

## **SCHEDULE "B" FINANCIAL STATEMENTS & MD&A OF THE LICENSEE**

**The audited financial statements of 1005796 B.C. Ltd. (the Licensee) for the period of incorporation (June 19, 2014) to the year ended June 30, 2014.**

# **1005796 B.C. LTD.**

## **Audited Financial Statements**

**As At June 30, 2014**

**(Expressed in Canadian dollars)**

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charlton & company  
CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

**To the Directors of:  
1005796 B.C. Ltd..**

We have audited the accompanying financial statements of 1005796 B.C. Ltd., which comprise the statement of financial position as at June 30, 2014 and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows from the date of incorporation on June 19, 2014 to June 30, 2014 and the related notes including 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 1005796 B.C. Ltd. as at June 30, 2014, and the results of its operations and cash flows from the date of incorporation on June 19, 2014 to June 30, 2014 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 1005796 B.C. Ltd. is dependent on continued financing in order to fund its operations. This condition, along with other matters 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  
July 17, 2014

**1005796 B.C. Ltd.**  
**Statement of Financial Position**  
**As At June 30, 2014**  
(Expressed in Canadian dollars)

<b>Balance Sheet</b>	<b>June 30, 2014</b>
	<b>\$</b>
<b>Assets</b>	
Cash	57,146
Due from related party	24,325
Prepaid expenses	3,000
Product License (Note 4)	1
<b>Total Assets</b>	<b>84,472</b>
<b>Liabilities and Shareholders' Deficiency</b>	
<b>Current Liabilities:</b>	
Accrued liabilities	2,500
	2,500
<b>Shareholders' Deficiency</b>	
Capital stock (Note 5)	472,410
Deficit	(390,438)
	81,972
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>84,472</b>

**Nature and Continuance of Operations (Note 1)**  
**Product License and Commitment (Note 4)**  
**Subsequent Events (Note 11)**

**Approved and authorized for issue by the Board of Directors on July 17, 2014:**

*"Greg Clark"*

Greg Clark, Director

The accompanying notes are an integral part of these Financial Statements

**1005796 B.C. Ltd.****Statement of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

		<b>From Incorporation Date on June 19, 2014 to June 30, 2014</b>
Expenses		
Product Development	\$	67,256
Consulting fees		32,625
Website		8,000
Audit and accounting fees		2,500
Bank Charges		58
		<b>110,439</b>
<b>Loss before other items</b>		<b>(110,439)</b>
<b>Other items</b>		
Write-down of product license		(279,999)
<b>Loss and comprehensive loss for the year</b>		<b>(390,438)</b>
<b>Basic and diluted loss per common share</b>	<b>\$</b>	<b>0.01</b>
<b>Weighted average number of common shares outstanding</b>		<b>28,182,000</b>

The accompanying notes are an integral part of these Financial Statements

**1005796 B.C. Ltd.****Statement of Changes in Shareholders' Deficiency**

(Expressed in Canadian dollars except the number of shares)

	Number of Outstanding Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Shares issued for cash on incorporation, June 19, 2014	100	1	—	—	1
Shares cancelled, June 23, 2014	(100)	(1)	—	—	(1)
Shares issued for cash	14,182,000	202,910	—	—	202,910
Shares issued for license	14,000,000	280,000	—	—	280,000
Finders' fees		(10,500)	—	—	(10,500)
Net loss and comprehensive loss for the period	—	—	—	(390,438)	(390,438)
<b>Balance, June 30, 2014</b>	<b>28,182,000</b>	<b>472,410</b>	<b>—</b>	<b>(390,438)</b>	<b>81,972</b>

The accompanying notes are an integral part of these Financial Statements

**1005796 B.C. Ltd.**  
**Statement of Cash Flows**  
(Expressed in Canadian dollars)

**From Incorporation Date  
on June 19, 2014 to  
June 30, 2014**

**Cash (used in) /provided by:**

Operating activities		
Net loss for the period	\$	(390,438)
Items not affecting cash		
Write-off of product license		279,999
Change in non-cash working capital components		
Prepaid expense		(3,000)
Accounts payable & accrued liabilities		2,500
<b>Net cash provided by (used in) operating activities</b>		<b>(110,939)</b>
Financing activities		
Share issuances in the period		202,910
Issuance cost		(10,500)
Due from related party		(24,325)
<b>Net cash used in financing activities</b>		<b>168,085</b>
Change in cash		57,146
Cash, beginning of the period		-
<b>Cash, end of the period</b>	<b>\$</b>	<b>57,146</b>
Cash paid during the period for interest expense	\$	-
Cash paid during the period for income taxes	\$	-

The accompanying notes are an integral part of these Financial Statements

**1005796 B.C. Ltd.****Notes to the Financial Statements**

June 30, 2014

(Expressed in Canadian dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

1005796 BC Ltd. (the "Company") was incorporated on June 19, 2014. The Company is a start-up development company marketing and selling software and hardware for mobile phone and computing platforms. The principal markets are applications for mobile smart phones and represent a large and growing sector of the retail market place. The Company's financial success may be dependent upon the extent to which it can develop its business in the marketing and promotion of software and hardware products and the economic viability of acquiring, or developing any such additional products.

The head office and principal office of the Company is located at 1495 Marine Drive, West Vancouver, B.C. V7T 1B8.

These 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 developing its business in applications for mobile smart phones.

The development of its business in the marketing and promotion of applications for mobile smart phones may take many years to be in successful operation and the amount of resulting income, if any, is difficult to determine with any certainty. As a development stage company, the Company does not anticipate producing revenues for some time, other than from incidental revenue and the sales of marketable securities, if any. The sale value of the Company's investments in marketable securities is not predictable. On June 30, 2014 the Company had not yet achieved profitable operations, had potential recurring losses, a deficit of \$390,438, working capital of \$81,971, and expects to incur further losses in the development of its business, all of which casts material uncertainty about the Company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**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 June 19, 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").



## **2. BASIS OF PRESENTATION (continued)**

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**

### **a. Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the 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.

Judgments made by management that have the most significant effect on the financial statements are discussed in Notes 3d), 3e), 3f) and 3i).

### **b. Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at June 30, 2014, there is \$Nil included as cash equivalents.

### **c. 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

d. Financial instruments

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial instruments at fair value through profit or loss (FVTPL).

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method less any impairment. Due from related party is classified as loans and receivables.

Available-for-sale financial assets

Available-for-sale are non-derivative financial assets that are designated as available-for-sale or that are not classified in any other financial asset categories. Subsequent to initial recognition, changes in fair value, other than impairment losses, are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable, and accrued liabilities are classified as financial liabilities.

Transaction costs incurred on initial recognition of financial instruments classified as loans and receivables and other financial liabilities are included in the initial fair value amount.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d. Financial instruments (continued)

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Accounts payable	Other liabilities
Accrued liabilities	Other liabilities

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

e. Intangible assets

Intangible assets acquired in business combinations and pursuant to asset purchases are recorded at their fair values. Intangible assets related to the acquisition of patents from third parties are recorded at their fair values.

Research costs are charged to operations when they are incurred. Development costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company 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 Company can reliably measure the expenditure attributable to the intangible asset during its development. At June 30, 2014, the Company has not capitalized any development costs.

f. Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

f. Impairment (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously-recognized impairment loss, is recognized immediately in profit or loss.

g. 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.

h. 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 is 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.

**1005796 B.C. Ltd.**

Notes to the Financial Statements

June 30, 2014

(Expressed in Canadian dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****i. 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.

**j. Accounting standards, interpretations and amendments to existing standards that are not yet effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after April 1, 2014 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 following have not yet been adopted and are being evaluated to determine their impact on the Company.

The IASB has issued IFRS 9 - Financial Instruments ("IFRS 9") which intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments. The IASB tentatively decided to defer the mandatory effective date until January 1, 2018 with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its financial statements based on the characteristics of its financial instruments at the time of adoption.

The IASB issued IFRIC 21 - Levies ("IFRIC 21"), an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of the adoption of this interpretation on its financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- j. Accounting standards, interpretations and amendments to existing standards that are not yet effective (continued).

The IASB issued amendments to IAS 36 - Impairment of Assets ("amendments to IAS 36"). The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

- k. Segment reporting

A reportable segment, as defined by 'IFRS 8 Operating Segments', is a distinguishable business or geographical component of the Company, which are subject to risks and rewards that are different from those of other segments. The Company considers its primary reporting format to be business segments. The Company considers that it has only one reportable segment, being the marketing and selling applications for mobile smart phones.

### **4. PRODUCT LICENSE**

On June 30, 2014, 1005796 B.C. Ltd. acquired the North American and Europe rights to certain intellectual property via exclusive product license ("License") from SecureCom Plus Limited, ("Licensor") of intellectual property relating to product offerings in voice, data, and SMS encryption applications for smart phones and computers ("Licensed Product"). Licensed Product includes any "SecureCom Mobile" branded article, software, program, for sale retail and commercial products, system, unit, proprietary hardware product, or component part covered by a claim of the Intellectual Property, or a claim of any other rights licensed under the License. The Licensor continues to develop the Intellectual Property to provide updated software and future hardware products in its area of market expertise.

Initial Licensed Product include:

- Encrypted Voice and Encrypted SMS Software - Downloadable free and paid subscription software applications. - with subscription for services.
- Voice and SMS Phones and related hardware - encryption hardened hardware with stripped out automatic update access and base band monitoring.
- Enterprise Voice and SMS Phones with private Network Server Infrastructure for large scale private networks.
- All other software and hardware applications branded as "SecureCom Mobile" not currently existing and provided at a future date.

**1005796 B.C. Ltd.****Notes to the Financial Statements**

June 30, 2014

(Expressed in Canadian dollars)

**4. PRODUCT LICENSE (continued)**

The License was acquired for 14,000,000 common shares in the capital of the Company at a deemed value of \$0.02 per share and a 5% gross revenue royalty on sales generated under the License. The License was acquired at arms-length to the Company. Phone applications have been developed. However, the applications have not been able to generate revenue and will not be likely to generate revenue in the near future. As a result, a write down of \$279,999 was recorded in profit and loss during the period ended June 30, 2014.

**5. CAPITAL STOCK****Share capital:**

Authorized: unlimited Common shares without par value

For the period ended June 30, 2014:

- I. On June 19, 2014, 100 common shares were issued at \$0.01 per common share to the incorporator of the Company. These shares were cancelled and returned to treasury on June 23, 2014.
- II. On June 23, 2014, 5,382,000 common shares were issued at \$0.005 per share to two private placement of the Company for cash proceeds of \$26,910.
- III. On June 25, 2014, 8,800,000 units of securities were issued at \$0.02 per unit to eight private placement of the Company for cash proceeds of \$176,000. Each unit was comprised of one common share and one share purchase warrant to purchase an additional common share at an exercise price of \$0.10 per share for a one year term from the date of issue.
- IV. On June 30, 2014, 14,000,000 shares were issued for a License acquired by the Company at a deemed value of \$0.02 per share to seven vendors each owning a stake in the Product License (refer to note 4).

**Warrants:**

	<b>Warrants Outstanding</b>	<b>Weighted Average Exercise Price Per Share</b>	<b>Weighted Average Life (Years)</b>
Balance, June 19, 2014	-	-	
Issued	8,800,000	\$ 0.10	0.99
Expired	-	-	
<b>Balance, June 30, 2014</b>	<b>8,800,000</b>	<b>\$ 0.10</b>	<b>0.99</b>

**Stock Options:**

The Company has not adopted any incentive stock option plans and no stock option was issued and outstanding for the period ended June 30, 2014.

## **6. CAPITAL DISCLOSURES**

The Company's objective, when managing capital, is 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 development of its business in the marketing and selling of phone applications and the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. As at June 30, 2014, the Company is not subject to any capital requirements imposed externally. 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.

## **7. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and accrued liabilities. Cash is stated at fair value and classified within Level 1 of the fair value hierarchy. The fair values of accrued liabilities approximate their carrying values due to their short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Strategic and operational risks are risks that arise if the Company fails to develop of its business in the marketing and selling of applications for mobile smart phones. These strategic opportunities or threats arise from a range of factors which might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

The Company's credit risk was primarily attributable to bank balances and GST receivable. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key transactional bank accounts with banks of international financial institutions. GST receivable is due from Canadian Government and management believes that the credit risk to be minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2014, the Company had cash balance of \$57,152 and current liabilities of \$2,500. All of the Company's financial liabilities have contractual maturities of less than 30 days, and are subject to normal trade terms. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company short term and long term cash requirement.

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.



**1005796 B.C. Ltd.****Notes to the Financial Statements**

June 30, 2014

(Expressed in Canadian dollars)

**8. FINANCIAL INSTRUMENTS (continued)**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar. Accrued liabilities are denominated in Canadian currency. Therefore, the Company's exposure to currency risk is minimal.

**9. RELATED PARTY TRANSACTIONS**

On June 19, 2014, the Company issued 100 shares in the capital of the Company for \$1 as part of the incorporation procedures of the Company. These shares were cancelled and returned to treasury on June 23, 2014.

As at June 23, 2014, the Company issued 2,691,000 common shares in the capital of the Company from a subscription received from a company controlled and owned by the sole director, officer, and incorporator of the Company. This officer paid \$13,455 for the 2,691,000 common shares issued.

These transactions above are in the normal course of operations and are measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

**10. SEGMENTED INFORMATION**

During the period ended June 30, 2014, the Company had one reportable operating segment, being the marketing and selling of applications for mobile smart phones.

**11. INCOME TAXES**

The Company has accumulated non-capital losses expire as follows: Tax attributes are subject to revision and potential adjustment by tax authorities. The non-capital losses will expire as follows:

A reconciliation of income taxes at statutory rates is as follows:

	June 30, 2014
Loss for the period before income taxes	\$ (390,438)
Expected income tax recovery at 26.00%	(101,514)
Tax effects of:	
Write down of product license	72,800
Change in unrecognized deferred income tax assets	28,714
Deferred income tax recovery	\$ -

**1005796 B.C. Ltd.****Notes to the Financial Statements**

June 30, 2014

(Expressed in Canadian dollars)

**11. INCOME TAXES (continued)**

The significant components of the Company's deferred compoincome tax assets are as follows:

	June 30, 2014
Substantively enacted tax rate	26%
Deferred income tax assets:	
Non-capital losses	\$ 28,714
Valuation allowance	(28,714)
Net deferred income tax assets	\$ -

As at June 30, 2014, the Company had non-capital losses carried forward of approximately \$110,400 which may be utilized to reduce future years' taxable income and expire through to 2034 if not utilized.

Deferred income tax assets have not been recognized in respect of these items because it is not probable that the Company will be able to generate sufficient taxable income upon which these deferred tax assets can be realized.

**12. SUBSEQUENT EVENTS**

On July 14, 2014, the Company entered into an agreement that it will pursue a Plan of Arrangement with 0924891 B.C. Ltd..

a) Pursuant to an Amalgamation agreement among 0924891 B.C. Ltd. ("BC0924891"), 1006397 B.C. Ltd. ("Subsidiary"), and 1005796 B.C. Ltd. ("TargetCo") dated July 14, 2014 (the "Agreement") and the statutory plan of arrangement to be effected thereunder (the "Amalgamation Agreement"), TargetCo and Subsidiary shall amalgamate to form Amalco and shall continue as one corporation under the Act and with the effect set out in section 279 of the BC .

b) 0924891 B.C. Ltd. will acquire all issued and outstanding shares and warrants of 1005796 B.C. Ltd. in exchange for 0924891 B.C. Ltd. shares and purchase warrants on the basis of one BC0924891 share and one share purchase warrant of BC0924891 for each TargetCo share and each Targetco warrant. The TargetCo shares and warrants exchanged will immediately be cancelled.

c) The issued and outstanding Subsidiary shares will be exchanged for Amalco shares on the basis of one Amalco share for each Subsidiary share held immediately before the Effective Date, and the Subsidiary shares so exchanged will immediately be cancelled. BC 0924891 will continue to hold the Amalco shares by issuing its shares and warrants in exchange for outstanding shares and warrants of 1005796 B.C. Ltd. at one to one ratio. The Company will acquire 1005796 B.C. Ltd. as a subsidiary. 1005796 B.C. Ltd. will be amalgamated with, the Company's wholly owned subsidiary, 1006397 B.C. Ltd. After the amalgamation, the amalgamated company (the "Amalco") will continue its operation as 1006397 B.C. Ltd..

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE PERIOD ENDED JUNE 30, 2014**

**FORM 51-102F1**

**Date and Subject of Report**

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of 1005796 BC Ltd. or "1005796BC" or the "Company" for the period ended June 30, 2014. The MD&A should be read in conjunction with the audited financial statements for the period ended June 30, 2014. The MD&A has been prepared effective July 17, 2014.

**SCOPE OF ANALYSIS**

The following is a discussion and analysis of 1005796BC, which was incorporated on June 19, 2014, under the laws of the Province of British Columbia. The Company's head office is located at 1495 Marine Drive, West Vancouver, B.C. V7T 1B8. The Company reports its financial results in Canadian dollars and under IFRS. The Company is a start-up development company marketing and selling software and hardware for mobile phone and computing platforms.

**FORWARD LOOKING STATEMENTS**

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

**Trends**

Other than as disclosed in this MD&A, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

**General Development and 1005796's Business**

1005796BC was incorporated in British Columbia on June 14, 2014. The Company has not yet commenced commercial operations as of June 30, 2014. The Company is a start-up development company marketing and selling software and hardware for mobile phone and computing platforms. The principal markets are applications for mobile smart phones and represent a large and growing sector of the retail market place, with secondary markets being desktop/laptop/tablet personal computers.

On June 30, 2014, 1005796 B.C. Ltd. acquired the North American (Canada and the United States) and Europe rights to certain intellectual property via exclusive product license ("License") from SecureCom Plus Limited, ("Licensor") of intellectual property relating to product offerings in voice, data, and SMS encryption applications for smart phones and computers ("Licensed Product"). Licensed Product includes any "SecureCom Mobile" branded article, software, program, for sale retail and commercial products, system, unit, proprietary hardware product, or component part covered by a claim of the Intellectual Property, or a claim of any other rights licensed under the License. The Licensor continues to develop the Intellectual Property to provide updated software and future hardware products in its area of market expertise.

Initial Licensed Product includes:

- Encrypted Voice and Encrypted SMS Software - Downloadable free and paid subscription software applications. - with subscription for services.
- Voice and SMS Phones and related hardware - encryption hardened hardware with stripped out automatic update access and base band monitoring.
- Enterprise Voice and SMS Phones with private Network Server Infrastructure for large scale private networks.
- All other software and hardware applications branded as "SecureCom Mobile" not currently existing and provided at a future date.

The License was acquired for 14,000,000 common shares in the capital of the Company at a deemed value of \$0.02 per share and a 5% gross profits royalty generated under the License. No independent valuation has been conducted relating to the value of the License acquired. The License was acquired at arms length to the Company.

## **RESULTS OF OPERATIONS**

As at June 30, 2014, the Company had not yet commenced any operations. The Company has incurred mainly product development expenses of \$67,256 and web site expenses of \$8,000 for its first non-public beta trial version products, consulting expenses of \$32,625 in finalizing the license agreement, audit accrual of \$2,500, and bank charges of \$58. As at the date of this discussion, the Company is in process of filing its application for listing with CSE.

## SELECTED ANNUAL INFORMATION

The following financial data, which has been prepared in accordance with IFRS, is derived from the Company's financial statements. These sums are being reported in Canadian dollars and did not change as a result of the adoption of policies concerning Financial Instruments.

	June 30, 2014	Year ended June 30, 2013	June 30, 2012
Total Revenue	\$ --	\$ --	\$ --
Interest income	--	--	--
Expenses	390,438	--	--
Net loss	(390,438)	--	--
Total assets	84,472	--	--
Total long-term liabilities	--	--	--
Net loss per share	Basic (0.014)	--	--
(basic and diluted)	Diluted (0.011)		

## SELECTED QUARTERLY INFORMATION

As the Company was only incorporated on June 14, 2014, the following table summarized the results of operations for the most four recent quarters.

	June 30 2014	Three months ended March 31, 2014	December 31, 2013	September 30, 2013
Total Revenue	\$ --	\$ --	\$ --	\$ --
Interest income	--	--	--	--
Expenses	390,438	--	--	--
Net loss	(390,438)	--	--	--
Net loss per share and diluted	Basic (0.014)	--	--	--
loss per share	Diluted (0.011)			

## LIQUIDITY

- (a) The Company is a start-up development company developing its business in the marketing and promotion of software and hardware products and therefore has no regular source of income, other than interest income it may earn on funds invested in short-term deposits. As a result, its ability to conduct operations, including the development of marketing strategy and the evaluation and acquisition of additional product lines, is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that the Company will be able to do so.

- (b) Other than as set forth herein, there are no expected fluctuations in the Company's liquidity, taking into account demands, commitments, events or uncertainties.
- (c) The Company does not currently have any liquidity risks associated with financial instruments.
- (d) The Company has sufficient working capital to meet its short term needs but would require further financing in order to market its product successfully in North America. The Company also needs to meet certain minimum working capital requirements in order for it to be listed on CSE. The Company expects to meet its liquidity need through additional equity or debt financing(s).
- (e) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.
- (f) The Company does not have any subsidiary.
- (g) There are currently no defaults or arrears by the Company on:
  - (i) dividend payments, lease payments, interest or principal payment on debt;
  - (ii) debt covenants; and
  - (iii) redemption or retraction or sinking fund payments.

## **CAPITAL RESOURCES**

- (a) There are no known trends or expected fluctuations in the Company's capital resources, including expected changes in the mix and relative cost of such resources.
- (b) The Company is proposing a concurrent financing to be listed on CSE.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at June 30, 2014, the Company had no off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

Except for the transformation of its Business Plan into a Strategic Plan and a Tactical Plan, the Company does not have any proposed transactions to discuss at this time.

## **TRANSACTIONS WITH RELATED PARTIES**

On June 19, 2014, the Company issued 100 shares in the capital of the Company for \$1 as part of the incorporation procedures of the Company. These shares were cancelled and returned to treasury on June 23, 2014.

As at June 23, 2014, the Company issued 2,691,000 common shares in the capital of the Company from a subscription received from a company controlled and owned by the sole director, officer, and incorporator of the Company. This officer paid \$13,455 for the 2,691,000 common shares issued.

These transactions above are in the normal course of operations and are measured at the exchange value which represents the amount of consideration established and agreed to by the related parties.

## **OUTSTANDING SHARE DATA**

### **Share Capital:**

Authorized: unlimited common shares without par value

### **Issued and Outstanding:**

On June 19, 2014, 100 common shares were issued at \$0.01 per common share to the incorporator of the Company. These shares were cancelled and returned to treasury on June 23, 2014.

On June 23, 2014, 5,382,000 common shares were issued at \$0.005 per share to two private placees of the Company for cash proceeds of \$26,910.

On June 25, 2014, 8,800,000 units of securities were issued at \$0.02 per unit to eight private placees of the Company for cash proceeds of \$176,000. Each unit was comprised of one common share and one share purchase warrant to purchase an additional common share at an exercise price of \$0.10 per share for a one year term from the date of issue.

On June 30, 2014, 14,000,000 shares were issued for a License acquired by the Company at a deemed value of \$0.02 per share to seven vendors each owning a stake in the Product License.

As at the date of this discussion, the Company has 28,182,000 common shares issued and outstanding.

**Warrants:** Warrants outstanding at June 30, 2014: 8,800,000 warrants were issued at an exercise price of \$0.10 per share for a one year term from the date of issue on June 25, 2014 pursuant to the unit offering outlined above.

### **Stock Options:**

The Company has not adopted any incentive stock option plans.

## **CONTINGENCIES**

Except for the commitments mentioned in Liquidity subsection (b), there is no other contingency outstanding as of date of this discussion.

## **SUBSEQUENT EVENTS**

On July 14, 2014, the Company entered into an agreement that it will pursue a Plan of Arrangement with 0924891 B.C. Ltd..

a) Pursuant to an Amalgamation agreement among 0924891 B.C. Ltd. (“BC0924891”), 1006397 B.C. Ltd. (“Subsidiary”), and 1005796 B.C. Ltd. (“TargetCo”) dated July 14, 2014 (the “Agreement”) and the statutory plan of arrangement to be effected thereunder (the “Amalgamation Agreement”), TargetCo and Subsidiary shall amalgamate to form Amalco and shall continue as one corporation under the Act and with the effect set out in section 279 of the BC .

b) 0924891 B.C. Ltd. will acquire all issued and outstanding shares and warrants of 1005796 B.C. Ltd. in exchange for 0924891 B.C. Ltd. shares and purchase warrants on the basis of one BC0924891 share and one share purchase warrant of BC0924891 for each TargetCo share and each Targetco warrant. The TargetCo shares and warrants exchanged will immediately be cancelled.

c) The issued and outstanding Subsidiary shares will be exchanged for Amalco shares on the basis of one Amalco share for each Subsidiary share held immediately before the Effective Date, and the Subsidiary shares so exchanged will immediately be cancelled. BC 0924891 will continue to hold the Amalco shares by issuing its shares and warrants in exchange for outstanding shares and warrants of 1005796 B.C. Ltd. at one to one ratio. The Company will acquire 1005796 B.C. Ltd. as a subsidiary. 1005796 B.C. Ltd. will be amalgamated with, the Company’s wholly owned subsidiary, 1006397 B.C. Ltd. After the amalgamation, the amalgamated company (the “Amalco”) will continue its operation as 1006397 B.C. Ltd..

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Company was incorporated on July 19, 2014. Accordingly, these financial statements are prepared in accordance and 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”).

The financial statements are presented in Canadian dollars, which is the Company’s functional and reporting currency. The 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

### **a) Significant accounting judgments and estimates**

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



statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the 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.

Judgments made by management that have the most significant effect on the financial statements are discussed in Notes to the audited financial statement June 30, 2014: 3d), 3e), 3f) and 3i).

b. Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at June 30, 2014, there is \$84,471 included as cash equivalents.

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.

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

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

#### Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period.

#### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method less any impairment.

#### Available-for-sale financial assets

Available-for-sale are non-derivative financial assets that are designated as available-for-sale or that are not classified in any other financial asset categories. Subsequent to initial recognition, changes in fair value, other than impairment losses, are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss.

#### Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable, accrued liabilities and due to related parties are classified as financial liabilities.

Transaction costs incurred on initial recognition of financial instruments classified as loans and receivables and other financial liabilities are included in the initial fair value amount.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
-----------------------------	-----------------------

Cash and cash equivalents	FVTPL
Subscriptions receivable	Loans receivable
Accounts payable	Other liabilities
Accrued liabilities	Other liabilities

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

f. Impairment

i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying

amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

ii) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

g. 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.

h. 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.

i. 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.

j) Accounting standards, interpretations and amendments to existing standards that are not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after July 1, 2014 or later periods. Many are not applicable or do not have any significant impact to the Company and have been excluded from the summary below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

The IASB has issued IFRS 9 - Financial Instruments ("IFRS 9") which intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments. The IASB tentatively decided to defer the mandatory effective date until January 1, 2018 with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its financial statements based on the characteristics of its financial instruments at the time of adoption.

The IASB issued IFRIC 21 - Levies ("IFRIC 21"), an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods

commencing on or after January 1, 2014. The Company is currently evaluating the impact of the adoption of this interpretation on its financial statements.

The IASB issued amendments to IAS 36 - Impairment of Assets ("amendments to IAS 36"). The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

k. Segment reporting

A reportable segment, as defined by 'IFRS 8 Operating Segments', is a distinguishable business or geographical component of the Company, which are subject to risks and rewards that are different from those of other segments. The Company considers its primary reporting format to be business segments. The Company considers that it has only one reportable segment, being the marketing and promotion of software and hardware products.

## **RISKS AND UNCERTAINTIES**

### Consumer Software and Hardware products Industry

The software and hardware products industry involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Major expenses may be required to market the software and hardware products to be accepted in the marketplace. It is impossible to ensure that the current and market strategy planned by the Company will result in a profitable commercial sales. Whether the company will be commercially viable depends on a number of factors, some of which are the particular attributes of the industry the Company is geared toward and the existing infrastructure, as well as competitors strategies and market factors. Some of these are cyclical and government regulations, including regulations relating to the consumer software and hardware products industry.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Marketing consumer software and hardware products operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the consumer software and hardware products industry. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that are unforeseeable or beyond the company's control and their consequent liability.

### Government Regulation

The consumer software and hardware especially in the telecommunication industry could be subject to various federal, and provincial laws and regulations on, standards, claims, safety, efficacy and other matters. Regulatory approvals by government agencies on the Company's products or may be withheld or not granted at all and if granted may be subject to recalls which would materially affect the Company.

Although the Company's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development, production, manufacture, product claims, marketing or commercialization. Amendments to current laws and regulations governing operations and activities of the consumer telecommunication software and hardware products industry or more stringent implementation thereof could have a substantial adverse impact on the Company.

### Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the company heavily relies on the company officers.

### 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 be sufficiently developed to commercialize.

### 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.

#### Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.



### Uncertainty Regarding Penetration of the Target Market

The commercial success of the Company's business as compared with those of its competitors depends on its acceptance by potential users and the consumer community. Market acceptance will largely depend on the reputation of the Company, its marketing strategy, consumer and other business partner's services and performance. The Company's success will depend on its ability to commercialize and expand its network users. The Company will need to expand its marketing and sales operations and establish business relations with suppliers and users in a timely manner.

In order to meet its business objectives, the Company will have to ensure that its facilities and services are safe, reliable and cost-effective, and bring the expected return. There can be no assurance that the Company's products and services will be accepted and recommended.

### Competition, Technological Obsolescence

The consumer telecommunication software and hardware products industry is competitive. Others in the field may have significantly more financial, technical, distribution and marketing resources. Technological progress and product development may cause the Company's services and product offerings to become obsolete or may reduce their market acceptance.

### Operating History and Expected Losses

The Company expects to make significant investments in order to develop its services, increase marketing efforts, improve its operations, conduct research and development and update its equipment. As a result, start-up operating losses are expected and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company.

### Reliance on Joint Ventures, Licence Assignors and Other Parties

The nature of the Company's operations requires it to enter into various agreements with partners, joint venture partners, licensee of the Company's products, and other equipment suppliers in the business world, government agencies, licensors, licensees, and other parties for the successful operation of its businesses and the successful marketing of its services.

There is no guarantee that those with whom the Company needs to deal will not adopt other technologies or that they will not develop alternative business strategies, acting either alone or in conjunction with other parties, including the Company's competitors, in preference to those of the Company.

### Growth Management

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and

personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties.

### Regulatory Risks

Consumer telecommunications software and hardware products technologies accessed by the Company are subject to a number of technological challenges and requirements, and can be subject to the regulations and standards imposed by applicable regulatory agencies. There can be no assurance that the Company will be able to comply with all regulations concerning its businesses.

### Potential Liability

The Company is subject to the risk of potential liability claims with respect to its consumer telecommunications software and hardware products solutions. Should such claims be successful, plaintiffs could be awarded significant amounts of damages, which could exceed the limits of any liability insurance policies that may be held by the Company. There is no guarantee that the Company will be able to obtain, maintain in effect or increase any such insurance coverage on acceptable terms or at reasonable costs, or that such insurance will provide the Company with adequate protection against potential liability.

## **FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES**

During the period ended June 30, 2014, there has been no significant change in the Company's internal control over financial reporting since last year.

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's annual financial statements for the period ended June 30, 2014 (together the "Annual Filings").

The management of the Company has filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the

quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Officers and Directors**

Greg Clark                                      CEO, CFO & Director

## **Contact Address:**

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