DealNet
Capital Corp

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014

The following Management's Discussion and Analysis ("MD&A") is dated as at May 22, 2015. It should be read in conjunction with DealNet Capital Corp.'s (the "Company" or "DealNet") (formerly Gamecorp Ltd.) audited consolidated financial statements and related notes as at and for the year ended December 31, 2014. This MD&A is intended to assist readers of the audited consolidated financial statements in understanding the business, the financial condition and the financial performance of the Company. Reference should also be made to the Company's filings with Canadian securities regulatory authorities, which are available at www.sedar.com. This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review and disclosure both directly and through its Audit Committee. All amounts are in Canadian dollars, unless otherwise noted. Whenever used in this MD&A, the term "Common Shares" refers to the common share in the capital of the Company. All amounts are stated in Canadian currency unless otherwise noted.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements were authorized for issue by the Board of Directors on May 22, 2015.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address DealNet's expectations, should be considered forward-looking statements. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect management's current view of future events and are subject to certain risks and uncertainties as contained herein and in the Company's other filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

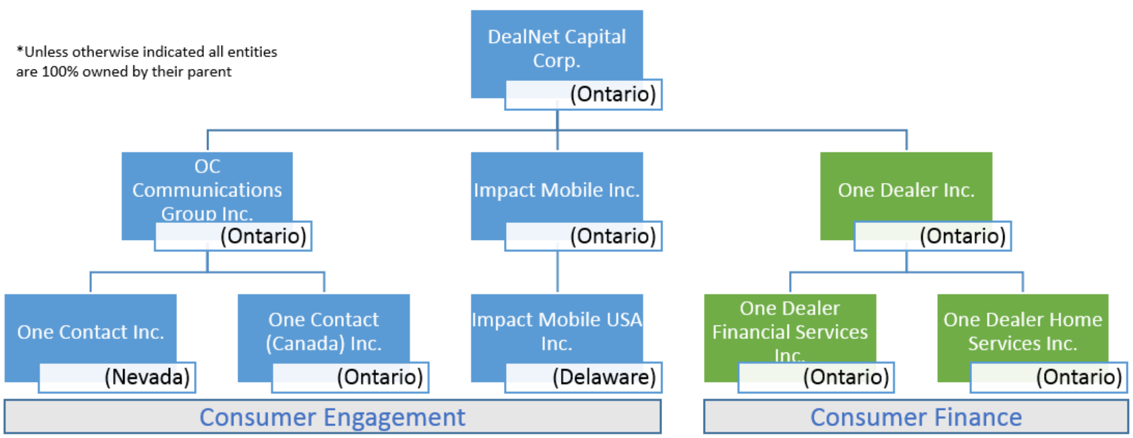
COMPANY OVERVIEW

DealNet Capital Corp. (formerly Gamecorp Ltd.) is a publicly traded company which focuses on two key vertical markets, Consumer Engagement and Consumer Finance.

Through acquisitions, the Company has become a leader in the Consumer Engagement space helping their corporate clients connect with their respective consumers in a manner the consumers prefer using live voice, chat, text, email and proximity based engagement solutions. The Company has leveraged its Consumer Engagement business to offer alternative consumer financing solutions to consumers, which offer attractive returns and low default rates. Initially the company has focused on HVAC financing solutions. Further, the Company continues to seek acquisitions in these key markets.

The Company's Consumer Engagement business is made up of two reporting segments consisting of Impact Mobile Inc. ("Impact Mobile") (Mobile Engagement Services reporting segment) and OC Communications Group Inc. ("OCCGI") (Live Engagement Business Process Outsourcing ("BPO") reporting segment). DealNet's Consumer Financing business is underpinned by One Dealer Inc. ("One Dealer") (Consumer Financing reporting segment). DealNet's Common Shares are listed for trading on the Canadian Securities Exchange under the symbol "DLS".

The following diagram illustrates the inter-company relationships between the Company's operational subsidiaries, the jurisdiction of incorporation of each entity and the percent ownership.



Consumer Engagement (Live Engagement BPO and Mobile Engagement Services Reporting Segments):

OCCGI and Impact Mobile together specialize in helping clients engage with their end customers using omni communications channels including live voice, chat, web and mobile (SMS). The Company's leading cloud based communications solutions are underpinned by robust messaging and workflow technology that, when coupled with the Company's proximity solutions enable customers to avoid live calls, and move conversations to cost effective SMS platform. The solutions may also be utilized to increase 'door swing' or foot traffic by our clients through allowing them to present offers to their customers based on their location. Further, the platform tracks uptake of offers providing powerful analytics. Traditionally engagement has been defined as call centers and as those costs escalated, off-shore solutions were implemented, often negatively impacting the customer relationship in exchange for cost savings. The engagement market has changed and through the Company's secure solutions, the Company is able to bring the calls back to North America while analyzing calling trends and identifying calls types that can be moved to interactive messaging (SMS) at a lower cost to live call. The bundled solution serves to avoid cost for the Company's customers over time and drive high margin messaging traffic.

Consumer Engagement services are provided in Canada and the United States.

The engagement offering also incorporates captive 'in-house' brands serving specific vertical markets such as One Dealer, which is specifically designed to package engagement services to the home services market, initially in the Heating Ventilation and Air Conditioning ("HVAC") space. One Dealer leverages the Company's engagement services to drive transaction revenue to the Consumer Financing segment, One Dealer Financial Services Inc. ("ODFSI"). ODFSI engages home improvement dealers who often lack the funds and infrastructure to communicate with their customers. ODFSI differentiates itself from its competitors by coupling these capabilities to its dealers along with financing solutions. This allows the dealers working with ODFSI to focus on business development while being ensured their customer communication and relationship services are being performed effectively.

OC Communications Group Inc. and its subsidiaries (Live Engagement BPO Reporting Segment)

On May 24, 2012, the Company closed the acquisition of OCCGI, a BPO company that at the time of acquisition had been in business for six years providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services. The company provides services to major brands both in Canada and the United States. OCCGI primarily markets its BPO services to industry verticals such as financial services, telecommunications, utilities, governments, associations and retail. These markets typically have massive consumer populations that require ongoing customer services typically attached to ecommerce support, technical support and loyalty support services, all of which are provided by OCCGI as an extension of the brands they support, on a white label basis.

OCCGI services its clients through its call centres located in Toronto, Ontario; and Reno, Nevada. The company has an established platform in which it continues to invest and develop as additional business is awarded. OCCGI's existing infrastructure can support approximately $20 million in revenue annually before additional sites are required.

In 2013, OCCGI successfully closed approximately $30 million of new multi-year contracts (spanning three to 10 years) with leading North American companies. This new business came on-stream throughout 2013 resulting in significant quarter-over-quarter revenue growth resulting in a total of $4.8 million for the year ended December 2013.

The company realized stronger than expected revenue in 2014 on contracts announced in 2013 and benefits from the growth in new customers within our corporate customer environments (as our customers attract customers more live volume is generated over time). The company is focussed on adding new accretive contracts and maintaining or reducing general and administrative costs where possible to maximize profit, while continuing to expand is base of services and offerings.

Impact Mobile Inc. and its subsidiaries (Mobile Engagement Reporting Segment)

On July 1, 2014, the Company closed the acquisition of Impact Mobile, a technology and customer engagement company that provides end-to-end cloud based, mobile engagement solutions with carrier-grade messaging infrastructure to allow its clients to reach their mobile customers. Impact Mobile's flagship platform and suite of services provide comprehensive mobile engagement and marketing capabilities as an alternative to live call solutions at a lower cost to the customer and higher margin to Impact, than typical live call solutions. Impact Mobile is regarded as a leader in mobile engagement and communications running the first cross-carrier campaign in North America, and receiving industry leadership awards for consumer engagement and mobile commerce innovation.

The Company has integrated Impact Mobile's mobile service offerings with OCCGI's suite of services to add depth in the engagement space and to position solutions for the evolving market place where engagement via mobile technology continues to be preferred to live calls. The Company is generating considerable interest in its mobile analytics, proximity marketing and engagement platform and since its acquisition by DealNet it has been successful in developing a strong pipeline of direct deals as well as considerable channel partner opportunities where our engagement solutions are bid as a component of a larger solution.

Consumer Financing (Consumer Financing Reporting Segment): One Dealer Financial Services Inc. is DealNet's financial services company initially providing lease/rental contracts to consumers through HVAC dealers who have been approved to be a member of the One Dealer Network. To date, ODFSI has focused on underwriting 10 year rental contracts of HVAC equipment thus providing the dealer with alternative financing solutions that supports them in closing incremental sales and installation of HVAC equipment. Over the term of each rental contract, the Company has the option to increase rental rates and thus, increase returns. The Company also has the option to periodically securitize a portfolio of these lease agreements and lock in rates of returns upfront. ODFSI has a growing network of dealers on contract that originate deals on a weekly basis. ODFSI has secured various funding sources and is actively negotiating with additional underwriters to ensure funding is always in place to support this growing demand.

One Dealer Inc. and One Dealer Financial Services Inc.

On January 21, 2013, the Company acquired One Dealer, an inactive corporation incorporated on April 18, 2012 under the laws of the Province of Ontario, pursuant to a share transfer from a related party to the Company. There was no consideration paid to the related party.

One Dealer has two wholly-owned subsidiaries, ODFSI, incorporated on January 29, 2013 under the laws of the Province of Ontario, and One Dealer Home Services Inc. ("ODHSI"), and incorporated on December 14, 2012 under the laws of the Province of Ontario. ODHSI was inactive as of December 31, 2014.

One Dealer and its wholly-owned subsidiaries provides a suite of comprehensive services to independent HVAC dealers and their customers. These services include HVAC equipment rentals, product supply, marketing services, customer support services and extended warranty products. The company is developing engagement offerings including CRM toolsets and messaging solutions that can be leveraged by dealers to engage more cost effectively and predictably with their customers. These solutions set the company apart from traditional funders and enable the dealers to appear much larger without the capital investment that would otherwise have been made by much larger competitors to create the same market presence.

ODFSI provides a funding solution for our dealer network to assist in the selling process of HVAC equipment. The Company has identified the annual addressable HVAC market in Canada to be over $100 million per annum in capital deployed, with the potential of approximately 30,000 new rental contracts annually.

ODFSI primarily supports small to mid-sized dealers to provide a full suite of marketing services and customized rental solutions to consumers. Supporting these dealers helps them effectively compete with larger HVAC dealers, making them look bigger than they are, and providing for a better customer experience, and thus customer loyalty.

ODFSI generates demand for financing solutions through HVAC dealers who are either switching from an incumbent funder to take advantage of the extensive service suite, or who do not have access to funding today. Dealers without funding, generally lose deals at the door when the consumer asks for a finance solution.

On June 6, 2014, the Company signed an agreement with a leading distributor of HVAC products in the Canadian market place and has negotiated preferred pricing and developed joint marketing strategies for the 400+ HVAC dealers that the distributor supplies its product to. This dealer group provides ODFSI with access to thousands of potential new rental deals per month. As of December 31, 2014, ODFSI had signed over 25 independent dealers to receive the suite of rental and servicing solutions offered by ODFSI with more than 100 dealers in various stages of development and is signing dealers monthly. As additional large scale underwriting becomes available to ODFSI, the Company will partner with other manufacturers in order to drive higher volume.

Throughout 2013 and the first half of 2014, ODFSI developed comprehensive financial services infrastructure consisting of specialized software and processes to support the dealer network including quotations, pricing, credit adjudication, billing and collection, fulfillment and treasury management. ODFSI also signed an agreement with a household utility provider enabling the Company to collect rental payments from customers through their utility bills, thus reducing default rates and facilitating the transition of rental contract obligations from homeowner to homeowner in the case of a residential sale. The Company also bills and collects directly on Pre-Approved Payments, primarily in territories where the utility does not operate.

In 2014, the Company began deploying rental contracts leveraging a $2.0 million facility while in negotiations with a large primary funder. The primary institutional funder closed in Q1 2015 and the company will continue seeking additional funding as the demand grows. The Company expects to be in due diligence with funders on an ongoing basis until the underwriting facilities match the demand. As additional funding is closed, the Company will expand its dealer support capabilities. The Company operates an existing and growing book of funded deals with low defaults and expects the cost of capital to improve going forward as the book performance history continues to be in line with market performance on defaults and delinquencies. These are the primary drivers towards reducing the cost of capital.

The Company believes it is well positioned to scale the leasing business, and add additional finance products to the portfolio. Home owners are generally low risk for small capital deployment of loans and the Canadian market continues to seek alternative financing solutions. ODFSI, with the security on the home, is well positioned to take more household share of borrowings from other parties, and the Company expects to add new loan products that can be sold into existing and new consumers in our database.

OUTLOOK

The Company has completed a great deal of foundation building towards the strategic vision and has consolidated the operating companies functionally to be efficient and scalable. Our messaging is refined to our two key markets and the Company expects further refinement to be completed in 2015.

Consumer Engagement:

The Company identified trends in engagement with a ‘mobile’ or ‘moving’ consumer and quickly acquired assets that support the future method of engagement. All consumers are mobile and must be spoken to when, where and how they want to be spoken to in order to drive brand upsell and loyalty. Our powerful integrated solutions provide several offerings that are timely for our customers as they sift through the many silo based, non-integrated offerings in the market and try to assess their strategic plans for the next several years. We benefit by having multiple solutions for our clients whereas our competitors are typically limited to one offering which often restricts the solutions they can offer the clients. Over time we see the market continuing to evolve as baby boomers who often prefer live call to mobile solutions generate less transaction volume than the millennials who are more willing to adopt mobile engagement technologies and solutions. The Company continues to seek acquisitions in these key markets including an extended focus on BPO opportunities to expand the current footprint and benefit from higher margins by converting live-call solutions to mobile solutions. We see many single solution companies with good technology (loyalty, point of sale, affinity, proximity, etc.) but are experiencing slow growth due to lack of enterprise brand access. With integration of BPO/technology and intellectual property acquisitions in engagement, the Company can accelerate its growth and drive more revenue from existing customers while engaging with new customers on more solutions.

Consumer Financing:

The alternative lending space is changing. There are many funding options in the market that do not provide sustained value or growth opportunities for their originating partners apart from the financial solution. The Company’s solutions and engagement engine provide a unique competitive edge in the market where most financiers cannot provide engagement services without multi-million dollar investments and years of implementation. We are well positioned to take market share by providing value added services leveraging our engagement platforms making the traditional small dealer look big, and do so with a variable cost base and no capital investment on the dealer behalf. We see additional acquisition opportunities in this space as well. Specifically there are small lease or rental/finance portfolios available for purchase that the Company continues to evaluate based on accretive value and strategic fit. We also see opportunities to acquire servicing and marketing entities that drive and fulfill demand to and for our originating dealers further deepening the dependence on our solutions.

Summary:

Overall, the challenges with the current financial state of the Company are well recognized by management and specific plans and initiatives have been identified and are being undertaken to address these challenges. The Company has taken strong steps towards strengthening its balance sheet through refinancing and settlement of debt and additional equity financings over the first quarter of fiscal 2015. Also, the Company is focusing on revenue and margin growth and has made key additions to its management team to assist build out the sales pipeline while making reductions in other general and administration costs. The Company is focused on these two key markets, both sharing the common engagement platform. Our competitive analysis confirms that engagement services drive stickiness in the dealer space and significant differentiation in the financing market.

Overall performance is improving dramatically with revenue growth and strategic cost cuts. Through 2015 we expect to be focused on revenue, cost avoidance, acquisitions and ensuring the markets understand our business model and messaging so any acquisitions contemplated can be completed under optimal financing structures.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

As at December 31, 2014, the Company operated in three business segments namely, Live Engagement BPO services, Mobile Engagement Services and Consumer Financing.

The Live Engagement BPO services segment operates in Canada and the United States providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services.

The Mobile Engagement services segment operates in Canada and the United States providing end-to-end mobile marketing solutions allowing businesses to interact directly with mobile subscribers.

The Consumer Financing segment operates solely in Canada and provides financing solutions to a network of HVAC dealers.

As at December 31, 2013, the Company operated mainly through one business segment, Live Engagement BPO.

Restatement of Prior Years

During the year ended December 31, 2014, the Company corrected the accounting for certain transactions. As a result, certain amounts from 2013 have been restated to reflect these changes. The previously issued audited consolidated financial statements for the year ended December 31, 2013, as well as the unaudited interim consolidated financial statements for the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014 (the "Affected Statements") have not been restated. The Company has restated the most recent financial statements to reflect the restatements which includes the comparatives included in these financial statements and the opening statement of financial position at January 1, 2013. Readers of the Affected Statements are cautioned that they should be read in conjunction with the audited consolidated financial statements. The Company will give effect to these adjustments relating to the 2014 interim reporting periods in the comparative figures in its 2015 interim filings. The figures presented in this MD&A include the impact of these changes.

Going Concern

The accompanying audited consolidated financial statements of the Company have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. There is doubt about the Company's ability to continue as a going concern as the Company has a working capital deficiency of $4,984,000 as at December 31, 2014 (December 31, 2013- $2,122,000) and an accumulated deficit of $56,853,000 as at December 31, 2014 (December 31, 2013 – $52,278,000). The Company's ability to continue as a going concern is dependent upon the Company's ability to raise additional capital through equity or debt private placements and achieve profitable operations and raises a material concern. Should the Company be unable to continue as a going concern, there is significant doubt the carrying value of the Company's assets can meet its liabilities as they become due.

The Company believes that future private placements and increased revenues will provide sufficient cash flow for it to continue as a going concern in its present form, however, there can be no assurances that the Company will achieve such results. Accordingly, the consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

For the year ended December 31, 2014

The Company recorded a net loss of $4,575,000 during the year ended December 31, 2014 compared to a loss of $2,455,000 for the year ended December 31, 2013 (as restated- see Note 4 in the accompanying audited consolidated financial statements). Management is hopeful that its operating entities continue to develop to the point where they will cover cash operating costs. Operating costs that are not recovered are paid from the proceeds of the sale of investments, equity infusions, related party loans or third party debt; however the business of the Company is to develop new sources of revenue than cover operating costs from non-operating sources.

Revenues from operations during the year ended December 31, 2014 were $9,890,000 compared to the year ended December 31, 2013 of $4,649,000 (as restated- see Note 4 in the accompanying audited consolidated financial statements). During 2013, revenues were from the Live Engagement BPO segment only. In 2014, however, revenues were from the Live Engagement BPO and Mobile Engagement business segments. The Live Engagement BPO segment made up 75% of revenues in 2014, while Mobile Engagement made up 25%. The increase in revenues from the prior year is a result of both organic growth in the Live Engagement BPO business segment as well as the acquisition of Impact Mobile in July 2014 (Mobile Engagement business segment). Revenues from Impact Mobile are included from July 1, 2014 onwards.

Costs of sales for the year ended December 31, 2014 were $5,380,000 compared to the year ended December 31, 2013 of $2,941,000. The increase in costs is the result of increased business activity from the Live Engagement BPO business segment as well as the acquisition of Impact Mobile in July 2014 (Mobile Marketing business segment). The increase is mainly related to directly attributable salaries and wages. Included in the cost of sales figures above for 2014 is $57,000 of depreciation for equipment directly related to the provision of services.

Selling and administrative expenses were $5,889,000 for the year ended December 31, 2014 compared to $3,396,000 during the year ended December 31, 2013. For the year ended December 31, 2014 (and the year ended December 31, 2013), the selling and administrative expenses consisted of:

- salaries and benefit costs of $3,014,000 (2013: $1,010,000) with the additional expense due to organic growth as well as the new salaries brought on through the acquisition of Impact Mobile in July 2014. Included in this amount is an expense related to the vesting of stock options for $196,000 (2013: $328,000). Also included in salaries and benefits were accruals for one-time payments to certain members of management of $138,000 related to performance in 2014;
- consulting and professional fees of $1,348,000 (2013: $676,000) with the increase tied to back office requirements to fulfill business growth, increased audit and accounting fees related growing business requirements as well as additional costs related to Impact Mobile;
- occupancy costs of $849,000 (2013: $623,000) primarily from the addition of leased space acquired with the acquisition of Impact Mobile as well as one-time expenses related to the termination of two leased spaces no longer needed; and
- other expenses of $678,000 (2013: $1,087,000- restated see Note 4 in the accompanying audited consolidated financial statements) consisting of office overhead, telecommunications, and other administrative costs.

Other income/expenses for the year ended December 31, 2014 consisted of:

- depreciation and amortization expense of $347,000 (2013: $461,000- restated see Note 4 in the accompanying audited consolidated financial statements) with the decrease resulting from certain intangible assets amortized in the prior year being fully amortized as at December 31, 2013;
- interest of $574,000 (2013: $249,000) with the increase due to a full year of interest charges for convertible debentures that were issued throughout 2013 along with interest from new debt facilities in 2014;
- accretion of interest and transaction costs of $245,000 (2013: $38,000- restated see Note 4 in the accompanying audited consolidated financial statements), the majority of which is related to the Company’s convertible debentures;
- foreign exchange loss of $110,000 (2013: loss of $13,000);
- factoring discount expense of $242,000 (2013: $137,000) due to the increased use of factoring advances as a means for short-term financing;
- impairment of intangible assets of $836,000 (2013: $19,000- restated see Note 4 in the accompanying audited consolidated financial statements) which is made up of three items: i) impairment of software abandoned by the Company in the Live Engagement BPO business segment as a result of a contract

termination of $235,000; ii) a write-down of intangible assets in the Consumer Financing reporting segment due to an impairment identified in that segment of $201,000; and iii) a write-down of goodwill related to the Mobile Marketing reporting segment due to an impairment identified in that segment of $400,000.
- gain on the settlement of an accounts payable of $6,000 (2013: $124,000- restated see Note 4 in the accompanying audited consolidated financial statements);
- Costs of $848,000 (2013: nil) related to an inducement incentive provided to holders of the Company's convertible debentures to convert their securities on or before December 31, 2014. The expense consists of bonus warrants and interest paid through the issuance of Common Shares offered to debenture holders to convert their securities, along with transaction costs of $44,000.

Loss per share from operations during the year ended December 31, 2014 were $0.07 compared to the year ended December 31, 2013 of $0.04.

For the three month period ended December 31, 2014

The Company recorded a net loss of $2,700,000 during the three months ended December 31, 2014 compared to a net loss of $367,000 for the three months ended December 31, 2013. The increase in the loss is primarily related to the one-time convertible debenture incentive expense in December 2014 of $848,000 (2013: nil), impairment of intangible assets and goodwill recorded in the fourth quarter of 2014 ($601,000), increased financing related costs and one-time management bonuses.

Revenues during the three month period ended December 31, 2014 increased to $3,064,000 compared to $2,099,000 for the three month period ended December 31, 2013, primarily from organic growth as well as the acquisition of Impact Mobile in July 2014.

Costs of sales for the three month period ended December 31, 2014 were $1,752,000 compared to $1,282,000 for the three month period ended December 31, 2013. The increase in costs is the result of increased revenues and consists mainly of salaries and wages. The gross profit margin, however, increased from 40% to 43% as a result of cost cutting initiatives and a change in the sales mix towards high margin services (mainly from Impact Mobile).

Selling and administrative expenses were $2,204,000 for the three months ended December 31, 2014 compared to $816,000 during the three months ended December 31, 2013. The selling and administrative expense reflects the build out of the management team and the back end systems required to support the Company's new business initiatives as well as the additional costs related to Impact Mobile. Additionally there a number of one-time expenses recorded in the fourth quarter of 2014 including certain bonuses to Management of $138,000.

Depreciation and amortization expense for the three months ended December 31, 2014 was $20,000 compared to the three months ended December 31, 2013 of $248,000. This decrease is the result of impairments to intangible assets that were previously being amortized in 2013.

Other income/expenses for the three months ended December 31, 2014 consisted of:

- Interest of $174,000 (2013: $79,000) with the increase related to the additional debt facilities existing during the 2014 compared to 2013;
- Accretion of interest and transaction costs of $128,000 (2013: $38,000), the majority of which is related to the Company's convertible debentures;
- foreign exchange loss of $43,000 (2013: gain of $17,000);
- factoring discount of $45,000 (2013: $23,000) as a result of the increased use of factoring of accounts receivables;
- Impairment charge on intangible assets and goodwill of $601,000 (2013: $19,000) related to a write-down of intangible assets in the Consumer Financing reporting segment due to an impairment identified in that

segment of $201,000 and a write down of goodwill in the Mobile Marketing reporting segment due to an impairment identified in that segment of $400,000;

- gain on debt settlement of $6,000 (2013: $124,000);
- Costs of $848,000 (2013: nil) related to an inducement incentive provided to holders of the Company's convertible debentures to convert their securities on or before December 31, 2014. The expense consists of bonus warrants and interest paid through the issuance of Common Shares offered to debenture holders to convert their securities, along with transaction costs of $44,000; and

Loss per share during the three month period ended December 31, 2014, was $0.042 compared to a loss per share of $0.006 in the three month period ended December 31, 2013.

Other Highlights

On May 23, 2014, the Company's wholly-owned subsidiary, ODFSI, entered into a $2,000,000 secured revolving loan facility with an unrelated party maturing on May 23, 2016. The Company shall pay to the lender a standby fee of 5% per annum on all undrawn amounts under the secured revolving loan facility commencing on June 1, 2014, payable monthly in arrears. The Company shall pay to the lender 12% per annum on all drawn amounts. The secured revolving loan facility was provided to the Company to underwrite HVAC rental contracts which shall be the lender's security in the occurrence of default. In addition, the Company also issued 1,000,000 warrants, each to purchase one common share of the Company at an exercise price of $0.29 per share, expiring two-years from the date of issuance. As at September 30, 2014, the Company had outstanding advances of $250,000 from the secured revolving loan facility, of which $125,000 remains as restricted cash.

On July 1, 2014, the Company closed the acquisition of all the issued and outstanding shares of Impact Mobile, a technology and customer engagement services company that provides end-to-end mobile marketing solutions and carrier-grate messaging infrastructure to allow its clients to reach their mobile customers. In consideration for the acquisition, the Company issued at closing 5,500,000 common shares of the Company, 1,500,000 of which to be held in escrow and used to retain key executives of Impact Mobile over three years, and $500,000 in cash to the vendors, payable over a period of 60 days from closing.

On July 2, 2014, the Company issued $300,000 of short term debentures in exchange for net proceeds of $300,000 in cash received prior to June 30, 2014. The short term debentures will mature on January 2, 2015 and bear interest at a rate of 12% per annum, which shall be accrued and paid on the maturity date. The Company also issued 300,000 warrants to the lenders, each to purchase one common share of the Company at a price of $0.29 per share over a period of twenty-four months from the date of issuance.

On July 18, 2014, the Company announced a proposed non-brokered offering of secured subordinated debentures for aggregate gross proceeds of up to $1,500,000. On July 29, 2014, the Company issued $822,000 of the secured subordinated debentures in exchange for $375,000 received in cash and $447,000 as a full settlement of short term notes payable (see note 7). The secured subordinated debentures mature on January 29, 2015 bearing interest at a rate of 15% per annum, which shall accrue and be paid on the maturity date. In addition, a 3% establishment fee will be paid to the holders of the debentures, due on the maturity date. The Company may elect to extend the maturity date of the secured subordinated debentures by an additional 6 month period, provided that the unpaid principal and accrued interest shall bear interest at 2% per month. In connection with this closing, the Company also issued a total of 575,400 common share purchase warrants to the holders of the secured subordinated debentures, each warrant entitling the holder to purchase one common share of the Company at $0.30 over a period of twenty-four months from the date of issuance. On August 1, 2014 and August 22, 2014, the Company closed an additional $400,000 and $275,000 of the secured subordinated debentures and issued 280,000 and 192,500 common share purchase warrants respectively, under the same terms as the initial close. The Company raised total gross proceeds of $1,497,000 under this offering and issued an aggregate of 1,047,900 common share purchase warrants.

In July and August 2014, the Company received forms of election for the conversion of $85,000 of its convertible debentures into Common Shares. As a result, the Company issued 425,000 Common Shares.

On September 24, 2014, the Issuer's Board of Directors announced the appointment of Pierre G. Gagnon as Chairman of the Company's Board, replacing J. Graham Simmonds, effective September 23, 2104.

On October 16, 2014, the Company executed a five year agreement with a leading Canadian insurance company to provide service desk support with a total contract value of over $1 million.

On October 22, 2014, the Company held its annual general meeting. Each of the director nominees proposed by management for election were elected to the Board of Directors: Mr. Pierre G. Gagnon, Mr. Henry J. Kloepper, Mr. C. Fraser Elliott III, Mr. Michael Hilmer and Mr. Robert J. Cariglia were elected to the Board of Directors. Mr. C. Fraser Elliott III was a new director of the Company. At the meeting, shareholders also approved the amendment of the Articles of Incorporation of the Company, increasing the number of authorized Common Shares to unlimited from 100,000,000. Mr. Neal Romanchych did not stand for re-election to the Board in order to pursue other business interests.

On November 6, 2014, the Company announced that Impact Mobile has expanded operations into Brazil to service the mobile marketing needs of a leading international apparel and shoe company.

On November 25, 2014, the Company announced that it was pursuing a $5 million non-brokered private placement. The Company will issue up to 26,315,790 units (each, a "Unit") at a price of $0.19 per Unit, consisting of one common share (each, a "Common Share") of the Company and one common share purchase warrant (each, a "Warrant") of the Company. Each Warrant will allow the purchaser to acquire one additional common share of the Company at a price of $0.30 for a period of 18 months from the date of closing of the Offering. The proceeds from the Offering will be used for capital to fund future growth, to repay debt incurred for a recent acquisition, working capital and general and administrative purposes.

In December 2014, the Company announced that it is offering an incentive to holders of the Company's outstanding convertible debentures (the "Convertible Debentures"), which mature in December 2015, to surrender the Convertible Debentures for conversion on or before December 31, 2014.

Holders of the Convertible Debentures are entitled to convert the Convertible Debentures into common shares of the Company at the ratio of five (5) common shares for every $1.00 of Convertible Debentures held. The Company is offered an incentive (the "Incentive Program") to holders of the Convertible Debentures to convert their debentures on or before December 31, 2014. The Incentive Program shall consist of the following:

- For every common share issued pursuant to a conversion of Convertible Debentures on or before December 31, 2014, the Convertible Debenture holder will be issued one common share purchase warrant, exercisable for one additional common share of the Company at an exercise price of $0.30 for a period of 18 months following the conversion date; and

- The equivalent of an additional six (6) months of interest beyond the conversion date on the principal portion of the Convertible Debenture only, settled through the issuance of common shares of the Company at the rate of five (5) common shares for every $1.00 of interest.

Of the $2,415,000 outstanding principal on the Convertible Debentures at the time the Incentive Program was announced, $1,955,000 (representing approximately 81%) was converted effective December 31, 2014. As a result of the conversion of the Convertible Debentures noted above, the Company issued 9,775,000 common shares with an effective date of December 31, 2014. In addition, as part of the Incentive Program, the Company issued 9,775,000 common share purchase warrants and 586,500 common shares with an effective date of December 31, 2014. The securities issued pursuant to the Incentive Program are subject to a hold period until May 1, 2015.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial and share information of the Company as at and for the years ended December 31, 2014, 2013 and as at and for the 15 month period ended December 31, 2012.

	2014	2013	2012
Revenue			
-Live Engagement BPO	7,449,000	4,649,000	2,176,000
-Mobile Engagement	2,428,000	-	-
-Consumer Financing	13,000	-	-
Total revenue	9,890,000	4,649,000	2,176,000
Net loss	4,575,000	2,455,000	1,518,000
Total assets	6,271,000	3,970,000	3,492,000
Total long term liabilities	194,000	2,483,000	279,000
Loss per share- basic and diluted	0.07	0.04	0.05
Distributions / dividends	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial data of the Company for its last eight quarters as reported in the particular period:

	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
Sales	626,000	855,000	1,069,000	2,099,000	2,318,000	1,537,000	2,971,000	3,064,000
Net loss	644,000	743,000	701,000	367,000	177,000	842,000	856,000	2,700,000
Loss per share- basic & diluted	0.011	0.013	0.012	0.006	0.003	0.014	0.013	0.042

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The reported financial position of the Company presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses totaling $56 million since the Company commenced operations. As of December 31, 2014, the Company had a working capital deficit of $4.9 million and a cash balance of $0.6 million.

During 2014, the Company had the following financing activities take place:

- On May 23, 2014, the Company's wholly-owned subsidiary, ODFSI, entered into a $2,000,000 secured revolving loan facility with an unrelated party maturing on May 23, 2016. The secured revolving loan facility was provided to the Company to underwrite HVAC rental contracts which shall be the lender's security in the occurrence of default.
- On July 2, 2014, the Company issued a $300,000 short-term debenture maturing on January 2, 2015. The debentures, including accrued but unpaid interest, were settled subsequent to year-end through a private placement of Common Shares and common share purchase warrants.

- In July and August 2014, the Company issued $1,497,000 of secured subordinated debentures maturing on January 29, 2015. The debentures could be extended at the Company's option for a further six months. Subsequent to year-end, $450,000 of these debentures were settled through a private placement of Common Shares and common share purchase warrants. The balance of the debentures were extended until July 29, 2015.
- On December 17, 2014, the Company received an unsecured promissory note of $215,000. Subsequent to year-end, this loan was settled through the issuance of Common Shares and common share purchase warrants.
- On December 31, 2014, the Company received forms of election for the conversion of $1,955,000 of the Company's convertible debentures which were converted into common shares of the Company on December 31, 2014.

Subsequent to December 31, 2014, the Company had the following financing activities take place:

- On January 22, 2015, the Company received additional conversion notices for the conversion of $185,000 of the Company's outstanding convertible debentures which mature in December 2015.

- On February 12, 2015, the Company closed the first tranche of a private placement. The Company received subscriptions consisting of $1,079,762 in cash and $1,429,250 from the settlement of various liabilities owing by the Company. The total consideration received in cash and settlement of various liabilities of the Company for this first tranche was $2,509,012.

- On March 12, 2015, the Company's wholly owned subsidiary, ODFSI, closed the first tranche of senior secured debentures. The first closing consisted of a single subscription for $3,000,000 with the option by the investor to invest up to $50,000,000 under the offering. This debenture was provided to the Company to underwrite HVAC rental contracts which shall be the lender's security in the occurrence of default.

- On March 13, 2015, the Company closed the second tranche of its private placement. The Company received subscriptions of $128,090 in cash and $426,700 from settlement of various liabilities owing by the Company totalling $476,700.

Notwithstanding these financing activities, the Company's ability to continue operations remains dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; and 3) secure new customer relationships that provide the Company with adequate funds to cover projected expenditures (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and is unable to raise additional financing, the Company will have to consider strategic alternatives.

Cash flows from operating activities primarily consist of the Company's loss before income tax adjusted for certain non-cash items such as amortization, stock-based compensation, interest and accretion on debentures, gains on the sale of assets or the settlement of liabilities, impairment of goodwill and intangible assets and changes in working capital.

Cash flows used for operating activities for the year ended December 31, 2014, were $1.0 million compared to $1.8 million in 2013. The decrease was primarily the result of a number of non-cash items taking place in the year, as well as changes in the Company's working capital balances.

The Company's future operations are dependent upon its ability to secure additional funds or secure sales contracts (or both), which provide the Company with adequate funds to cover the cash flows projected for the next year. If the Company does not secure such contracts, or if it cannot secure additional financing, the Company will have to consider additional strategic alternatives. It is not possible to predict whether the Company will be successful in securing new contracts or securing additional financing. The management appreciates the lack of liquidity and impact it has on its operations and has been undertaking specific actions to address this issue. Actions such as early conversion of convertible debentures, which lead to savings in interest cash costs. The

Management is also focussing on cost management while balancing it with key additions to management team to execute on current growth plans that enable the company to realize on its material funnel to ensure each new dollar of gross margin is accretive and drives the company to EBITDA neutral to positive near term.

OFF-BALANCE SHEET ARRANGEMENTS

DealNet had no off-balance sheet arrangements as at December 31, 2014.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2014, the Company accrued or paid $876,000 in salary, consulting or director fees, other short term benefits of $40,000 and share based compensation (stock options) of $58,000 to Officers, Directors and related parties of the Company. The above related party transactions occurred in the normal course of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company’s audited consolidated financial statements as at and for the year ended December 31, 2014, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to Note 3 of the Company's consolidated financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements, the application of critical estimates and judgements in the preparation of the financial statements and recent accounting pronouncements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds various forms of financial instruments. A summary of the Company’s financial instruments is as follows.

Description	**Designation**	**December 31, 2014**	December 31, 2013
Cash, cash equivalents	FVTPL	$ **616,000**	$ 73,000
Receivables	Loans and receivables	**2,097,000**	698,000
Due from related parties	Loans and receivables	**-**	17,000
Accounts payable and accrued liabilities	Other financial liabilities	**2,982,000**	1,613,000
Accounts payable to related parties	Other financial liabilities	**561,000**	301,000
Interest and fees payable on debentures and notes	Other financial liabilities	**287,000**	64,000
Factoring advances	Other financial liabilities	**813,000**	471,000
Long-term payables	Other financial liabilities	**-**	83,000
Secured revolving loans	Other financial liabilities	**127,000**	-
Debentures and notes	Other financial liabilities	**3,026,000**	3,054,000

The fair value of loans and receivables do not differ significantly from their carrying value due to their short-term nature. The nature of these financial instruments and the Company’s operations expose DealNet to a number of financial risks, including credit, liquidity, foreign exchange and interest rate risk.

Risk Management Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements. The following analysis provides a measurement of risks as at December 31, 2014.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to fluctuations in the realizable values of its cash and accounts receivable. Cash accounts are maintained with major international financial institutions of reputable credit and therefore bear minimal credit risk. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. A substantial portion of the Corporation's accounts receivable are concentrated with a limited number of large customers all of which the Corporation believes are subject to normal industry credit risks. At December 31, 2014, the Company booked an allowance of bad debt of $77,000 in regards to three customers with past due amounts. For the year ended December 31, 2014, 46% of the Company's receivables are due from one customer and 62% of the receivables are due from four customers.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by closely monitoring changing conditions in its investees, participating in the day to day management and by forecasting cash flows from operations and anticipated investing and financing activities.

The Company continues to develop new business strategies. At December 31, 2014, there is doubt about the Company's ability to continue as a going concern primarily due to its history of losses and a $4,984,000 working capital deficit. Liquidity risk continues to be a key concern in the development of future operations and the success of its investments.

Foreign Exchange Risk

The Company's functional currency is CAD. The Company is exposed to foreign currency risk through its operations in the United States. The risks and fluctuations are related to cash and accounts payable and accrued liabilities that are denominated in USD.

Analysis by currency in Canadian equivalent

December 31, 2014	Accounts Receivable	Account Payable	Cash
USD	**$** 149,000	$ 547,000	$ 34,000

The effect of a 10% strengthening of USD against CAD at the reporting date on the USD denominated trade receivables and payables carried at that date would, had all other variables held constant, have resulted in an increase in profit for the year and increase of net assets of $36,000. A 10% weakening in the exchange rate would, on the same basis, have decreased profit and decreased net assets by $36,000.

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. However, a change in interest rates would not significantly affect results or the equity of the Company as all interest bearing financial instruments, other than bank indebtedness, are fixed-rate instruments.

OUTSTANDING SHARE DATA

The Company's outstanding share capital consists of Common Shares. The Company is authorized to issue an unlimited number of Common Shares. Prior to the Company's annual general meeting in October 2014, the Company was authorized to issue up to 100,000,000 Common Shares, however the Company's articles were amended to authorize an unlimited number of Common Shares. At December 31, 2014, the Company had 74,862,283 Common Shares issued and outstanding.

Additionally, as at December 31, 2014, the Company had the following securities issued and outstanding which could be converted or exchanged for Common Shares of the Company:

Stock Options: 4,384,700 with a weighted average exercise price of $0.275 exercisable for 4,384,700 Common Shares.

Common Share Purchase Warrants: 12,122,900 with a weighted average exercise price of $0.30 exercisable for 12,122,900 Common Shares.

Convertible Debentures: $460,000 convertible at the rate of five common shares for every $1, or 2,300,000 Common Shares

If all options, warrants and convertible debentures were converted and/or exercised as of December 31, 2014 the number of Common Shares outstanding would be 93,669,883.