidiaries or affect in any way the right of the Corporation or any of its subsidiaries to terminate his employment at any time. Nor shall anything in this Plan or in any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any of its subsidiaries to extend the employment of any Optionee beyond the time that he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any of its subsidiaries or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any of its subsidiaries.

21.3 Nothing in this Plan or any Option shall confer on any Optionee any right to continue providing ongoing services to the Corporation or any of its subsidiaries, or affect in any way the right of the Corporation or any of its subsidiaries to terminate his, her or its contract at any time. Nor shall anything in this Plan, any Option, or option agreement be deemed or construed as an agreement, or an expression of intent, on the part of the Corporation or any of its subsidiaries to extend the time for the performance of the ongoing services beyond the time specified in the contract with any such entity.

21.5 References herein to any gender include all genders.

## APPENDIX "F"

# AUDIT COMMITTEE CHARTER

## 1018758 B.C. LTD. (the "Corporation")

### 1. Purpose

- 1.1. The audit committee of the Corporation (the "**Committee**") is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Committee's role is to:
  - (a) support the Board of Directors in meeting its responsibilities to shareholders;
  - (b) enhance the independence of the external auditor;
  - (c) facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors; and
  - (d) increase the credibility and objectivity of the Corporation's financial reports and public disclosure.
- 1.2. The Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee's responsibilities as described herein.
- 1.3. The Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

### 2. Membership

- 2.1. Each member of the Committee must be a director of the Corporation.
- 2.2. The Committee will consist of at least three members, the majority of whom are neither officers nor employees nor control persons of the Corporation or any of its associates or affiliates in accordance with applicable corporate and securities laws and applicable stock exchange rules and policies.
- 2.3. Board of Directors, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board of Directors may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- 2.4. Unless the Board of Directors shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.

### 3. Authority

- 3.1. In addition to all authority required to carry out the duties and responsibilities included in this charter, the Committee has specific authority to:
  - (a) engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities; and
  - (b) communicate directly with management and any internal auditor, and with the external auditor without management involvement.
  - (c) Approve interim financial statements and interim MD&A on behalf of the Board of Directors.

- 3.2. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

#### **4. Duties and Responsibilities**

- 4.1. The overall duties and responsibilities of the Committee shall be as follows:

- (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements and related financial disclosure;
- (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;
- (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and
- (d) to report regularly to the Board on the fulfillment of its duties and responsibilities.

- 4.2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

- (a) to recommend to the Board a firm of external auditors to be engaged by the Corporation, and to verify the independence of such external auditors;
- (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
- (c) to review the audit plan of the external auditors prior to the commencement of the audit;
- (d) to review with the external auditors, upon completion of their audit:
  - (i) contents of their report;
  - (ii) scope and quality of the audit work performed;
  - (iii) adequacy of the Corporation's financial and auditing personnel;
  - (iv) co-operation received from the Corporation's personnel during the audit;
  - (v) internal resources used;
  - (vi) significant transactions outside of the normal business of the Corporation;
  - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
  - (viii) the non-audit services provided by the external auditors;
- (e) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles; and
- (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

- 4.3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:
- (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;
  - (b) review and approve the internal audit plan; and
  - (c) review significant internal audit findings and recommendations, and management's response thereto.
- 4.4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:
- (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
  - (b) review compliance under the Corporation's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate;
  - (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
  - (d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
- 4.5. The Committee is also charged with the responsibility to:
- (a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
  - (b) review and approve the financial sections of:
    - (i) the annual report to shareholders;
    - (ii) the annual information form;
    - (iii) annual and interim management's discussion and analysis;
    - (iv) prospectuses;
    - (v) news releases discussing financial results of the Corporation; and
    - (vi) other public reports of a financial nature requiring approval by the Board, and report to the Board with respect thereto;
  - (c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
  - (d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
  - (e) review and report on the integrity of the Corporation's consolidated financial statements;

- (f) review the minutes of any Committee meeting of subsidiary companies;
- (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- (h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information;
- (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders; and
- (j) evaluate, annually, the adequacy of this Charter and recommend any proposed changes to the Board.

## **5. Meetings**

- 5.1. The quorum for a meeting of the Committee is a majority of the members of the Committee who are not officers or employees of the Corporation or of an affiliate of the Corporation, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and hear each other.
- 5.2. The members of the Committee may determine their own procedures.
- 5.3. The Committee may establish its own schedule that it will provide to the Board of Directors in advance.
- 5.4. The external auditor is entitled to receive reasonable notice of every meeting of the Committee and to attend and be heard thereat.
- 5.5. A member of the Committee or the external auditor may call a meeting of the Committee.
- 5.6. The Committee will meet separately with the President and separately with the Chief Financial Officer of the Corporation at least annually to review the financial affairs of the Corporation.
- 5.7. The Committee will meet with the external auditor of the Corporation at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.
- 5.8. The chair of the Committee must convene a meeting of the Committee at the request of the external auditor, to consider any matter that the auditor believes should be brought to the attention of the Board of Directors or the shareholders.

## **6. Reports**

- 6.1. The Committee will record its recommendations to the Board in written form which will be incorporated as a part of the minutes of the Board of Directors' meeting at which those recommendations are presented.

## **7. Minutes**

- 7.1. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

**CERTIFICATE OF THE RESULTING ISSUER**

Dated: February 17, 2016

This non-offering prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Issuer as required by the securities legislation of British Columbia.

*“Clayton Moore”*

*“Ryan Cheung”*

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Clayton Moore

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Ryan Cheung

Chief Executive Officer and Director

Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF THE RESULTING ISSUER (NETCENTS TECHNOLOGY INC. (FORMERLY, 1018758 B.C. LTD.))**

Dated: February 17, 2016

*“Fraser McDougall”*

*“Gordon Jessop”*

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Fraser McDougall

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Gordon Jessop

*“Robert Meister”*

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Robert Meister

**CERTIFICATE OF THE PROMOTERS**

Dated: February 17, 2016

This non-offering prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously offered by the issuer as required by the securities legislation of British Columbia.

*“Clayton Moore”*

*“Nick Ayling”*

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Clayton Moore

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Nick Ayling