

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS OF EXTENWAY

The management analysis presents information on Extenway Solutions Inc. activities and compares the operating results and financial situation for the three months and year-to-date ended July 31, 2008 and July 31, 2007. The following information must be read in conjunction with the unaudited financial statements and, unless advised otherwise, all figures are in Canadian dollars.

The Management Discussion and Analysis has been approved by the Audit Committee of the Board of Directors on 29 September 2008.

Overview

Extenway Solutions Inc. (“Extenway”) is a technology company based in Montreal, Quebec that specializes in the development of software and hardware products for the lodging industry. Extenway’s focus has been on the development of its technology and has until recently had limited commercial operations. In the fiscal year ended April 30, 2005 Extenway introduced its technology to the market and is proceeding with commercialization.

On September 13, 2005 Extenway completed its private placement and amalgamation with Canadian Public Venture Finance 1 Inc. (“Finance 1”). Subsequently the amalgamated company, under the name Extenway Solutions Inc., began trading on the TSX Venture Exchange under the symbol EY.

Effective May 1, 2008 the Company adopted the following Accounting Policies: C.I.C.A. section 3031 “Inventories”, 3862 “Financial Instruments – Disclosures”, 3863 “Financial Instruments – Presentation” and 1535 “Capital Disclosures”. In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) would be required for Canadian publicly accountable enterprises for ten years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS on its financial statements. There has been no change during the first quarter of 2008 in the classification of the Company’s financial instruments. There has been no significant change in the risks related to these financial instruments during the first quarter of 2008. Details of the new accounting policies are contained in the footnotes to the financial statements for the quarter ended July 31, 2008; which are available on www.sedar.com.

As at July 31, 2008 and April 30, 2008 the number of outstanding common shares was 81,643,000. The number of stock options issued pursuant to the Stock Option Plan was 2,650,000 at July 31, 2008 and 1,900,000 at April 30, 2008.

During the quarter ended July 31, 2008 the Company purchased services from Primonics (2006) Inc. and John McAllister Holdings Inc., companies indirectly or directly owned by Mr. John McAllister, the President and CEO of Extenway. Total purchases were \$ 109,718 during the quarter and comprised of technical and other services provided to Extenway by employees of Primonics, rental of office space and support for the Company’s business information systems. At July 31, 2008 there was a balance of \$ 654,098 owed to Primonics and Holdings for these services. Services were either provided at cost or at the market prices charged to third parties. On August 28, 2007 \$500,000 of the amount owing to Primonics and Holdings was converted into equity.

Operating Results

For the three months and year-to-date ended July 31, 2008 and July 31, 2007, Extenway had sales of \$ 285,885 and \$26,274 respectively and cost of goods sold of \$ 176,997 and \$ 0 respectively. Revenues increased year over year due to the installation at Legendary in Florida. The prior year numbers reflect the recurring software and hardware maintenance fees, together with administrative fees on certain interactive transactions at the hotel Opus, over a five-year contract period.

Management believes that it will receive recurring revenues that will be recorded under the two existing contracts, in future quarters. Extenway currently has a signed contract with a third customer which is currently being installed, see Outlook section of this Management Discussion and Analysis.

Commercialization Expenses were \$ 182,159 for the three months and year-to-date ended July 31, 2008 compared with \$ 195,740 in the comparable quarter of the prior year. Commercialization Expenses include salaries and benefits, sales consultants in the United States on contract, support costs for installations, trade shows, demos and marketing. Expenses were lower during the first quarter of the current year due reduced cost of the sales consultants in the United States.

Research and Development Expenses were \$ 150,260 for the three months and year-to-date ended July 31, 2008 compared to \$ 160,726 for the three months and year-to-date ended July 31, 2007. For presentation purposes these expenses have not been reduced by the federal and provincial tax credits for scientific research and development. Those credits, excluding those related to plant and equipment (which are credited to the balance sheet) were \$ 23,314 in the three months and year-to-date ended July 31, 2008 compared to \$ 21,687 in the three months and year-to-date ended July 31, 2007. The major Research and Development Expenses are salaries and benefits, materials consumed in prototypes and patents. Research and Development Expenses decreased in the current year as a result of lower travel expenses.

Administrative Expenses were \$ 209,467 in the three months and year-to-date ended July 31, 2008 compared to \$ 118,680 in the three months and year-to-date ended July 31, 2007. Major recurring Administrative Expenses include salaries and benefits, professional fees, rent for facilities and travel living. Administrative Expenses also includes non-cash stock-based compensation costs of \$ 7,871 in the three months and year-to-date ended July 31, 2008 compared to \$ 4,963 in the three months and year-to-date ended July 31, 2007. Expenses, excluding these costs, increased year over year as a result of due to compensation costs associated with the appointment of an Executive Chairman.

Financial Expenses were \$ 5,366 in the three months and year-to-date ended July 31, 2008 compared with \$ 5,539 in the three months and year-to-date ended July 31, 2007. These represent interest expenses related to convertible debentures and bank service charges. Extenway accreted interest of \$ 3,791 on the convertible debentures in the three months and year-to-date ended July 31, 2008 compared to \$ 3,789 in the three months and year-to-date ended July 31, 2007.

Exchange (Gain)/Loss was a gain of \$ 2,616 in the three months ended July 31, 2008 and a gain of \$ 4,810 in the three months ended July 31, 2007. The gains reflect a favorable exchange rate movement relative to the US dollar and an expanded US dollar asset exposure resulting from the Legendary and Canyon Ranch installations.

Depreciation and Amortization Expenses amounted to \$ 4,334 in the three months and year-to-date ended July 31, 2008 and \$ 5,497 in the three months and year-to-date ended July 31, 2007. Amounts vary year by year according to the level of capital assets, useful life, classification of individual assets and depreciation schedule for each classification. The lower expenses in the current quarter resulted from computer equipment, acquired in prior years, being fully depreciated.

Scientific Research Tax Credits were \$ 23,314 in the three months and year-to-date ended July 31, 2008 compared to \$ 21,687 in the comparable prior year quarter. The amounts recorded represent provincial tax credits, which are refundable, and no provision is currently being recorded, due to the uncertainty of their recovery, for federal tax credits which can only be offset against income taxes payable.

The result of all operating activities were net losses of \$ 416,768 in the three months and year-to-date ended July 31, 2008 compared to net losses of \$ 433,411 in the three months and year-to-date ended July 31, 2007.

Cash Flows Used in Operating Activities

Cash Flows Used in Operating Activities were \$ 307,726 in the three months and year-to-date ended July 31, 2008. Cash Flows Used in Operating Activities were \$ 453,330 in the three months and year-to-date ended July 31, 2007.

The major influence in Cash Flows Used in Operating Activities is the net loss described above. This element is then adjusted for the following non-cash items included in operations.

Cash payment of interest on the outstanding convertible debentures is deferred and this deferral became a source of funds. The positive effect of this deferral was \$ 3,791 in the quarter and year-to-date ended July 31, 2008 compared to \$ 3,789 in the quarter and year-to-date ended July 31, 2007.

From fiscal 2005 onwards Extenway complied with new accounting recommendations which require that the fair value of stock options granted to employees, directors, officers and consultants be recorded as compensation expense, in the Administration Expense category, over the vesting period of the options. The amount of the expense is determined at the date of grant and is based on certain hypothesis including number of shares optioned, option price, term of the option, risk free rates of interest and market volatility as at the date of grant. These expenses amounted to \$ 7,871 in the three months and year-to-date ended July 31, 2008 compared to \$ 4,963 for the three months and year-to-date ended July 31, 2007. These expenses increased inasmuch as additional stock options were granted.

Cash Flows Used in Operating Activities also benefit from the add-back of non-cash depreciation and amortization expenses. These amounted to \$ 4,334 in the three months and year-to-date ended July 31, 2008 compared to \$ 5,497 in the three months and year-to-date ended July 31, 2007. Amounts vary by year according to the level of capital assets, useful life, classification of individual assets and depreciation schedule for each classification.

Cash Flows Used in Operating Activities are also affected by the add-back of the change in non-cash operating working capital items. This amounted to cash generation of \$ 93,046 in the three months and year-to-date ended July 31, 2008 compared to a cash usage of \$ 34,168 in the three months and year-to-date ended July 31, 2006. Amounts vary by period according to changes in accounts receivable, inventories, prepaid expenses, deferred financing costs, accounts payable and accrued liabilities. In the current year cash generation was essentially due to increased accounts payable and deferred revenues, related to the current installation at Canyon Ranch.

Investing Activities

Investing Activities principally reflect acquisition of property, plant and equipment. During the three months and year-to-date ended July 31, 2008 the company invested \$8.801 compared to nil in the three months and year-to-date ended July 31, 2007.

Extenway anticipates future capital expenditures, primarily related to outfitting an expanded marketing staff, but believes that its future requirement for capital assets is minimized by its strategy of outsourcing manufacturing to third parties.

Financing Activities

Cash Provided by Financing Activities in the three months and year-to-date ended July 31, 2008 was \$ 259,190 compared to cash provided of \$ 299,207 in the three months and year-to-date ended July 31, 2007.

During the current year activities consisted of call loans from an officer of the Company (\$260,000) less the normal repayment of long-term debt and capital lease obligations (\$810). During the prior year activities consisted of call loans from an officer of the Company (\$300,000) less the normal repayment of long-term debt and capital lease obligations (\$793).

Liquidity and Capital Resources

Extenway had negative working capital, current assets minus current liabilities, of \$ 1,563,366 at July 31, 2008 compared to negative working capital of \$ 1,149,192 at the April 30, 2008 fiscal year end. The reasons for this change are more fully described in the sections above dealing with cash flow but primarily reflect the operating losses during the quarter.

At July 31, 2008 the Company owed \$ 654,098 to companies associated with Mr. John McAllister, President and Chief Executive Officer, for services rendered, and \$ 510,000 to Mr. David Brown, Chief Financial Officer, for call loans made on an unsecured non-interest bearing basis. On August 28, 2007 \$500,000 of the amounts then owed to Mr. McAllister and \$1,000,000 of the amount then owed to Mr. Brown were converted into equity at \$0.06 per share. Coincident with this conversion, Innovatech Quebec, a major shareholder, invested \$500,000 in equity at \$0.06 per share. Details of these transactions are contained in the Company's press releases and filings on SEDAR (www.sedar.com).

The company does not have any banking agreements for line of credit or term loans but has previously borrowed on a secured basis against tax credits receivable.

Although not recorded in the financial statements, due to uncertainty of their recovery without ongoing profitable operations, Extenway does have accumulated tax losses and unclaimed scientific research and development expenses that could be used to reduce future taxable income. The tax losses amount to approximately \$14 million federally and provincially, expiring from 2009 to 2028. Extenway also has approximately \$2 million federally and provincially in unclaimed scientific research and development expenses, together with financing costs, which may be deferred indefinitely.

At the time of the financing, in August 2007, management believed that the additional funds received in the financing, together with anticipated revenues from existing contracts and refundable tax credits, could provide funding for up to six months of operations at current burn rates. Those six months are now up and the Company requires additional funding to continue operation. The Company does anticipate additional cash from the installation at Canyon Ranch but that project will be cash flow negative until completed and the balance of payment received. During the same time Extenway will incur continuing cash expenses for selling, general and administrative expenses. Over the past year Extenway has been dependent upon the willingness of major shareholders to advance money to the Company. As noted, \$ 1,500,000 of those funds were converted into equity by Mr. McAllister and Mr. Brown in August 2007. Over and above those funds the Company currently owes \$ 654,098 for services rendered by companies controlled directly or indirectly, by Mr. McAllister and \$ 510,000 in unsecured non-interest bearing call loans to Mr. Brown. Mr. McAllister and Mr. Brown have not made any commitments to continue to provide financing and these sources can be terminated without notice. The Company does require additional financing to execute its business plan and there is no certainty that funding can be obtained or that it can be obtained on terms that are not unfavorable to shareholders.

Outlook

Extenway has received a 50% down payment from Canyon Ranch and has partially physically installed the solution at Canyon Ranch's Florida property. Completion of the installation is scheduled for October 2008 due to construction delays unrelated to our solution. The Company had signed two other non-binding

letters of intent and has provided draft contracts on several other properties. However, due to current market conditions for funding commercial construction loans and demand for condo hotel units, the Company has not seen the progress it originally anticipated on these opportunities. The risk of being unable to convert these proposals into signed contracts is high and management has limited leverage to accelerate the process inasmuch as the proposals are often made considerably in advance of hotel construction or upgrade. Aside from execution of contracts there are numerous other business risks, notably successful installation of the solution, before these proposals could contribute to the Company

The company's proposed payment terms include progress collections which would largely fund hardware purchases. However the balance of contract payments, including the company's gross margin, would only be received upon implementation of the solution in the hotels.

The company continues to focus on marketing, including tradeshow, and sales activity. In the opinion of management, the Company has been successful in identifying a significant number of prospects and the scope of its solution remains attractive to potential customers. To date Extenway has also been limited by not having a reference site in the US market. The successful start up of the installation of the Extenway solution at Legendary, which is already generating activity and buy rates significantly in excess of published industry statistics, should alleviate this restraint.

Historical Information

(\$ Canadian)	Sales	Net Income/(Loss)	Earnings Per Share	
			Basic	Fully Diluted
Q1 2009 (July 31, 2008)	\$ 285,885	(\$ 416,768)	(\$0.005)	(\$0.005)
Q4 2008 (April 30, 2008)	\$ 25,647	(\$ 410,963)	(\$0.005)	(\$0.005)
Q3 2008 (January 31, 2008)	\$ 24,554	(\$ 400,405)	(\$0.005)	(\$0.005)
Q2 2008 (October 31, 2007)	\$ 25,226	(\$ 448,412)	(\$0.005)	(\$0.005)
Q1 2008 (July 31, 2007)	\$ 26,274	(\$ 433,411)	(\$0.005)	(\$0.005)
Q4 2007 (April 30, 2007)	\$ 24,024	(\$ 471,656)	(\$0.01)	(\$0.01)
Q3 2007 (January 31, 2007)	\$ 24,452	(\$ 466,849)	(\$0.01)	(\$0.01)
Q2 2007 (October 31, 2006)	\$ 25,541	(\$ 491,227)	(\$0.01)	(\$0.01)

(s) David Brown
Chief Financial Officer

29 September 2008