LISTING STATEMENT

ADVANTEX MARKETING INTERNATIONAL INC.

May 21, 2020

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2. Corporate Structure

2.1 Advantex Marketing International Inc. (the "**Company**"), 600 Alden Road, Suite 606, Markham, Ontario, L3R 0E7.

2.2 The Company is incorporated under the *Business Corporation Act* (Ontario). For material amendments to the articles and other constating documents see the

- "CORPORATE STRUCTURE – Name and Incorporation" section of the Company's Annual Information Form for the year ended June 30, 2010 and dated October 27, 2010 (the "**AIF**") which is attached as Schedule "A" to the Listing Statement dated February 7, 2011 as amended by addition of Advantex SmartAdvance Inc. a 100% subsidiary of the Company; and

- "CONFIRMATION OF BY-LAW A-2" section of the Information Circular dated November 17, 2013 attached as Schedule "D" to the Annual Listing Statement dated October 28, 2014.

2.3 Corporate Structure – The inter-corporate relationships among the Company and the Company's subsidiaries are disclosed in the "CORPORATE STRUCTURE – Inter-corporate relationship" section of the AIF as amended by incorporation of Advantex SmartAdvance Inc. – a wholly owned subsidiary of the Company – in fiscal year ended June 30, 2015.

2.4 The Company is not re-qualifying following a fundamental change and is not proposing an acquisition, amalgamation, merger, reorganization or arrangement.

2.5 The Company is neither a non-corporate Issuer nor an Issuer incorporated outside of Canada.

3. General Development of the Business

3.1 The general development of the Company's business for the fiscal year ended June 30, 2019 compared with the corresponding period in the previous year is disclosed in the Management Discussion and Analysis for the fiscal years ended June 30, 2019 and 2018 (the "**MD&A**"), which is attached hereto as Schedule "A".

3.2 There have been no significant acquisitions completed by the Company nor is any significant probable acquisition proposed by the Company for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements*, if this Listing Statement were a prospectus; and

There have been no significant dispositions completed by the Company during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under National Instrument 41-101 *General Prospectus Requirements*, if this Listing Statement were a prospectus.

3.3 As at June 30, 2019, the Company is committed to minimum payments with respect to existing leases for equipment and premises. Note 13 to the Consolidated Financial Statements for the year ended June 30, 2019 (the "**FS**"), which is attached hereto as Schedule "B", discloses Commitments and Contingencies of the Company.

For a fuller discussion of trends known to management please see the "Overall Performance" section in the MD&A, in particular, and the MD&A, generally.

For a discussion on uncertainty, please see the "Working Capital and Liquidity Management", "Economic Dependence", "General Risks and Uncertainties" and "Forward Looking Information" sections of the MD&A. The FS for year ended June 30, 2019 carry a Going Concern note (Note 2 to the FS).

4. Narrative Description of the Business

4.1 The Narrative Description of the Business can be found in the "NARRATIVE DESCRIPTION OF THE BUSINESS" section of the AIF, updated by the MD&A and by the monthly Form 7 filed by the Company with the CSE (together the "**Disclosure**"). The Disclosure includes a discussion on the method of distribution of the Company's principle services (all of which are at the commercial production stage), the method of producing services, the number of employees (at June 30, 2019 15 employees), a description of contracts and partnerships on which the Company is substantially dependent and a description of the competitive conditions (which is further described in the "General Risks and Uncertainties" section of the MD&A).

There have been no bankruptcy, receivership or similar proceedings against the Company or its subsidiaries. The Company has no social or environmental policies that are fundamental to its operations.

The MD&A provides commentary on the Company's financial performance for the fiscal year ended June 30, 2019 compared with corresponding periods in the previous year, covering revenues, direct expenses, gross profit, selling expenses, general & administrative expenses, interest expense, and net income. The MD&A provides commentary on the Company's capital and liquidity management.

The Company's share and loan capital is described in notes 6 ("Loan payable"), 7 ("9% Non-convertible debentures payable), and 8 ("Share capital") in the FS.

The Company reported a net loss and comprehensive loss of $911,945 for its fiscal year ended June 30, 2019 compared with a net profit and comprehensive profit of $1,224,298 (includes gain on debt restructuring, a non-recurring item of $1,795,103) for fiscal year ended June 30, 2018.

4.2 The Company does not have any outstanding asset-backed securities.

4.3 The Company is not an Issuer with mineral projects.

4.4 The Company does not have Oil and Gas Operations.

5. Selected Consolidated Financial Information

5.1 The FS provides the financial position of the Company as at June 30, 2019 and June 30, 2018, and the financial performance and cash flows for the years ended June 30, 2019 and June 30, 2018, in accordance with International Financial Reporting Standards ("IFRS"). Note 3 ("Basis of preparation"), and note 4 ("Summary of significant accounting policies") to the FS detail the basis of preparation of the FS. The Company's auditors, BDO Canada LLP, report is attached to the FS.

5.2 The "Summary of Quarterly Results" section of the MD&A provides highlights of selected financial information for the four quarters ended June 30, 2019, compared with corresponding periods in the previous year. The MD&A provides a narrative on the fourth quarter of the fiscal year ended June 30, 2019 in the section "Fourth Quarter of Fiscal 2019 (Q4 F2019) vs. Fourth Quarter of Fiscal 2018 (Q4 F2018)". The interim financial statements for the three month period ended September 30, 2018, three and six month periods ended December 31, 2018, and three and nine month periods ended March 31, 2019, which are attached hereto as Schedule "C", provide narrative on the Company's performance for the first nine months of the fiscal year ended June 30, 2019.

5.3 A discussion of the Company's dividend policy can be found in the "DIVIDENDS" section of the AIF. The Company did not declare dividends for the fiscal year ended June 30, 2019 and fiscal year ended June 30, 2018.

6. Management's Discussion and Analysis

Annual MD&A

6.1 The MD&A is for the fiscal years ended June 30, 2019 and June 30, 2018 and is prepared based on information available to the Company as at May 21, 2020. The MD&A is for the most recently completed fiscal year ended June 30, 2019.

6.2 Please refer to the Company's MD&A regarding the overall performance.

Selected Annual Financial Information

6.3 Please see section 5.1 for selected annual financial information.

6.4 Variations – Please see the MD&A for a discussion on the factors that have caused period to period variations.

6.5 Results of Operations – Please see the MD&A for management's analysis of the Company's operations for the most recently completed fiscal year.

6.6 Summary of Quarterly Results – Refer to Section 5.2 for a summary of quarterly results. The "Summary of Quarterly Results" section of the MD&A addresses quarterly results.

6.7 Liquidity - Refer to the "Working Capital and Liquidity Management", "Contractual Obligations", "Loan Payable", and " 9% Non-Convertible Debentures Payable" sections of the MD&A for a complete discussion of the Company's liquidity requirements.

6.8 Capital Resources – The Company's capital expenditures are described in the "Capital Resources" section of the MD&A.

6.9 Off-Balance Sheet Arrangements – Except for the leases for office and IT equipment noted under Contractual Obligations section of the MD&A the Company does not participate in off-balance sheet financing arrangements.

6.10 Transactions with Related Parties – Please refer to the "Transactions with Related Parties" section in the MD&A for a discussion of transactions with related parties.

6.11 Fourth Quarter - A discussion of the fourth quarter events or items that affected the Company's financial condition can be found in the M&DA under the section "Fourth Quarter of Fiscal 2019 (Q4 F2019) vs. Fourth Quarter of Fiscal 2018 (Q4 F2018)".

6.12 Proposed Transactions – None as of date of this document.

6.13 Changes in Accounting Policies - Please refer to section 5.1.

6.14 Financial Instruments and Other Instruments

As at June 30, 2019 the Company has two sources of debt capital, which are described in the MD&A under sections "Loan Payable", and 9% Non-Convertible Debentures Payable". The narrative in these sections and notes 6, and 7 to the FS, covers the terms, the usage of the funds provided by these instruments, and the debt and equity components.

Accounting policy connected to measurement of financial instruments is described under note 4 "Summary of significant accounting policies" in FS.

The risk factors connected to the financial instruments are discussed in the "Loan Payable", "9% Non-Convertible Debentures Payable", "Working Capital and Liquidity Management", and "General Risks and Uncertainties" sections of the MD&A.

Interim MD&A

6.15 Date – The latest interim MD&A of the Company is for the three and nine month periods ended March 31, 2019 and 2018, and was prepared based on information available to the Company as at May 30, 2019.

6.16 Updated Disclosure – The updated disclosure is provided in the MD&A and FS.

6.17 Additional Disclosure for Issuers without Significant Revenue - The Company has had significant revenue from operations in each of its last two fiscal years.

6.18 Description of Securities - Note 8 ("Share capital") to the FS describes the Company's securities.

6.19 The Company has had significant revenue from operations in each of its last two fiscal years.

6.20 Negative cash-flow –

Per consolidated statement of cash flow in the FS, for year ended June 30, 2019 the Company reported net cash used by operating activities of $4.5 million, and for year ended June 30, 2018 the Company reported net cash used by operating activities of $0.1 million.

However, profit/(loss) before non-cash expenses is the Company's assessment of cash used by its operating activities prior to changes in working capital items. The loss before non-cash expense for year ended June 30, 2019 was $0.3 million compared to a profit for year ended June 30, 2018 of $0.2 million.

The significant change in cash during year ended June 30, 2019:

1. Net loss and loss before non-cash expenses of $0.9 million and $0.3 million respectively;

2. Increase in Transaction credits of $3.9 million.

   Transaction credits were the primary reason for change in working capital;

3. Financing activities. There was increase in Loan payable of $4.0 million to support the growth in Transaction credits; and

4. There was nominal investment in purchase of property, plant and equipment, and intangible assets.

The significant change during year ended June 30, 2018:

1. Net profit and profit before non-cash expenses of $1.2 million and $0.2 million respectively;

2. Reduction in Accounts payable and accrued liabilities of $0.4 million.

   Transaction credits and Accounts Payable and accrued liabilities were the primary reason for change in working capital;

3. Financing activities. There was new money of $0.4 million from 9% Non-convertible debentures payable; and

4. There was nominal investment in purchase of property, plant and equipment, and intangible assets.

* Profit/(Loss) before non-cash expenses is a non-GAAP financial measure which does not have any standardized meaning prescribed by the issuer's GAAP and is unlikely to be comparable to similar measures presented by other issuers. It is provided as additional information to assist readers in understanding a component of the Company's financial performance; as it is the Company's assessment of the cash generated by / used by its operating activities prior to changes in working capital items. Profit/(Loss) before non-cash expenses is arrived at after adding back expenses not affecting cash - depreciation of property, plant and equipment, and amortization of intangible assets; accretion charge for debentures, restructuring bonus and non-cash portion of non-recurring item (only year ended June 30, 2018) to profit/(loss) for the year and which are disclosed in the FS under the section consolidated statements of cash flow and consolidated statements of loss and comprehensive loss.

Additional details are provided in the consolidated statements of cash flow and consolidated statements of profit/(loss) and comprehensive profit/(loss) which form a part of FS and Working Capital and Liquidity Management section of MD&A.

6.21 The Company has no significant equity investee.

7. Market for Securities

7.1 The Company's common shares are currently traded under the symbol ADX on the Canadian Securities Exchange (the "**CSE**"). The Company is as of date hereof under a Cease Trade Order.

8. Consolidated Capitalization

8.1 The Company's share and loan capital is described in notes 6 ("Loan payable"), 7 ("9% Non-convertible debentures payable"), and 8 ("Share Capital") in the FS.

Since the Listing Statement dated October 28, 2018 and up to June 30, 2019, the Company did not issue Common Shares. The Company issued Common Shares in July 2019. The details are provided in note 18 ("Subsequent events") to the FS.

9. Options to Purchase Securities

9.1 Information concerning options to purchase securities of the Company as at June 30, 2018, is tabulated in the FS under note 9a, 9b and9c ("Share-based payments"). Since the Listing Statement dated October 28, 2018 and up to June 30, 2019:

(i) Employee stock options – Nil issued, cancelled, forfeited.

No employee stock options were exercised during the fiscal year ended June 30, 2019.

10. Description of the Securities

10.1 General

Common Shares

I. The holders of the common shares shall be entitled to receive notice of and to attend at all meetings of shareholders of the Company and shall be entitled to one vote for each common share held at all meetings of the shareholders of the Company except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series.

II. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or other distribution of assets or property of the Company, among shareholders for the purpose of winding up its affairs subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company all the remaining assets and property of the Company shall be distributed to the holders of the common shares.

Class A Preference Shares

I. The holders of the Class A preference shares shall in each year, in the discretion of the directors, but always in preference and priority to any payment of dividends on the common shares and any preference shares ranking junior to the Class A preference shares, for such year, be entitled out of any or all profits or surplus available for dividends to non-cumulative dividends at the annual rate per share equal to eight per cent (8%) of the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares. The holders of the Class A preference shares shall not be entitled to any dividends other than or in excess of the non-cumulative dividends at the rate of eight per cent (8%) per annum hereinbefore provided for.

II. The Class A preference shares shall rank as regards to repayment of capital in priority to all other shares of the Company but shall not confer any further right to participate in assets.

III. In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Class A preference shares shall be entitled to receive, before any distributions of any part of the assets of the Company among the holders of any other shares, an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares together with all dividends declared thereon and unpaid and no more.

IV. The Company may, at any time and from time to time, purchase for cancellation the whole or any part of the Class A preference shares at the lowest price at which, in the opinion of the directors, such shares are obtainable but not exceeding an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares, together with all dividends declared thereon and unpaid.

V. The Company may, upon giving notice as hereinafter provided, redeem the whole or from time to time any part of the outstanding Class A preference shares on payment for each share to be redeemed for an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares together with all dividends declared thereon, but unpaid. Not less than thirty (30) days notice in writing of such redemption shall be given by mailing such notice to the registered holders of the shares to be redeemed, specifying the date and place or places of redemption. If notice of any such redemption be given by the Company in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada as specified in the notice on or before the date fixed for redemption, dividends on the Class A preference shares to be redeemed shall cease after the date so fixed for redemption, and the holders thereof shall thereafter have no rights against the Company in respect thereof, except, upon the surrender of the certificates for such shares, to receive payment thereof out of the monies deposited.

VI. The holders of the Class A preference shares shall not be entitled except as hereinafter specifically provided to receive notice of or to attend any meetings of the shareholders of the Company and shall not be entitled to vote at any such meeting. The holders of the Class A preference shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

VII. Any amendment to the articles of the Company to delete or vary any preference, right, conditions, restriction, limitations or prohibition attaching to the Class A preference shares, to create preference shares ranking in priority to or on parity with the Class A preference shares, in addition to the authorization by special resolution, may be authorized by at least two-thirds (2/3) of the votes cast at meeting of the holders of the Class A preference shares duly called for that purpose.

Class B Preference Shares

I. The Class B preference shares may from time to time, be issued in one or more series and subject to the following provisions: the directors may fix from time to time, before any issue the number of shares that is to comprise each series and the designation of rights, privileges, restrictions and conditions attaching to each series of Class B preference shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption purchase and/or conversion, and any sinking fund or other provisions. Prior to the issue of the first shares of any series, the board of directors of the Company shall send to the Director under the *Business Corporations Act* (Ontario), articles of amendment containing a description of such series including the designations, rights, privileges, restrictions and conditions determined by the board of directors of the Company.

II The Class B preference shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets or property of the Company among its shareholders for the purpose of winding up its affairs, rank on parity with the Class B preference shares of every other series, shall be subject to the prior rights of the Class A preference shares and shares of any other class ranking senior to the Class B preference shares and shall be entitled to preference over the common shares and any other shares of the Company ranking junior to the Class B preference shares. The Class B preference shares of any series may also be given such other preferences not inconsistent with the Articles, over the common shares and any other shares of the Company ranking junior to the Class B preference shares as may be fixed as provided herein.

III. If any cumulative dividend or amounts payable on the return of capital in respect of series of Class B preference shares are not paid in full, all series of Class B preference shares shall participate rateably in respect of such dividends and return of capital.

IV. The Class B preference shares of any series may be made convertible into common shares or shares of any other class or classes at such rate and upon such basis as the directors in their discretion may determine.

V. Unless the directors otherwise determine in the Articles of Amendment designating the series, the holder of each share of series of Class B preference shares shall not be entitled to vote at meetings of shareholders of the Company except where specifically entitled by law.

Class C Preference Shares

I. Subject to the prior rights of the Class A preference shares, but in priority to the common shares and the Class B preference shares, the holders of Class C preference shares shall be entitled to annual, non-cumulative dividend equal to 8% of the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares.

The holders of the Class C preference shares shall not be entitled to any dividends other than or in excess of the dividend hereinbefore provided.

II. A holder of Class C preference shares shall be entitled to require the Company to redeem at any time or times, all or part of the Class C preference shares registered in the name of such holder on the books of the Company by tendering to the Company at its registered office the share certificates representing the shares which the registered holder desires to have the Company redeem, together with a request in writing specifying the number of Class C preference shares that the registered holder desires to have redeemed. Upon receipt of share certificates representing the Class C preference shares which the registered holder desires to have the Company redeem, together with such request, the Company shall, within 30 days following the date of receipt thereof, redeem each such share by paying to such registered holder an amount equal to the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares together with all dividends declared thereon and unpaid up to the date of redemption. Such payment shall be made by cheque payable at par at any branch of the Company's bank at the time being, in Canada.

III. The Company may, upon giving notice as hereinafter provided, redeem the whole or any part of the Class C preference shares on payment for each share to be redeemed of an amount equal to the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares together with all dividends declared thereon and unpaid. Not less than thirty (30) days notice in writing of such redemption shall be given by mailing such notice to the registered holders of such shares to be redeemed specifying the date and place or places of such redemption. If notice of any such redemption be given by the Company in the manner aforesaid, and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada as specified in the notice on or before the date fixed for redemption, dividends on the Class C preference shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall thereafter have no rights against the Company in respect thereof, except upon the surrender of the certificate for such shares to receive payment thereof out of the monies deposited.

IV. The Company may, at any time and from time to time, purchase for cancellation in whole or any part of the Class C preference shares at the lowest price at which, in the opinion of the directors, such shares are obtainable, but not exceeding the redemption price calculated pursuant to paragraph III, above, and except where the purchase is made on the open market or all the holders of the Class C preference shares consent to the purchase, the Company may purchase the shares only pursuant to tenders received by the Company upon request for tenders addressed to all the holders of the Class C preference shares and the Company shall accept only the lowest tenders.

V. The holders of the Class C preference shares shall not be entitled to receive notice of or to attend any meetings of the shareholders of the Company or to vote at any such meeting except where specifically entitled by law.

VI. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or other distribution of assets or property of the Company among shareholders for the purpose of winding up its affairs subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company the holders of the Class C preference shares shall be entitled to receive from the assets and property of the Company a sum equivalent to the aggregate stated capital account of the Class C preference shares as a class plus all dividends declared thereon and unpaid before any amount shall be paid or any property or assets of the Company are distributed to holders of any Class B preference shares, common shares, or shares of any class ranking junior to the Class C preference shares but subject to prior rights of the Class A preference shares, but shall not be entitled to participate in any other distribution of assets or property.

Miscellaneous

If the Company resolves to amend its Articles:

(a) to increase or decrease any maximum number of authorized shares of a class or series, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of class or series;

(b) to effect an exchange, reclassification or cancellation of the shares of class or series; or

(c) to create a new class of shares equal or superior to the shares of an existing class of shares,

then holders of any common shares, Class B preference shares, and/or Class C preference shares are not entitled to vote separately as a class and shall not be entitled to dissent.

10.2 Debt securities - Debt securities are not being listed.

10.3 *Intentionally left blank.*

10.4 Other securities – No other securities are being listed.

10.5 Modification of terms - The modification, amendment or variation of any rights attached to the securities being listed can be affected in accordance with the provisions attached to the securities (as set out in 10.1) or the provisions of the governing statute relating to the securities.

10.6 Other attributes:

(a) as more particularly set out in section 10.1 with respect to the securities being listed:

(i) the Class A preference shares have preference and priority in the payment of dividends;

(ii) Subject to rights of Class A preference shareholder, the Class B preference shares have preference with respect to the payment of dividends and the distribution of assets or return of capital (no Class B preference shares are outstanding); and

(iii) Subject to the prior rights of the Class A preference shares, but in priority to the common shares and the Class B preference shares, the Class C preference shares have priority in the payment of the annual dividend and in the event of liquidation, dissolution or winding up the Class C preference shares shall have priority (no Class C preference shares are outstanding).

(b) the securities being listed do not provide for partial redemption or repurchasing.

10.7 Prior Sales – During the fiscal year ended June 30, 2019 the Company did not issue securities which are not issued or quoted in any market place, as described in the FS under note 10 “Employee Stock Options”.

10.8 Stock Exchange Price:

The following table is an update to the company trading history provided in the Listing Statement dated October 29, 2018. Source: Canadian Securities Exchange

Period	Price Range $		Volume
	Min	Max	
November, 2019 [1]	0.005	0.005	800
October, 2019	0.005	0.005	17,927
September, 2019	0.005	0.005	6,932
August, 2019	0.005	0.005	6,967
July, 2019	0.005	0.005	72,860
June, 2019	0.005	0.005	51,485
May, 2019	0.005	0.010	13,908
April, 2019	0.005	0.015	502,323
March, 2019	0.005	0.015	114,450
February, 2019	0.005	0.020	354,902
January, 2019	0.010	0.060	530,455
December, 2018	0.005	0.035	656,330
November, 2018	0.005	0.005	9,458,198
Total – November 2018 to 2019 [2]			11,787,537

[1] To date of Cease Trade Order effective November 4, 2019. Cease Trade Order is in effect as of date hereof

[2] 11,787,537 represent 1.5% of the Common shares issued and outstanding during year ended June 30, 2019 (782,299,614 issued and outstanding at June 30, 2018 and 2019)

11. Escrowed Securities

ESCROWED SECURITIES[1]

Designation of class held in escrow[2]	Number of securities held in escrow	Percentage of class
Common Shares	0	0
Class A preference share	0	0

[1]As of May 21, 2020 [or no more than 30 days prior to the date of this Listing Statement]

[2]No other classes of shares are outstanding

12. Principal Shareholders

12.1 As of February 29, 2020 Generation PMCA Corp. and Generation IACP Inc. (together "Generation") [ex- Trapeze Capital Corp and Trapeze Asset Management Inc. (together "Trapeze") beneficially owns or exercises control or direction, through shares held by accounts fully managed by Generation in their capacity as portfolio manager, about 37% of the Company's Common Shares.

13. Directors and Officers

13.1 The following table sets out the directors and executive officers of the Company, including the date when they took their position. For the principal occupation of each director listed please refer to the "ELECTION OF DIRECTORS" section of the Information Circular dated November 2, 2018 ("**IC**"). For the principal occupation of Chief Financial Officer please refer to the "DIRECTORS AND OFFICERS" section of the AIF.

Update to IC. William H. Polley resigned effective December 31, 2019 from the Board of Directors.

NAME	Position	Municipality	Since
Kelly E. Ambrose	Chief Executive Officer, President, Secretary, and Director	Thornhill, Ontario	January 26, 2006 (Director) October 19, 2005 (Officer)
William H. Polley	Director and Chairman of the Board of Directors	Oakville, Ontario	November 21, 2002
Marc Lavine	Director	Paris, France	December 18, 2013
Mukesh Sabharwal	Chief Financial Officer, VP	Brampton, Ontario	February 6, 2008

13.2 The term of office of each director will be from the date of the annual meeting of shareholders at which he or she is elected, until the next annual meeting; or until his or her successor is elected or appointed.

13.3 As of date of this Listing Statement:

(a) Kelly E. Ambrose beneficially owns 95,523,818 common shares (10.9% of all issued common shares);

(b) Marc Lavine beneficially owns 73,514,818 common shares (8.4% of all issued common shares)

(c) Mukesh Sabharwal beneficially owns 27,498,576 common shares (3.1% of all issued common shares);

No other executive officer or director beneficially owns, directly or indirectly, any voting security. As a group, the directors and executive officers of the corporation as of date hereof own 22.4 % of the voting securities of the Company.

13.4 As of date hereof the directors' membership in:

Audit Committee – Marc Lavine (Chairman of the Committee), and Kelly Ambrose (President and CEO); and

Compensation and Governance Committee – Marc Lavine (Chairman of the Committee), and Kelly Ambrose.

13.5 Please refer to 13.1 for disclosure on the directors and officers principle occupation.

Update. The Ontario Securities Commission placed a Cease Trade Order on the Company effective November 4, 2019 for failure to timely file the financial documents connected to fiscal year ended June 30, 2019. The Company has also not timely filed the interim financial documents for three months ended September 30, 2019 and for three and six months ended December 31, 2019.

Marc Lavine, who was a director and the Chief Executive Officer and Chief Financial Officer of Exclamation Investments Corporation on September 2, 2016, when the Ontario Securities Commission issued a cease trade order for failure to file financial statements, management's discussion and analysis and certification of filings as required by National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* for the interim period ended June 30, 2016

No director, officer or shareholder holding a sufficient number of securities to affect materially the control of the Company, is, or within 10 years before the date of this Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

13.6 Except as disclosed below, no director, officer, or shareholder holding sufficient securities to affect materially the control of the Company, has:

(a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Respecting 13.6 (a) and (b), on April 27, 2012 the Ontario Securities Commission issued a news release announcing a settlement reached between the Staff and Trapeze Asset Management Inc.

As of February 29, 2020 Generation PMCA Corp. and Generation IACP Inc. (together "Generation") [Ex- Trapeze Capital Corp and Trapeze Asset Management Inc. (together "Trapeze")] beneficially owns or exercises control or direction, through shares held by accounts fully managed by Generation in their capacity as portfolio manager, about 37% of the Company's Common Shares. Generation beneficially owns or exercises control or direction, through 9% Non-convertible debentures held by accounts fully managed by Generation in their capacity as portfolio manager, about 48% of the Company's 9% Non-convertible debentures.

13.7 No director, officer, or shareholder holding sufficient securities to affect materially the control of the Company, or a personal holding company of any such persons has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

13.8 There are no material conflicts of interest between the Company (or a subsidiary of the Company) and a director or officer of the Company or a subsidiary of the Company.

13.9 Named Executive Officers (as that term is defined in applicable securities legislation, "**NEOs**") and Directors compensation information is covered under section 15 in this document.

14. Capitalization – Since the trading on Common shares from the previous Annual Listing Statement dated October 29, 2018 to date hereof is a nominal 1.5 % of the issued and outstanding stock as of date hereof – see 10.8 in this document – the information provided in this section 14 is retained from October 29, 2018

14.1

Issued Capital	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float	782,299,614	782,299,614	100.0%	100.0%
Total outstanding (A)				
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	489,427,575	489,427,575	62.6%	62.6%
Total Public Float (A-B)	292,872,039	292,872,039	37.4%	37.4%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	nil	nil		

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	%of Issued (non-diluted)	% of Issued (fully diluted)
Total Tradeable Float (A-C)	782,299,614	782,299,614	100.0%	100.0%

Note:

1. Re: A. As at June 30, 2018 and October 29, 2018. Number of securities (non-diluted) and fully diluted is per disclosure in note 9 and 10 of the FS.
2. Re: B. As at October 12, 2018. Represents the securities held by directors and officers per tabulation at 23.2 in this document as at June 30, 2018 and October 12, 2018 and held by Trapeze on behalf of its managed accounts at October 12, 2018

Public Securityholders (Registered) – To update

For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

Size of Holding	Number of accounts	Total number of securities
1 – 99 securities	371	8,437
100 – 499 securities	456	112,548
500 – 999 securities	298	163,265
1,000 – 1,999 securities	See 1,000 – 4,999 securities	

2,000 – 2,999 securities	See 1,000 – 4,999 securities	
3,000 – 3,999 securities	See 1,000 – 4,999 securities	
1,000 – 4,999 securities	253	379,372
5,000 or more securities	95	289,574,569
Total		290,238,191
Unable to confirm		2,633,848

Note:

1. The above tabulation is compiled based on register of shareholders as at June 30, 2018, provided at the Company's request by the Company's transfer agent.

Public Securityholders (Beneficial)

This report includes (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	78	3,297
100 – 499 securities	369	93,167
500 – 999 securities	317	187,485
1,000 – 1,999 securities	388	442,547
2,000 – 2,999 securities	177	376,595
3,000 – 3,999 securities	70	218,900
4,000 – 4,999 securities	42	175,185
5,000 or more securities	639	80,541,453
		700,260,985
Unable to confirm		

Note:

1. Unless categorized as Unable to confirm, the above tabulation is compiled based on NOBO list as at 17 January, 2018, provided at the Company's request by the Company's transfer agent.

Non-Public Securityholders (Registered)

For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	5	489,427,575 (section 14.1)

14.2 The details for any securities convertible or exchangeable into any class of listed securities, as at June 30, 2018, is provided in note 10 Share-based payments in the FS.

14.3 Details of movement during the period from the Listing Statement dated October 26, 2017 to year ended June 30, 2018 are provided in section 9.1 of this Listing Statement. Details of movement on common shares of the Company during fiscal year ended June 30, 2018 are provided in note 9 Share capital to the FS.

15. Executive Compensation

The information for this section is available in the IC which is attached herewith as Schedule A.

16. Indebtedness of Directors and Executive Officers

Neither the Directors nor the Executive Officers of the Company were indebted to the Company as at June 30, 2019 or as of the date of this document.

17. Risk Factors

Refer to the "General Risks and Uncertainties", "Economic Dependence", "Contractual Obligations", "Working Capital and Liquidity Management" and "Critical Accounting Estimates" sections of the MD&A, and Going Concern – note 2 – to the Consolidated Financial Statements for year ended June 30, 2019.

18. Promoters

Within the two years immediately preceding the date of this Listing Statement, there have been no promoters, including any person performing Investor Relations Activities (as defined in the CSE Policies), of the Company or of a subsidiary of the Company.

19. Legal Proceedings

19.1 From time to time, the Company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

19.2 The Ontario Securities Commission issued a Cease Trade Order on November 1, 2019 and it is in effect as of date hereof. The Company did not timely file its financial documents for year ended June 30, 2019. The Company shall file its year ended June 30, 2019 financial documents as of date hereof. The Company did not timely file its financial documents for three months ended September 30, 2019 and three and six months ended December 31, 2019. It intends to remedy this deficiency at the earliest possible after it files its year ended June 30, 2019 financial documents. Except for the Cease Trader Order there are no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof, there are no penalties or sanctions imposed by a court or regulatory body against the Company and the Company has not entered any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

20. Interest of Management and Others in Material Transactions

Except as noted in the "Transactions with Related Parties" section in the MD&A, section 12 Principal Shareholders and section 13.3 under Directors and Officers in this document, Note 18 a Subsequent events to the FS, none of the directors or executive officers of the Company, or any person or company that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Common Shares, or any associates or affiliates of those persons or companies referred to above has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction during the Company's last three fiscal years or during the Company's current fiscal year or, in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

21. Auditors, Transfer Agents and Registrars

21.1 The Company's auditor is BDO Canada LLP, Chartered Accountants, 60 Columbia Way, Suite 300, Markham, Ontario, L3R 0C9, Canada.

21.2 The Company's transfer agent and registrar is AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, ON M5C 2V6

22. Material Contracts

22.1 The Company's material contacts, as of date hereof, are in the form of agreements which are tabulated hereunder. Details are available in the FS and MD&A. Agreements with:

Aeroplan Loyalty Program owned by Air-Canada
Accord Financial Inc. (providers of loan payable)
Holders of 9% non-convertible debentures payable

22.2 There are no material co-tenancy, unitholders' or limited partnership agreement.

23. Interest of Experts

23.1 Other than as disclosed in section 20, there are no direct or indirect interests in the property of the Company or of a Related Person of the Company received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement.

23.2 The following table summarizes the beneficial ownership, direct or indirect, by the person or company referred to in section 23.1 of any securities of the Company or any Related person of the Company.

Name	Beneficial ownership of securities of the Company's or related Person – as at June 30, 2019.
Kelly E. Ambrose	88,778,000 common shares in the capital of the Company. $500,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
William H. Polley Resigned from Board of Directors effective December 31, 2019	5,846,450 common shares in the capital of the Company $50,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
Marc Lavine	66,769,000 common shares in the capital of the Company are held by Exclamation Investment Corporation. Marc Lavine exercises control and direction over Exclamation Investment Corporation $500,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
Mukesh Sabharwal	25,947,038 common shares in the capital of the Company $115,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)

23.3 For the purposes of the above table all directors and officers of the Company are listed. The directors and officers hold securities of the Company.

23.4 Except for individuals who are already directors, officers or employed by the Company, none of the persons or directors, officers or employees of the persons listed in this section 23 is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

24. Other Material Facts

24.1 All material facts about the Company and its securities that are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its securities are contained in this Listing Statement and the attached Schedules.

25. Financial Statements

25.1 The MD&A for the fiscal years ended June 30, 2019 and 2018 is attached as Schedule "A", the Consolidated Financial Statements for the years ended June 30, 2019 and June 30, 2018 is attached as Schedule "B", the interim MD&A for the three month period ended September 30, 2018 and 2017; the interim MD&A for the three and six month periods ended December 31, 2018 and 2017; the interim MD&A for the three and nine month periods ended March 31, 2019 and 2018 are attached as Schedule "C", the Information Circular dated November 2, 2018 is attached as Schedule "D".

CERTIFICATE OF THE ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to Advantex Marketing International Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Markham, Ontario

this 21 day of May, 2020.

"*Kelly E. Ambrose*"	*"Mukesh Sabharwal"*
Kelly E. Ambrose Chief Executive Officer	Mukesh Sabharwal Chief Financial Officer

On behalf of the Board of Directors

"Kelly E. Ambrose"	*"Marc Lavine"*
Kelly E. Ambrose Director	Marc Lavine Director

Schedule A

ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the fiscal years ended June 30, 2019 and 2018

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at May 21, 2020. Management's Discussion and Analysis ("MD&A") is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the twelve months ended June 30, 2019, compared to the twelve months ended June 30, 2018. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2019, and which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Some dollar amounts have been rounded and may not tie directly to the audited consolidated financial statements.

Overall Performance

Advantex is an aggregator of independent merchants, and currently provides merchant cash advance ("MCA") and loyalty marketing services to its community of merchants. MCA meets working capital needs of merchants. Loyalty marketing provides merchants an economic way to market their establishments to about 5 million consumers. Loyalty marketing services are delivered through its re-seller relationship with Aeroplan loyalty program owned by Air-Canada.

Fiscal year ended June 30, 2019 ("Fiscal 2019") was a year of material transition. This transition is reflected in the financial performance of Fiscal 2019 and has a bearing on the outlook. For the better part of Fiscal 2019 the company, as it had done in prior years, developed and managed merchant based loyalty programs for Canadian Imperial Bank of Commerce ("CIBC") and The Toronto Dominion Bank ("TD"). The financial performance reflects the end of CIBC/TD program, and the start and partial completion of transition to MCA program.

The company is a trusted name in the MCA space with a portfolio of about 250 merchants with an average merchant tenure of about five years. In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future receivables and company earns its revenue, per contract terms, as it collects against the pre-purchased receivables.

The company shall also continue to drive revenue from over 100 merchants participating in the Aeroplan program. It has a decade old relationship with Aeroplan which was recently purchased by Air-Canada. Merchants are able to leverage a powerful currency to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan miles. Advantex earns its revenue in the Aeroplan program from selling aeroplan miles, at an agreed price per consumer reward, to participating merchants.

The programs the company operated in partnership with CIBC and TD ("CIBC/TD program"), and Caesars ("Caesars program") and the revenue model are described in the Section Revenue in this document.

Since the company was providing working capital to merchants as part of its product offerings under the CIBC/TD program it was an easy transition to a merchant cash advance product and positioned the company for growth in a growth market. The transition started end February 2019 and was complete by end of August 2019. The MCA product and pricing were created to generate interest revenue and to minimize the loss of marketing revenues of the CIBC/TD program. The company was able to transition about 95% of merchants availing working capital as part of the CIBC/TD program to the MCA program. A high conversion ratio reflected the trusted relationship with merchants, higher credit limits, and transparency and pricing of Advantex's MCA business model. From transition to date hereof Advantex has managed it's delinquencies at historical five year trends, relying on the relationships of its account managers with the merchants combined with the robustness of its due diligence.

The company's merchants operate across Canada in diverse business segments: restaurants; independent inns, resorts and selected hotels; spas; retailers of men's and ladies fashion, footwear and accessories; florists and garden centres; health and beauty centres; gift stores; and home décor, many of which are leaders in their respective business segment.

The holders of 9% non-convertible debentures payable ("9% debentures") supported the company through the transition. The company did not pay the 9% debentures interest of $250,155, due June 15, 2019 for the period December 16, 2018 to June 15, 2019. The company obtained a waiver from the debenture holders to this event of default on June 21, 2019. As compensation, the company agreed to issue an aggregate of 75 million fully paid common shares to the debentures holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder, prior to July 15, 2019. The company issued the fully paid common shares on July 10, 2019. The company did not pay the interest of $250,155 due December 15, 2019 for the period June 16, 2019 to December 15, 2019. The company was in default on its interest coverage financial coverage at June 30, 2019 and subsequent to year ended June 30, 2019 is in default on all its financial covenants. The company is in discussion with the primary holder of the 9% debentures who is also the primary shareholder of the company (see Section Related Parties for details) to obtain waivers to the events of default. The primary holder of the 9% debentures and common shares holds the position on behalf of its managed accounts, is acting as the security agent for all 9% debenture holders and has a decade + relationship with the company.

In October 2019 the company raised $200,000 by way of issuance of 200 units of 9% debentures. The additional 200 units of 9% debentures was a related party transaction and the purchase was on terms and conditions applicable to the other subscribers of 9% debentures.

Advantex's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol ADX. Due to operational constraints - managing the transition being a significant factor - Advantex was not in a position to timely file the Fiscal 2019 annual financial statements and related financial documents and the Ontario Securities Commission ("OSC") issued a cease trade order. Upon completion of the filing the Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents the company will apply to the OSC to lift the cease trade order.

Twelve months ended June 30, 2019

The financial performance reflects the transition described in the Section Overall Performance.

The significance of the CIBC/TD program to the company is tabulated.

	Fiscal 2019	Fiscal 2018
		$
Revenues		
CIBC/TD program - marketing component	$ 3,692,074	$ 5,266,747
CIBC/TD program - interest component	749,747	1,066,107
	4,441,821	6,332,854
MCA program	640,370	-
Aeroplan program	1,008,995	1,208,256
Caesars program	9,344	34,753
Misc	-	10,894
	$ 6,100,530	**$ 7,586,757**

In addition to the loss of revenues the company had to pay out severances ($55,204) to right-size its headcount to support the new business model and reduce the footprint of its IT infrastructure which supported the CIBC/TD program. The company has met its data destruction obligations to both CIBC and TD. In addition to the support, described in Section Overall Performance, of the 9% debentures, the company had the support of Accord Financial Inc. ("Accord") who relaxed some of their criteria for duration of the transition to MCA program. The company kept its operational cash payments to a minimal. All these factors played into the limited cash resources and enabled a partial transition to MCA program, albeit slower than desired, by June 30, 2019.

The financial highlights for Fiscal 2019 compared to twelve months ended June 30, 2018 ("Fiscal 2018") are summarized in the tabulation.

The results also reflect lower marketing costs on account of end of CIBC/TD program and write-back of provisions no longer required and these are the primary reason for improvement in Fiscal 2019 gross margin. Sharper decline in operating expenses compared to decline in gross profit helps lift Fiscal 2019 earnings from operations before depreciation, amortization, interest and restructuring despite lower revenues.

	Fiscal 2019	Fiscal 2018
		$
Revenues		
CIBC/TD program - marketing component	$ 3,692,074	$ 5,266,747
CIBC/TD program - interest component	749,747	1,066,107
	4,441,821	6,332,854
MCA program	640,370	-
Aeroplan program	1,008,995	1,208,256
Caesars program	9,344	34,753
Misc	-	10,894
	$ 6,100,530	**$ 7,586,757**
Gross profit	**$ 4,533,656**	**$ 5,211,787**
Gross margin. 74.3% - F 2019 vs. 68.7% - F 2018		
Earnings from operations before depreciation, amortization, interest and restructuring	**$ 963,068**	**$ 917,915**
(Loss) and comprehensive (loss) before non-recurring item	**$ (911,945)**	**$ (570,805)**
Net profit/(loss) and Comprehensive profit/(loss)	**$ (911,945)**	**$ 1,224,298**

Income Statement – Fiscal 2019 compared to Fiscal 2018

The revenues of Fiscal 2019 were $1,486,227 (19.6%) lower compared to Fiscal 2018 reflecting mainly a decline in the CIBC/TD program revenues of $1,891,033 (29.9%) offset by MCA program revenues of $640,370 (Fiscal 2018 $nil). The CIBC/TD program revenues accounted for 72.8% of Fiscal 2019 revenues (83.5% of Fiscal 2018).

The gross profit of Fiscal 2019 was $678,131 (13.0%) lower compared to Fiscal 2018 reflecting mainly decline in the CIBC/TD gross profit of $1,204,929 (26.0 %) offset by the MCA program gross profit of $640, 370 (Fiscal 2018 $nil). The CIBC/TD program gross profit accounted for 75.7%% of Fiscal 2019 gross profit (88.9% of Fiscal 2018). The decline in CIBC/TD program gross profit reflects primarily decline in revenues partially offset by lower marketing costs related to the program. The company's Fiscal 2019 gross margin was 74.3% (Fiscal 2018 68.7%) reflecting lower marketing costs on account of end of CIBC/TD program, write-back of provisions no longer required, and there being no direct costs related to MCA program.

Selling, General and Administrative ("SG&A") expenses were $723,284 lower compared to Fiscal 2018. The lower SG&A expenses reflects rightsizing of headcount to adjust to termination of CIBC/TD program and start of MCA program, closure of Caesars program, and lower legal fees. While both fiscal years reflect restructuring of the organization and severances the cost of severances is higher in Fiscal 2018. Fiscal 2018 reflects rebate from Canada Revenue Agency ("CRA") and write-back of a portion of provision respecting directors' fees. These are explained in sections Selling Expenses and General & Administrative in this document.

Earnings from operations before depreciation, amortization and interest were up $45,153 for Fiscal 2019 at $963,068 compared to Fiscal 2018 at $917,915. The SG&A savings offset the decline in gross profit.

Stated interest cost was higher by $113,907. The increase reflects higher interest paid of $177,526 on loan payable (Fiscal 2019 $796,782 compared to $619,256 for Fiscal 2018) which is primarily a reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable. Fiscal 2019 reflects 9% interest on 9% debentures while Fiscal 2018 reflects 12% interest on debentures until they were re-stated and amended to 9% interest amongst other amendments from December 2017, and this resulted in savings of $63,619 on debenture interest which partially offset the increase in interest on the loan payable.

The non-cash interest expense comprising accretion charges and restructuring bonus relating to 9% debentures for Fiscal 2019 was $547,998 compared to $272,562 for Fiscal 2018. Fiscal 2018 charges are for the period from December 2017, when the 9% debentures were issued, to June 30, 2018 compared to full year for Fiscal 2019 Details are provided in the section Interest Expense.

Depreciation and amortization expense was flat compared to Fiscal 2018. The company believes capital expenditure needs are better served by leasing and using cloud based infrastructure vs. purchase. These expenditures are reflected in general & administrative.

The above components resulted in Fiscal 2019 loss before non-recurring item of $911,945 compared to Fiscal 2018 loss of $570,805.

The non-recurring item in Fiscal 2018, of $1,795,103, is to do with the restructuring, primarily the re-financing of the 12% debentures as 9% debentures. The components of the non-recurring item were (i) extinguishment of the unpaid interest and penalty, totaling $705,299, of the 12% debentures, (ii) since the inducement to the holders of the 12% debentures to accept the 9% debentures included common shares of the company and a performance bonus due at maturity it triggered an adjustment, of $1,283,611, to reflect the fair value of the 9% debentures, and (iii) costs to close the refinancing of $193,807. See section Non- recurring Item.

The above components resulted in a net loss for Fiscal 2019 of $911,945 compared to a net profit of 1,224,298 for Fiscal 2018.

Balance Sheet – Fiscal 2019 compared to Fiscal 2018

Transaction credits, which represent balance of working capital advanced to merchants, are about 97.0% of total assets at June 30, 2019 compared to 86.5% at June 30, 2018. Transaction credits, net of provision for delinquent accounts, of $9,473,999 at June 30, 2019 are $3,881,573 higher compared to $5,592,426 at June 30, 2018. The increase in transaction credits reflects transition of merchants participating in the CIBC/TD program to the MCA program. Under the MCA program the working capital advances of merchants being transitioned were refreshed to new higher credit limits. Hence the higher balances at June 30, 2019.

Loan payable of $8,416,076 at June 30, 2019 was $3,988,686 higher compared to $4,427,390 at June 30, 2018. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The higher loan payable balance at June 30, 2019 compared to June 30, 2018 reflects the higher transaction credits at June 30, 2019. During Fiscal 2018 cash surplus to immediate requirements was applied to loan payable, reducing the loan payable and consequently the interest cost. Such cash at June 30, 2018 was $600,000. Timing of collection from and deployment of advances to merchants also effects the balance at period ends.

During Fiscal 2018 the liability of the 12% debentures was extinguished upon refinancing as 9% debentures which were recognized at fair value on initial recording and are reflected in Fiscal 2019 and 2018 at amortized cost in the consolidated financial statements. See section 9% Non-Convertible Debentures Payable.

Accounts payable and accrued liabilities at June 30, 2019 are lower compared to June 30, 2018 and reflect lower provision for direct costs on account of termination of CIBC/TD program, write-back of provisions no longer required but reflect a provision for accrued and unpaid 9% debenture interest of $249,470 for the period December 16, 2018 to June 15, 2019 (Fiscal 2018 interest was paid on due date June 15, 2018) and increase in advance payments made by merchants.

Outlook

The company believes the MCA business is a growth industry because institutional lenders are not available to independent merchants, the engines of significant economic activity. Although there are several competitors in the MCA space the company believes the transparency, pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital.

The Aeroplan program the company operates is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2020. The two parties continue to work while discussing future terms and direction and the company believes it shall be able to secure a multi-year renewal. Operating this program gives the company a significant secondary business line and an advantage over competition in the MCA space. The company can offer loyalty marketing opportunities to merchants which the competition cannot.

The Covid-19 pandemic is a challenge and an opportunity for the company. Challenge because it has created additional uncertainty to the company's business continuity and also put on hold discussions which were underway with some parties to raise growth capital. Opportunity because merchant's will need the company's products even more once life returns to normal - marketing to bring customers to their establishments and working capital to help re-start and re-build their operations.

To fund growth of MCA program beyond where the portfolio is as of date hereof and thereby continue its current operations, the company requires continued access to its existing levels of debt and obtain access to additional working capital in the form of debt and or equity on economic terms. While the company believes it has the support of the holders of 9% debentures and Accord, there can be no assurance of their continued support and the terms of such support if the company cannot attract debt and or equity to grow the MCA portfolio and move towards break-even and profitability. While the company believes it has a scale-able and profitable MCA business model in a growth industry, has years of experience in the MCA industry, low delinquency and it offers an attractive opportunity for investors there can be no guarantee of a successful outcome, the economic terms, the time-line to the outcome.

In the event of on-going support from its financial partners, Aeroplan, timely raise of growth capital on terms that the company can accommodate, the company expects to achieve financial stability and provide value to the 9% debenture holders and shareholders but cautions that the road to recovery, made more arduous by Covid-19 pandemic, will be take time and will be gradual.

Results of Operations

	Fiscal 2019	Fiscal 2018
		$
Revenue	**$ 6,100,530**	**$ 7,586,757**
Direct Expenses - Cost of cardholder rewards and marketing merchants to cardholders	1,279,228	2,085,541
Direct Expenses - Expense for provision against delinquent accounts	287,646	289,429
Gross profit	**$ 4,533,656**	**$ 5,211,787**
Selling and General & Administrative	3,570,588	4,293,872
Earnings from operations before depreciation, amortization, interest and restructuring	**$ 963,068**	**$ 917,915**
Cash interest on loan payable and debentures	1,297,092	1,183,185
Earnings (loss) from operations before depreciation, amortization and non-cash interest on debentures (accretion charges and restructuring bonus)	**$ (334,024)**	**$ (265,270)**
Depreciation and amortization	29,923	32,973
Non cash interest expense on debentures	547,998	272,562
(Loss) and comprehensive (loss) before non-recurring item	**$ (911,945)**	**$ (570,805)**
Gain on debt restructuring	$ -	$ 1,795,103
Net profit/(loss) and comprehensive profit/(loss)	**$ (911,945)**	**$ 1,224,298**
Basic and Diluted profit/(loss) per share	**$ -**	**$ -**

Extract from the Statement of Financial Position

	At June 30, 2019	At June 30, 2018	Increase/ (Decrease)
		$	$
Current assets	$ 9,756,497	$ 6,419,933	$ 3,336,564
Total assets	$ 9,771,752	$ 6,463,902	$ 3,307,850
Shareholders' deficiency	$ (6,267,102)	$ (5,355,157)	$ (911,945)

The change in current assets primarily reflects an increase in transaction credit, net of provision for delinquent accounts, of $3,881,573 offset by decline in cash and cash equivalents of $516,200.

The increase in transaction credits reflects transition of merchants participating in the CIBC/TD program to the MCA program.

The decline in cash and cash equivalents partially represents investment of 10% which the company has to put into each $ of working capital advanced to merchants and partially the use of cash for rightsizing the cost structure including paying severances following termination of CIBC/TD program and meeting operational needs. The cash balances also reflect the timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, and in Fiscal 2018 support from CIBC/TD towards marketing initiatives.

The change in the total assets primarily reflects increase in the current assets.

Accounts payable and accrued liabilities of $2,526,829 show a drop of $316,889 compared to Fiscal 2018. The drop reflects payments to suppliers in the first half of Fiscal 2019, write-back of provisions no longer required, offset by 9% debenture interest for six months ended June 16, 2019 not paid on due date and increase in advance payments made by merchants.

The loan payable balance at June 30, 2018 of $4,427,390 reflected $600,000 which was surplus to company's immediate requirements and applied towards the Fiscal 2018 balance. The balance at end of June 30, 2019 was $8,416,076, an effective increase of $3,388,688 compared to June 30, 2018. This increase supported the growth in transaction credits compared to June 30, 2018.

The movement in the shareholders' deficit reflects net loss during Fiscal 2019.

Extracts from the Statement of Cash Flow

	Fiscal 2019	Fiscal 2018	Change
		$	$
Net profit/(loss)	$ (911,945)	$ 1,224,298	$ (2,136,243)
Adjustments for non cash expenses	577,921	(978,076)	1,555,997
Income after adjustments for non cash expenses	$ (334,024)	$ 246,222	$ (580,246)
Changes in working capital	(4,169,653)	(324,833)	(3,844,820)
Net cash generated from/(used in) financing activities	3,988,686	350,969	3,637,717
Net cash generated from/(used in) operations	$ (514,991)	$ 272,358	$ (787,349)
Net cash (used in) investing activities	(1,209)	(3,879)	2,670
Increase/(Decrease) in cash and cash equivalents	(516,200)	268,479	$ (784,679)
Cash and cash equivalents at start of year	$ 635,836	$ 367,357	$ 268,479
Cash and cash equivalents at end of year	$ 119,636	$ 635,836	$ (516,200)

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During Fiscal 2019 the significant item is the increase in transaction credits reflecting transition of merchants participating in the CIBC/TD program to the MCA program. During Fiscal 2018 the significant item is decrease in accounts payable and accrued liabilities of $388,416 and this reflects cancellation of interest, on 12% debentures for period January 1, 2017 to December 21, 2017, consequent to the close of the restructuring; provision for professional fees connected to the restructuring; settlement of severances resulting from the restructuring of the organization; and settlement of accounts payable and accrued liabilities following the restructuring.

Financing activities. During Fiscal 2019 the primary change is the increase in loan payable to support the growth in transaction credits. Fiscal 2018 reflects the new investment of $400,000 in the 9% debentures and the change in the loan payable balance consequent to 1. change in the co-funding arrangement, 2. cash surplus to immediate requirements being used to reduce loan payable utilization, and 3. changes in transaction credits purchased from existing merchant portfolio and change in merchant population.

Investing activities. The company expects to either secure lease arrangements for significant IT expenditures or use services in the cloud during Fiscal year ending June 30, 2020. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The capital expenditures during Fiscal 2019 and 2018 were nominal and the company expects capital expenditures for Fiscal 2020 to be similar to the prior two fiscal years.

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the audited consolidated financial statements for the fiscal year ended June 30, 2019, and have been included to provide additional analysis for the reader.

Revenue

As of date hereof the company's revenue is derived from merchants participating in the MCA program, launched in early part of Fiscal 2019, and the Aeroplan program which the company has been operating for about a decade.

During Fiscal 2019 and 2018 the company also operated CIBC/TD and Caesars programs.

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future receivables and company earns its revenue, per contract terms, as it collects against the pre-purchased receivables. The working capital given to the merchants is the transaction credit on the consolidated statement of financial position. The amount collected against the pre-purchased receivables less of revenue is applied to reduce the transaction credit balance.

The Aeroplan program operates the Re-seller and Processing products.

> Re-seller. The company sells aeroplan miles to small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan mile, when the participating merchant issues aeroplan miles to an Aeroplan member completing a qualifying transaction at the merchant.
>
> Processing. The company processes issuance of aeroplan miles for Aeroplan customers. Revenue is recognized at the agreed price per aeroplan mile processed by the company.

The CIBC/TD program operated the following two products:

Advance Purchase Marketing ("APM"): The company acquired the rights to cash flow from future designated CIBC and TD credit card transactions at a discount from participating merchants (transaction credits on consolidated statement of financial position) and promoted the merchant by way of targeted marketing to holders of designated CIBC/TD credit cards, issued consumer rewards to consumers when they completed purchases at participating merchants, and provided merchants with business intelligence connected to the spending behaviour of consumers. The company's revenue was from the purchases completed at the participating merchants using designated CIBC and TD credit cards, net of the company's costs to acquire the transaction credits. Proceeds from the amount spent on above noted CIBC/TD credit cards at participating merchants were received by the company and a predetermined portion applied to reduce the transaction credit balance.

Marketing Only: The company did not acquire the rights to cash flows of merchants. In all other respects Marketing Only was similar to APM. Revenue was earned in the form of an agreed marketing fee for every purchase completed using CIBC/TD credit card (as defined under APM) at participating merchants.

The Caesars program operated the Participation fee product. The company marketed participating merchants to Caesars Total Rewards members and the merchant issued total rewards loyalty points to Total Rewards members completing a qualifying transaction at the merchant. The merchant paid an agreed monthly fee to Advantex.

The drivers for revenues from the MCA program are number of participating merchants, the amount of working capital advances deployed with merchants and the discount at which future receivables are purchased from merchants.

The revenues from the Aeroplan Re-seller product reflects the number of participating merchants, traffic of aeroplan members completing purchases at participating merchants and the level of engagement of participating merchants in the program.

The drivers for revenues from the CIBC/TD program were:

1. Number of participating merchants;
2. Market penetration of the CIBC/TD credit cards;
3. Economic environment;
4. Mix of merchants in terms of their volume of CIBC/TD credit card transactions; and
5. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM product was higher compared to Marketing Only.

The revenues from the Caesars program were dependent on the number of participating merchants.

The revenue trends are provided in the tabulation.

	Fiscal 2019	Fiscal 2018	Inc./(Dec)
	$	$	$
Revenues			
CIBC/TD program	$ 4,441,821	$ 6,332,854	$ (1,891,033)
MCA program	640,370	-	640,370
Aeroplan program	1,008,995	1,208,256	(199,261)
Caesars program	9,344	34,753	(25,409)
Misc	-	10,894	(10,894)
	$ 6,100,530	**$ 7,586,757**	**$ (1,486,227)**

CIBC/TD program

Fiscal 2019 revenues are lower reflecting the termination of the program.

Fiscal 2018 reflected a gradual re-build of the sales organization and merchant participation post completion of restructuring in December 2017. Merchant count at June 30, 2017 was 640 and at December 31, 2017 it was 594. Post restructuring the company had begun to stabilize merchant participation (583 at June 30, 2018).

MCA program

The revenue was earned from merchants transitioned from primarily the CIBC/TD APM product as of June 30, 2019.

Aeroplan program

	Fiscal 2019	Fiscal 2018	Inc./(Dec)
Revenues			
Re-seller	$ 905,190	$ 1,029,183	$ (123,993)
Processing	103,805	179,073	(75,268)
	$ 1,008,995	**$ 1,208,256**	**$ (199,261)**

Decline in Fiscal 2019 re-seller revenues are reflective of change in merchant participation and the engagement of participating merchants in the program. The company re-organized the sales and account management towards end of calendar 2019 to drive sales and merchant engagement in the program.

The company processes issuance of aeroplan miles for an Aeroplan customer. This is the source of processing revenue. Aeroplan's contract with the customer ended May 2019 which ended this revenue stream.

Direct Expenses

The MCA direct expenses are provision against transaction credits.

In the Aeroplan program, direct expenses are primarily costs of consumer rewards which the company purchases from Aeroplan. Other costs include cost of marketing and advertising on behalf of merchants and provision against receivables.

The CIBC/TD program direct expenses included costs of consumer rewards which the company purchased from CIBC and TD, the cost of marketing and advertising on behalf of merchants, cost of sales of digital marketing services and provision against receivables.

Caesars program direct expenses were costs of consumer rewards which the company purchased from Caesars and provision against receivables.

<u>CIBC/TD program</u>

The consumer rewards declined by $355,300, a 32.5% decline and in line with revenues.

Expense for delinquent accounts increased a marginal $10,248, a 3.8% increase partially reflecting inclusion for Fiscal 2019, in compliance with IFRS, of an estimate of expected loss for unimpaired transaction based on historical loss rates. Expense for delinquent accounts was 6.3% of revenues (Fiscal 2018 4.3% of revenues). Fiscal 2019 experience was marginally higher compared to the 4-5% range expectations reported in Q3 in May 2018.

Marketing and advertising declined $271,350, decline of 64.3%, steeper than decline in revenues and reflective of termination of the program.

Write-back of $156,331 in Fiscal 2019 of provisions no longer required further reduced the direct costs.

<u>Aeroplan program</u>

There are no direct costs related to processing revenue.

The consumer rewards declined $98,723, a 15.5% decline, in line with decline of 12.0% in re-seller revenues.

Gross Profit

The gross profit of Fiscal 2019 was $678,131 (13.0%) lower compared to Fiscal 2018 reflecting mainly decline in the CIBC/TD gross profit of $1,204,929 (26.0 %) offset by the MCA program gross profit of $640, 370 (Fiscal 2018 $nil). The CIBC/TD program gross profit accounted for 75.7% of Fiscal 2019 gross profit (88.9% of Fiscal 2018).

The company's Fiscal 2019 gross margin was 74.3% (Fiscal 2018 68.7%) reflecting lower marketing costs on account of end of CIBC/TD program, write-back of provisions no longer required, and no direct costs related to MCA program.

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. The significant component is cost of the sales staff.

The sales organization of the CIBC/TD program was, as required, transitioned to the MCA and Aeroplan programs and is focused on these two programs.

Caesars program was terminated by the company in December 2018.

	Fiscal 2019	Fiscal 2018	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
CIBC/TD program and MCA program	$ 5,082,191	$ 6,332,854	$ (1,250,664)	-19.7%
Aeroplan program	1,008,995	1,208,256	(199,261)	-16.5%
Caesars program	9,344	34,753	(25,409)	-73.1%
Misc	-	10,894	(10,894)	-100.0%
	$ 6,100,530	**$ 7,586,757**	**$ (1,486,228)**	**-19.6%**
Selling expenses				
CIBC/TD program and MCA program	$ 1,272,031	$ 1,711,965	$ (439,934)	-25.7%
Aeroplan program	1,582	25,434	(23,852)	-93.8%
Caesars program	55,690	143,987	(88,297)	-61.3%
	$ 1,329,303	**$ 1,881,386**	**$ (552,083)**	**-29.3%**
Remuneration of sales staff	$ 1,235,415	$ 1,567,852		
Remuneration as % of selling expenses	92.9%	83.3%		

Fiscal 2019. The selling expenses moved in line with revenues. The company balanced cost control and the headcount/sales organization required to transition the business to MCA.

Fiscal 2018. The company was focused on re-building its sales organization during Fiscal 2018. Fiscal 2018 cost of the sales organization also reflects a company-wide salary reduction of between 10% and 20% implemented from mid-August 2017 and its partial reinstatement during the January – March 2018 quarter.

General and Administrative Expenses ("G&A")

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overheads, capital and income taxes, and foreign exchange gains/(losses).

	Fiscal 2019	Fiscal 2018	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues				**-19.6%**
G&A				
Compensation for non-sales staff	$ 1,385,700	$ 1,444,294	$ (58,594)	
Severances	46,998	138,419	(91,421)	
Write-back of Directors fees	-	(105,566)	105,566	
Refund from CRA	-	(91,186)	91,186	
All other G&A expenses	808,587	1,026,525	(217,938)	
	$ 2,241,285	**$ 2,412,486**	**$ (171,201)**	**-7.1%**

Compensation

1. Fiscal 2019 reflects the roll back in August 2018 of the company-wide salary reduction of between 10% and 20% implemented from mid-August 2017.
2. Fiscal 2018 reflects company-wide salary reduction of between 10% and 20% implemented mid-August 2017 and its partial roll-back from January 2018 onward.

Severances

Reflect provision for payments to ex-staff consequent to the restructuring of the organization. All severances were settled prior to June 30, 2019.

Write-back of Directors Fees

As part of the restructuring in December 2017 the directors agreed to forego a portion of their fees which were in arrears and take the balance over an extended period. The forgiven portion of fees is reflected in above tabulation.

Refund from CRA

Fiscal 2018 reflects a refund of $102,028 (including interest of $10,846 which is reflected in Misc. revenue) by CRA. In December 2003 the company completed a tax assisted financing transaction with a promoter of the transaction whereby it raised funds from the sale of its tax losses. Subsequent to the transaction the CRA and tax payers participating in the promoter's structure were in dispute and while the company was not a party to the dispute its share of tax losses solely consequent to the transaction were disallowed and this resulted in nominal annual tax liability which the company settled. Upon resolution of the dispute the previously disallowed tax losses were partially allowed and this resulted in the refund.

All other expenses

Fiscal 2019 and Fiscal 2018 reflect focus on cost management.

Interest Expense

Interest expense on loan payable reflects 1. utilization of funds under this line of credit facility, and 2. facility interest rate and the prime rate of Bank of Nova Scotia ("prime rate") which together determine the loan payable interest rate (see section Loan Payable in this document). Average month end utilization of loan payable was higher during Fiscal 2019 ($6,078,000) compared to Fiscal 2018 ($4,084,000). Effective January 1, 2018 the facility interest rate was reduced to 9.05% from 11.5%. The increase in prime rate in August 2017, October 2017 and January 2018 resulted in increasing the loan payable interest rate. The impact of the foregoing factors are reflected in the loan payable interest cost – see below the tabulation.

On December 22, 2017 the company announced it re-financed the 12% debentures with the approval of existing holders of the 12% debentures. The 12% debentures were re-financed as units comprising 9% debentures and common shares of the company. There was $400,000 of new investment in the 9% debentures. The terms of the refinancing are set out in Section 9% Non-Convertible Debentures Payable.

Unless noted otherwise the above is reflected in the tabulation of interest expense:

	Fiscal 2019	Fiscal 2018	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 796,782	$ 619,256	$ 177,526
12% debentures	-	295,123	(295,123)
9% debentures	500,310	261,806	238,504
9% debentures charges	-	7,000	(7,000)
	$ 1,297,092	$ 1,183,185	$ 113,907
Non-cash interest expense			
Restructuring bonus - 9% debentures	$ 248,284	$ 129,924	$ 118,360
Accretion charge on 9% debentures	$ 299,714	$ 142,638	$ 157,076
	$ 547,998	$ 272,562	$ 275,436
Total interest expense	**$ 1,845,090**	**$ 1,455,747**	**$ 389,343**

The company deployed the funds available to it under loan payable and 9% debentures with merchants activated under its CIBC/TD program's APM product and MCA program. The funds deployed are reflected as transaction credits on the consolidated statement of financial position. The funds available under the 9% debentures were also used for general working capital purposes.

Non-recurring Item

Fiscal 2018. A gain on debt restructuring of $1,795,103 was recognized on the refinancing. This consisted of the book value of the 12% debentures of $5,864,299, including accrued interest and penalties, plus the cash proceeds on the refinancing of $400,000 less the fair value of the 9% debentures of $4,275,389 and financing costs of $193,807.

	9% debentures
	Non-recurring item
Costs to close the refinancing	$ (193,807)
Extinguishment of interest and penalty of 12% debentures	705,299
Adjustment to reflect fair value of 9% debentures	1,283,611
	$ 1,795,103

Net Profit/(Loss)

Highlights of Fiscal 2019 compared to Fiscal 2018 are tabulated:

	Fiscal 2019	Fiscal 2018	Inc./(Dec)
	$	$	$
Revenues	$ 6,100,530	$ 7,586,757	$ (1,486,227)
Gross margin	74.3%	68.7%	
Gross profit	$ 4,533,656	$ 5,211,787	$ (678,131)
Earnings (loss) from operations before depreciation, amortization and interest	$ 963,068	$ 917,915	$ 45,153
(Loss) and comprehensive (loss) before non-recurring item	$ (911,945)	$ (570,805)	$ 341,140
Net profit/(loss) and Comprehensive profit/(loss)	$ (911,945)	$ 1,224,298	$ (2,136,243)
Basic and Diluted loss per share	$ (0.00)	$ 0.00	

The detailed analysis of the above tabulated items is provided in Sections Twelve months ended June 30, 2019 - *Income Statement – Fiscal 2019 compared to Fiscal 2018,* Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, Interest Expense, Non-recurring Item.

Highlights are provided here.

The revenues of Fiscal 2019 were $1,486,227 (19.6%) lower compared to Fiscal 2018 reflecting mainly a decline in the CIBC/TD program revenues of $1,891,033 (29.9%) offset by MCA program revenues of $640,370 (Fiscal 2018 $nil). The gross profit of Fiscal 2019 was $678,131 (13.0%) lower compared to Fiscal 2018 reflecting mainly decline in the CIBC/TD gross profit of $1,204,929 (26.0%) offset by the MCA program gross profit of $640,370 (Fiscal 2018 $nil) and write-back of provisions no longer required. Selling, General and Administrative ("SG&A") expenses were $723,284 lower compared to Fiscal 2018. The lower SG&A expenses reflects rightsizing of headcount to reflect termination of CIBC/TD program, start of MCA program, closure of Caesars program, and lower legal fees. While both fiscal years reflect restructuring of the organization and severances the cost of severances is higher in Fiscal 2018. Fiscal 2018 reflects rebate from Canada Revenue Agency ("CRA") and write-back of a portion of provision respecting directors' fees. Earnings from operations before depreciation, amortization and interest were up $45,153 for Fiscal 2019 at $963,068 compared to Fiscal 2018 at $917,915. The SG&A savings offset the decline in gross profit. There is an increase in stated interest cost ($113,907) a combination of loan payable (up $177,526) and debenture interest (down $63,619) and an increase in non-cash interest ($275,436) – see Interest Expense section - resulting in a net increase in interest cost of $389,343. Depreciation and amortization expense is flat. The result is a Fiscal 2019 loss before non-recurring item of $911,945 compared to $570,805 loss for Fiscal 2018.

After accounting for the Fiscal 2018 non-recurring item ($1,795,103) Fiscal 2018 reported a net profit of $1,224,298.

Working Capital and Liquidity Management

The utilization of liquidity during Fiscal 2019 compared to Fiscal 2018 is illustrated in the tabulation:

Context for Fiscal 2019 is provided in Section Overall Performance in this document.

Context for Fiscal 2018

In December 2017 the company completed a restructuring of its financial partnership. The restructuring is explained in sections Loan Payable and 9% Non-Convertible Debentures Payable in this document. Post restructuring cash and cash equivalents surplus to immediate operating requirements were used to reduce the loan payable and consequently the interest paid. Balance of such cash and cash equivalents at June 30, 2018 was $600,000.

	Fiscal 2019	Fiscal 2018
	$	$
Funds available to expand the CIBC/TD program's APM product and its successor MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net profit/(loss)	$ (911,945)	$ 1,224,298
Adjustments for non cash expenses	577,921	(978,076)
Profit/(Loss) after adjustment for non cash expenses	(334,024)	246,222
Cash balances at start of the period	635,836	367,357
Increase in loan payable	3,988,686	(49,031)
Increase in funds from 9% debentures	-	400,000
Decrease in accounts receivable	1,692	68,195
	$ 4,292,190	**$ 1,032,743**
Utilization of funds		
Cash balances at end of periods	$ 119,636	$ 635,836
Increase in transaction credits	3,881,573	42,714
Decrease in accounts payable and accrued liabilities	316,889	388,416
Changes in all other working capital items	(27,117)	(38,102)
Capital expenditures	1,209	3,879
	$ 4,292,190	**$ 1,032,743**

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During Fiscal 2019 the significant item is the increase in transaction credits reflecting transition of merchants participating in the CIBC/TD program to the MCA program. During Fiscal 2018 the significant item is decrease in accounts payable and accrued liabilities of $388,416 and this reflects cancellation of interest, on 12% debentures for period January 1, 2017 to December 21, 2017, consequent to the close of the restructuring; provision for professional fees connected to the restructuring; settlement of severances resulting from the restructuring of the organization; and settlement of accounts payable and accrued liabilities following the restructuring.

Financing activities. During Fiscal 2019 the primary change is the increase in loan payable to support the growth in transaction credits. Fiscal 2018 reflects the new investment of $400,000 in the 9% debentures and the change in the loan payable balance consequent to 1. change in the co-funding arrangement, 2. cash surplus to immediate requirements being used to reduce loan payable utilization, and 3. changes in transaction credits purchased from existing merchant portfolio and change in merchant population.

Investing activities. The company expects to either secure lease arrangements for significant IT expenditures or use services in the cloud during Fiscal year ending June 30, 2020. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The capital expenditures during Fiscal 2019 and 2018 were nominal and the company expects capital expenditures for Fiscal 2020 to be similar to the prior two fiscal years.

The company does not have the wherewithal to re-pay its legacy suppliers i.e. those providing services connected to CIBC/TD program and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company has payment plans in place with suppliers critical to ongoing operations.

Cash balances at the end of a quarter/year reflect cash generated/(used) by operations [profit/(loss) before depreciation of property, plant and equipment, and amortization of intangible assets; and non-cash interest on debentures], the other factors are timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, funds from Affinity partners towards marketing initiatives. The additional consideration at June 30, 2018 is the cash raised by the company following the close of restructuring with its financial partners and where cash surplus to immediate operating requirements was used to reduce the loan payable and consequently the interest cost. Balance of such cash at June 30, 2018 was $600,000.

The company's operations are funded by debt – loan payable and 9% debentures (see Sections Loan Payable and 9% Non-Convertible Debentures Payable) in this document. Both the partnerships are set-up for maturity/expiry in December 2021.

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each $ of merchant cash advance and a loan payable facility to fund the balance.. However, for access to a loan payable facility in excess of the current $8.5 million provided by Accord the company needs to put in higher % as co-fund. The company does not have the ability to fund the growth of MCA at 10%. The growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% debenture holders.

The company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity.

The company's future success is dependent on retaining its existing relationships with Aeroplan, Accord and holders of 9% debentures and it believes it has their support, and access to additional working capital in the form of debt and or equity.

Except for the leasing arrangements the company does not participate in off balance sheet financing arrangements.

The consolidated financial statements for year ended June 30, 2019 have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $6,267,102 and negative working capital of $6,282,357 as at June 30, 2019. The company is also in breach of its covenants on its debentures (section 9% Non-Convertible Debentures Payable). Also, due to the termination of its agreements with CIBC and TD described in section Overall Performance as well as the potential financial impact from COVID-19 there is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including payments to its suppliers and payment of interest on the 9% debentures. These material uncertainties cast significant doubt on the validity of the going concern assumption and the company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

Covid-19 pandemic has created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration of the crisis and its adverse effect on the economy in general and the company's merchants' in particular. This will adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% debentures, Air-Canada, ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. The company is exploring its eligibility to secure relief provided by various government programs but no assurance can be given on a successful outcome.

Contractual Obligations

Contractual obligations as at June 30, 2019 were due as follow:

Contractual obligations		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 8,416,076	$ 8,416,076	$ -	$ -
9% debentures		$ 5,559,000	$ -	$ 5,559,000	$ -
Operating leases		$ 37,808	$ 23,594	$ 14,214	$ -
		$ 14,012,884	**$ 8,439,670**	**$ 5,573,214**	**$ -**

In addition, there is a contractual obligation to holders of 9% debenture for interest of $1,522,399 payable for the period December 16, 2018 to maturity on December 31, 2021. The company also has a liability of restructuring bonus for $1,000,620 to the holders of the 9% debentures payable on December 31, 2021.

The company issued additional $200,000 9% debentures on October 28, 2019 on terms and conditions applicable to the $5,559,000 issued in December 2017. Interest payable for the period to October 28, 2019 to December 31, 2021 is $39,750 and the liability of restructuring bonus is $36,000.

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

Furthermore, in August 2017 the company renewed its lease for the company's head office for five year term ending August 31, 2022. The commitment from July 2019 to August 2022 is $245,958.

Loan Payable

The loan payable is a line of credit facility with Accord to be used exclusively to fund the merchants participating in the APM product in the business segments available to the company under its agreements with CIBC, TD and Aimia, and MCA product. As security, Accord has first charge to all amounts due from merchants funded from the loan payable.

The loan payable was established in December 2007. The current term of the loan payable was due to expire in December 2017.

On January 4, 2018 the company announced it secured a renewal for a term ending in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the renewal term commencing January 1, 2018 the interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05% (compared to prime rate plus 11.5% until December 31, 2017). Furthermore, during the renewal term the co-funding arrangement is amended to 90:10, whereby Accord funds 90% of each dollar of amounts funded to merchants. The company funds 10%. This compares to 85:15 arrangement until December 28, 2017.

The facility has a limit of $8.5 million.

Interest is calculated daily on the amount outstanding and charged monthly.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The company had utilized $8.4 million of the facility at June 30, 2019 (at June 30, 2018 $4.4 million).

With the change in the loan payable terms effective January 1, 2018, the company and Accord did not renew the temporary overdraft facility of $100,000 which expired December 31, 2017.

9% Non-Convertible Debentures Payable

On December 30, 2013, the company issued 12% non-convertible debentures ("12% debentures"), by way of a private placement, in the principal amount of $5,159,000. The 12% debentures were issued as units. Each unit comprised (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and with an initial maturity date of September 30, 2016, and (ii) 8,150 common shares in the capital of the company. The company issued 5,159 units and 42,045,850 common shares. The maturity date went through several extensions with the latest maturity date of December 31, 2017. The company was in breach of all its financial covenants since September 30, 2016, had not paid the interest since January 1, 2017 and was not in a position to re-pay the 12% debentures.

On December 22, 2017 the company announced it re-financed the new 12% debentures with the approval of existing holders of the 12% debentures. The terms of the refinancing are as follows:

1. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with maturity date of December 31, 2021;

2. The 9% debentures bear interest rate of 9% per annum payable semi-annually;
3. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
4. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
5. Restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021; and
6. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units comprising principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company, comprising:

1. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
2. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

Under the agreement, the proceeds of the 9% debentures are to be used for working capital purposes.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The significant financial covenants of the 9% debentures require the company to meet (i) commencing the quarter ended March 31, 2018, on a quarterly basis, a defined level of designated current assets, and (ii) commencing December 31, 2018, on a quarterly basis, a defined level of interest coverage. In October 2018 the 9% debentures holders amended and re-set certain financial covenants for quarters ending December 31, 2018 to June 30, 2020. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company did not pay the interest due June 15, 2019 for the period December 16, 2018 to June 15, 2018. The company obtained a waiver to this event of default on June 21, 2019. As compensation, the company agreed to issue an aggregate of 75 million fully paid common shares to the debentures holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder, prior to July 15, 2019. The company issued the fully paid common shares on July 10, 2019. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the agreement.

The company was in default on its interest coverage financial coverage at June 30, 2019 and subsequent to year ended June 30, 2019 is in default on all its financial covenants. As a result the 9% debentures have been classified as a current liability at June 30, 2019.

The company did not pay the interest of $250,155 due December 15, 2019 for the period June 16, 2019 to December 15, 2019. The company is in discussion with the primary holder of the 9% debentures who is also the primary shareholder of the company (see Section Related Parties for details) to obtain waivers to the events of default connected to payment of interest due December 15, 2019 and breach of financial covenants.

Selected Annual and Quarterly Information

The following financial data has been derived from the company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2019, June 30, 2018, and June 30, 2017.

(In millions of dollars except per share amounts)			
	Fiscal 2019	Fiscal 2018	Fiscal 2017
	$	$	$
Revenues	6.1	7.6	9.2
Net income/(loss) *	(0.9)	1.2	(1.2)
Loss per share - Basic and Diluted	-	-	(0.01)
Total assets	9.8	6.5	6.3
Current liabilities	16.0	7.3	12.9
Long-term liabilities	-	4.6	-
No cash dividend declared per common share			
* Fiscal 2018 net profit includes non-recurring item, gain on debt restructuring of $1.8 million			

Working capital represented by current assets less current liabilities as at June 30 for the past three fiscal years was:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
	$	$	$
Working capital	(6,282,357)	(851,175)	(6,652,518)

Composition of total assets is tabulated:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
	$	$	$
Cash and cash equivalents	120,000	636,000	367,000
Accounts receivable	111,000	112,000	181,000
Transaction credits	9,474,000	5,592,000	5,550,000
Inventory	-	-	35,000
Prepaid expenses and sundry assets	52,000	79,000	82,000
Property, plant and equipment	15,000	44,000	72,000
Intangibles	-	-	1,000
	9,772,000	6,463,000	6,288,000

Transaction credits, and cash and cash equivalents account for the significant share of total assets, representing over 85% for each of the above fiscal years. Fiscal 2019 - The increase in transaction credits reflects transition of merchants participating in the CIBC/TD program to the MCA program. Under the MCA program the working capital advances of merchants being transitioned were refreshed to new higher credit limits. For Fiscal 2018 and Fiscal 2017 the change in transaction credits, net of provision for delinquent accounts, primarily reflects the decline in the number of merchants participating in the APM product of the company's CIBC/TD program. CIBC/TD program accounts for the significant portion of the company's revenues and gross profit for the two fiscal years.

Cash balances at the end of a quarter/year reflect cash generated/(used) by operations [profit/(loss) before depreciation of property, plant and equipment, and amortization of intangible assets; and non-cash interest on debentures], the other factors are timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, funds from CIBC and TD towards marketing initiatives. The additional consideration at June 30, 2018 is the cash raised by the company following the close of restructuring with its financial partners and where cash surplus to immediate operating requirements was used to reduce the loan payable and consequently the interest cost. Balance of such cash at June 30, 2018 was $600,000.

The company's transaction credits are primarily funded by its loan payable, and debentures. Loan payable carries a first charge against the merchant transaction credits funded by its proceeds. The debentures have a general security agreement over all the assets of the company and its subsidiaries.

Please refer to the section on Results of Operations section in this document for an analysis of Fiscal 2019 and Fiscal 2018.

<u>Fiscal 2018 compared to Fiscal 2017</u>

The results for Fiscal 2018 and Fiscal 2017 were:

		Fiscal 2018	Fiscal 2017
Net profit/(loss) and Comprehensive profit/(loss)		$ 1,224,298	$ (1,206,347)

Highlights of Fiscal 2018 compared to Fiscal 2017 (in millions of dollars):

Operational Highlights.

	Revenues	Gross profit	SG&A	Earnings from operations before depreciation, amortization and interest	Stated and Non cash interest	Non-recurring item	Net profit/(loss)
Fiscal 2018	7.6	5.2	4.3	0.9	1.5	1.8	1.2
Fiscal 2017	9.2	6.0	5.7	0.3	1.3	-	- 1.2

Income Statement – Fiscal 2018 compared to Fiscal 2017

Revenues

- CIBC/TD program. Fiscal 2018 revenues are lower reflecting the decline during Fiscal 2018 in merchant participation. Until close of the restructuring in December 2017 there was deficiency of working capital. This severely limited the company's ability to re-build its sales organization and to pre-purchase future sales from new merchants wishing to enroll in the company's APM product. Consequently, the company was unable to arrest the decline in merchant participation during the first half of Fiscal 2018; merchant count at June 30, 2017 was 640 and at December 31, 2017 it was 594. Post restructuring the company has begun to stabilize merchant participation (583 at June 30, 2018). The company started to re-build its sales organization from middle of March 2017. The goal was to create a sales organization that would, post restructuring, enable a gradual and sustained growth in merchant count and revenues. The company expected to re-build the sales organization by end of May 2018 but it is expected to take a couple of iterations before the ideal team is in place. Expectation of completion during the course of fiscal year ending June 30, 2019.
- Aeroplan program. Fiscal 2018 re-seller revenues are lower primarily reflecting the decline during Fiscal 2018 in merchant participation. The company processes issuance of aeroplan miles for an Aimia customer. This is the source of processing revenue. Fiscal 2018 processing revenues were 14.8% of program revenues compared to 4.2% of Fiscal 2017 program revenues.

Direct expenses

- CIBC/TD program. Direct costs include consumer rewards, marketing and advertising, provision for delinquencies on receivables. The Fiscal 2018 decline in cost of consumer rewards primarily reflects decline in merchant population and revenues. Decrease in marketing and advertising costs relative to merchant participation and revenues primarily reflects timing of marketing expenditures which vary in a fiscal year. Timing is driven by marketing needs of the merchant portfolio and the marketing calendars of Affinity partners.

- Aeroplan program. Fiscal 2018. The decline in consumer rewards reflects decline in re-seller revenues (which have direct expenses in the form of consumer rewards). Processing revenues do not attract direct expenses.

Gross profit

- CIBC/TD program. Improvement in gross margins of CIBC/TD and Aeroplan programs reflects lower direct expenses.

- The company gross profit was lower ($789,151) in Fiscal 2018 compared to Fiscal 2017 reflecting a decline in revenues of CIBC/TD and Aeroplan programs partially offset by higher program gross margins.

Selling and Marketing expenses

- Fiscal 2018. The company started to re-build its sales organization from middle of March 2017. The goal was to create a sales organization that would, post restructuring, enable a gradual and sustained growth in merchant count and revenues. The company expected to re-build the sales organization by end of May 2018 but it is expected to take a couple of iterations before the ideal team is in place. Expectation of completion during fiscal year ending June 30, 2019. Fiscal 2018 cost of the sales organization also reflects a company-wide salary reduction of between 10% and 20% implemented from mid-August 2017 and its partial reinstatement during the January – March 2018 quarter.

- Fiscal 2017. The development of the optimal sales team was held back due to deficiency of working capital and this hampered the company's ability to stabilize and re-build its merchant portfolio. In order to conserve resources during the low season, January to March, it was only towards the middle of March 2017 the company started to fill vacant positions, starting with hire of a VP of Sales. Due to the deficiency in working capital this re-building process took longer than expected and the company expects a delay in bounce back of merchant participation until the optimal sales team is in place and it has sufficient working capital to pre-purchase future sales from merchants wishing to enroll in the company's APM product.

General and Administration ("SG&A")

- <u>*Compensation*</u>

  a. Fiscal 2018 reflects company-wide salary reduction of between 10% and 20% implemented mid-August 2017;
  b. Fiscal 2018 also reflects a partial roll-back, from January 2018 onwards, of company-wide salary reduction of between 10% and 20% implemented mid-August 2017; and
  c. Restructuring of the organization to support a gradual and sustained growth in CIBC/TD program merchant count and related revenues. Restructuring in terms of 1. right size the headcount, and 2. create the optimal organization staffed with proven performers.

- <u>*Severances*</u>

Reflect provision for payments to ex-staff consequent to the restructuring of the organization. By June 30, 2018

the amounts payable stood at $57,000 (At June 30, 2017 $126,601).

- *Write-back of Directors Fees*

As part of the restructuring the directors agreed to forego a portion of their fees which were in arrears and take the balance over an extended period. The forgiven portion of fees is reflected in above tabulation.

- *Refund from CRA*

Fiscal 2018 reflects a refund of $102,028 (including interest of $10,846 which is reflected in Misc. revenue) by CRA. In December 2003 the company completed a tax assisted financing transaction with a promoter of the transaction whereby it raised funds from the sale of its tax losses. Subsequent to the transaction the CRA and tax payers participating in the promoter's structure were in dispute and while the company was not a party to the dispute its share of tax losses solely consequent to the transaction were disallowed and this resulted in nominal annual tax liability which the company settled. Upon resolution of the dispute the previously disallowed tax losses were partially allowed and this resulted in the refund.

- *All other expenses*

Fiscal 2017 reflect legal costs primarily connected to the company's efforts to refinance its 12% debentures and working capital. Fiscal 2018 reflects legal costs connected with merchant litigation.

Fiscal 2018 and Fiscal 2017 periods reflect focus on cost management.

Interest cost

Interest expense on loan payable reflects 1. utilization of funds under this line of credit facility, and 2. facility interest rate and the prime rate of Bank of Nova Scotia ("prime rate") which together determine the loan payable interest rate (see section Loan Payable in this document). Average month end utilization of loan payable was lower during Fiscal 2018 ($4,084,000) compared to Fiscal 2017 ($4,652,000). Effective January 1, 2018 the facility interest rate was reduced to 9.05% from the 11.5% which was applicable during Fiscal 2017. The increase in prime rate in August 2017, October 2017 and January 2018 resulted in increasing the loan payable interest rate. The impact of the foregoing factors are reflected in the loan payable interest cost.

On December 22, 2017 the company announced it re-financed the 12% debentures with the approval of existing holders of the 12% debentures. The 12% debentures were re-financed as units comprising 9% debentures and common shares of the company. The terms of the refinancing are as available in the section 9% Non-Convertible Debentures Payable in this document.

There was $400,000 of new investment in the 9% debentures.

Unless noted otherwise the above is reflected in the tabulation of interest expense:

	Fiscal 2018	Fiscal 2017	Inc./(Dec)
	$	$	%
Stated ("Cash") interest expense			
Loan payable	$ 619,256	$ 686,744	
12% debentures	295,123	618,227	
9% debentures	261,806	-	
9% debentures charges	7,000	-	
	$ 1,183,185	$ 1,304,971	-9.3%
Non-cash interest expense			
Restructuring bonus - 9% debentures	$ 129,924	$ -	
Accretion charge on 9% debentures (Fiscal 2018) and 12% debentures (Fiscal 2017)	$ 142,638	$ 60,227	
	$ 272,562	$ 60,227	
Total interest expense	**$ 1,455,747**	**$ 1,365,198**	**6.6%**

The company deployed the funds available to it under loan payable and debentures with merchants activated under its CIBC/TD program's APM product. The funds deployed are reflected as transaction credits on the consolidated statement of financial position. The funds available under the debentures were also used for other working capital purposes.

Non-recurring Item

Fiscal 2018. A gain on debt restructuring of $1,795,103 has been recognized on the refinancing. This consists of the book value of the 12% debentures of $5,864,299, including accrued interest and penalties, plus the cash proceeds on the refinancing of $400,000 less the fair value of the 9% debentures of $4,275,389 and financing costs of $193,807.

Net Profit/(Loss)

The above factors are reflected in profit of $1,224,298 for Fiscal 2018 compared to net loss of $1,206,347 for Fiscal 2017.

Cash and Working capital movement during Fiscal 2018

	Cash	Working capital
	$	$
As at July 1, 2017	**$ 367,357**	**$ (6,652,518)**
Movement during the year		
Income before non-cash expenses *	246,222	-
Change in non-cash working capital items	(324,833)	324,833
Financing activities - loan payable	(49,031)	49,031
Re-financing of debentures		5,159,000
Financing activities - 9% debentures	400,000	-
Investing activities	(3,879)	-
Change in cash balance	-	268,479
	$ 268,479	$ 5,801,343
As at June 30, 2018	**$ 635,836**	**$ (851,175)**

* Income before non-cash expenses is a non-GAAP financial measure which does not have any standardized meaning prescribed by the issuer's GAAP and is unlikely to be comparable to similar measures presented by other issuers. It is provided as additional information to assist readers in understanding a component of the company's financial performance; as it is the company's assessment of the cash generated from its operating activities prior to changes in working capital items. Income before non-cash expenses during Fiscal 2018 is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment, and amortization of intangible assets; accretion charge for debentures; restructuring bonus for debentures; and non-cash portion of gain on debt restructuring – to net profit for the year, which is disclosed in the audited consolidated financial statements for year ended June 30, 2019 and June 30, 2018 under the section consolidated statements of cash flow.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
Fiscal 2019						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	
		$	$	$	$	$
Revenues		1.8	1.8	1.4	1.1	6.1
% of annual revenues		29.5%	29.5%	23.0%	18.0%	100.0%
Net income/(loss)		-	-	(0.4)	(0.5)	(0.9)
Loss per share - Basic and Diluted		-	-	-	-	-
Fiscal 2018						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	
		$	$	$	$	$
Revenues		2.0	2.0	1.7	1.9	7.6
% of annual revenues		26.3%	26.3%	22.4%	25.0%	100.0%
Net income/(loss)		(0.2)	1.8	(0.1)	(0.3)	1.2
Profit/(Loss) per share - Basic and Diluted		-	0.1	-	-	-

The fluctuations in the company's quarterly revenues partially reflects seasonal consumer behavior at participating merchants , as well as the other factors described under section Revenue in this document.

The fluctuations in the company's quarterly results reflect revenues and the costs to earn the revenues.

Fourth Quarter of Fiscal 2019 (Q4 F2019) vs. Fourth Quarter of Fiscal 2018 (Q4 F2018)

Overview

The Q4 F2019 revenues and gross profit decline reflect the transition from CIBC/TD program to MCA program. The Selling & marketing and G&A reflect rightsizing of the costs to adjust and support the transition to MCA program. The higher stated interest reflects the higher utilization of loan payable to support the transition to MCA.

Tabulation of financial performance- Q4 F2019 vs. Q4 F2018

F2019						
	CIBC/TD program	MCA program	Aeroplan program	Caesars program	Corporate	Total
	$		$	$	$	$
Revenues	264,519	441,355	347,985	32	-	1,053,891
Direct expenses	139,208	-	212,344	53	-	351,605
Gross profit	125,311	441,355	135,641	(21)	-	702,286
Gross margin	47.4%	100.0%	39.0%	-65.6%		66.6%
Selling & marketing *	56,897	94,933	-	1,853	-	153,683
General & administrative						510,711
Earnings from operations before depreciation, amortization and interest						37,892
Stated interest						404,577
						(366,685)
Accretion charges and restructuring bonus						138,683
Depreciation and amortization						10,127
Net loss						(515,495)

F2018						
	CIBC/TD program	MCA program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$	$
Revenues	1,533,761	-	408,874	7,030	-	1,949,665
Direct expenses	425,700	-	236,628	17,804	-	680,132
Gross profit	1,108,061	-	172,246	(10,774)	-	1,269,533
Gross margin	72.2%	0.0%	42.1%	-153.3%		65.1%
Selling & marketing	501,249	-	4,632	52,472	-	558,353
General & administrative						604,145
Earnings from operations before depreciation, amortization and interest						107,035
Stated interest						273,394
						(166,359)
Accretion charges and restructuring bonus						133,805
Depreciation and amortization						7,333
Net loss						(307,497)

Critical Accounting Estimates

The preparation of the company's consolidated financial statements, in accordance with IFRS, requires the company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim and annual consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The company's significant accounting policies are disclosed in note 4 to the audited consolidated financial statements for year ended June 30, 2019.

Contingent liabilities

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding ability to access additional sources of working capital in the form of either debt or equity to support growth of its MCA program, renewal of its agreement with Aeroplan which ended April 2020, market for its programs and its ability to expand its existing MCA and Aeroplan programs upon access to additional working capital, continued access to existing sources of debt, obtaining waivers and debt amendments, ability to reach settlement accommodation with suppliers, and the estimated impact of Covid-19 to its business The company's audited consolidated financial statements for year ended June 30, 2019 carry a going concern note (Note 2).

Financial instruments – fair value

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities, loan payable approximate their fair values due to the short-term maturity of these instruments.

A significant amount of estimation was applied in evaluation the fair value of the 9% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

The company has certain business risks linked to the collection of its transaction credits.

Under the CIBC/TD program's APM product the company acquired the rights to cash flow from future designated credit card transactions at a discount from participating merchants ("transaction credits" on consolidated statement of financial position).

Under the MCA program the company acquires the rights to cash flow from future receivables at a discount from participating merchants ("transaction credits" on consolidated statement of financial position).

The majority of the transaction credits are estimated to be fully extinguishable within 180-365 days. Until these transaction credits have been extinguished through collections from participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days. The evaluation of collectability of transaction credits is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The amount of the estimates is determined based on the status of the merchant and the company's historical experience on recoveries.

For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The maximum exposure to credit risk is the balance, net of provision for impaired accounts, of the transaction credits, and accounts receivable.

The accounts receivable, transaction credits, and the allowance is as follows:

	June 30, 2019	June 30, 2018
	$	$
Transaction credits	$ 9,713,908	$ 5,668,489
Accounts receivable	115,550	117,322
Allowance	(244,829)	(81,063)
Per Consolidated statement of financial position	**$ 9,584,629**	**$ 5,704,748**
Maximum exposure to credit risk	**$ 9,584,629**	**$ 5,704,748**

The transaction credits that are considered impaired and the related allowance is as follows:

	June 30, 2019		June 30, 2018	
	$		$	
Impaired transaction credits	$	111,463	$	74,630
Allowance		(105,616)		(66,559)
Impaired transaction credits not allowed for	**$**	**5,847**	**$**	**8,071**
The company carries a general allowance towards transaction credits of	$	134,293	$	9,504

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable; the stock option price is to be fixed by the Board of Directors but may not be less than the regulations of the stock exchange on which the company's common shares are listed; the term of the stock options may not exceed five years, and payment for the optioned shares is required to be made in full on the exercise of the stock options. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediate to four years.

The number of employee stock options issuable per the Company's stock option plan is 16,688,546.

Movement during Fiscal 2019 and Fiscal 2018 is tabulated.

	Fiscal 2019	Fiscal 2018
	Number of options	
Outstanding at start of the year	-	1,490,000
Expired	-	(1,200,000)
Forfeited	-	(290,000)
Outstanding at end of the year	-	-

The number of stock options available for future issuance as at June 30, 2019 compared to June 30, 2018 is as follows:

	Fiscal 2019	Fiscal 2018
	Number of options	
Maximum number of shares reserved and available for issuance	16,688,546	16,688,546

There was no stock based compensation expense during Fiscal 2019 and 2018.

Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized, subject to approval by the shareholders of the company, the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The shareholders of the company approved the RSU Plan at the Annual and Special Meeting of the Shareholders held on February 28, 2018.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at June 30, 2019.

Outstanding Share Data

As of June 30, 2019 and 2018 the number of issued and outstanding common shares of the company was 782,299,614.

Pursuant to the restructuring completed on December 22, 2017, which included the refinancing of the 12% debentures, the company issued 643,228,396 common shares. The 643,228,396 common shares comprised 601,728,396 issued pursuant to the refinancing and 41,500,000 common shares were issued as retention bonus to Chief Executive Officer (29,000,000 common shares) and Chief Financial Officer (12,500,000 common shares).

The number of common shares is provided by the company's transfer agent AST Trust Company (Canada).

Potentially Dilutive Securities

As of date hereof, there are no potentially dilutive securities exercisable into common shares of the company.

Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company, on terms and conditions applicable to the other holders of 12% debentures. The 12% debentures were purchased by the related parties on terms and conditions applicable to the other subscribers.

The holdings of debentures are tabulated.

	June 30, 2019	June 30, 2018
	$	$
	9% debentures	9% debentures
Director, Chief Executive Officer - K. Ambrose	$ 500,000	$ 500,000
Director - W.Polley - Chairman of the Board of Directors	50,000	50,000
Director - M. Lavine	500,000	500,000
Chief Financial Officer - M.Sabharwal	115,000	115,000
	$ 1,165,000	**$ 1,165,000**

W. Polley resigned from his position effective December 31, 2019.

Related parties holdings at June 30, 2019 represent about 24% of the company's issued and outstanding common shares.

Generation PMCA Corp and Generation IACP Inc. (together "Generation") [formerly Trapeze Capital Corp. and Trapeze Asset Management Inc.]

Generation is the principal shareholder of the company by virtue of their holding as of June 30, 2019 approximately 36% common shares of the company (as of February 29, 2020 approximately 37%) and approximately 49% of the 9% debentures (as of February 29, 2020 approximately 48%), on behalf of their managed accounts.

Economic Dependence

The company's has two business units. MCA program and Aeroplan program.

While both programs are dependent on the continuity of the support of the 9% debentures which is the source of general working capital, the MCA program is dependent on the support of Accord which provides the loan payable enabling the company to use it to fund 90% of each $ of merchant cash advance, and Aeroplan agreement which was due to expire April 30, 2019 and was extended to April 30, 2020; the two parties continue to work while discussing future terms and direction.

The company was in default on its interest coverage financial coverage at June 30, 2019 and subsequent to year ended June 30, 2019 is in default on all its financial covenants. The company did not pay the interest of $250,155 due December 15, 2019 for the period June 16, 2019 to December 15, 2019. The company is in discussion with the primary holder of the 9% debentures who is also the primary shareholder of the company (see Section Related Parties for details) to obtain waivers to the events of default connected to payment of interest due December 15, 2019 and breach of financial covenants. The primary holder of the 9% debentures and common shares holds the position on behalf of its managed accounts, is acting as the security agent for all 9% debenture holders and has a decade + relationship with the company.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The Aeroplan agreement can be terminated by Air- Canada – owner of the Aeroplan Loyalty - under certain conditions during its term.

The company's audited consolidated financial statements carry a going concern note (Note 2). The note is also carried in the Working Capital and Liquidity Management Section in this document.

Covid-19 pandemic has created additional uncertainty to the company's business continuity and this could affect its relationships with Accord, holders of 9% debentures and Air-Canada.

General Risks and Uncertainties

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 9% Non-Convertible Debentures Payable in this document). Both the partnerships are set-up for maturity/expiry in December 2021. The risks connected to the two sources of debt are explained in Section Economic Dependence.

To fund growth and thereby continue its current operations, the company requires continued access to its existing levels of debt and obtain access to additional working capital in the form of debt and or equity.

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each $ of merchant cash advance and a loan payable facility to fund the balance.. However, for access to a loan payable facility in excess of the current $8.5 million provided by Accord the company needs to put in higher % as co-fund. The company does not have the ability to fund the growth of MCA at 10%. The growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% debenture holders. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. Consequently, general market conditions or the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

If the company is not successful in raising additional debt financing and or equity, its ability to expand its MCA program and increase revenue may be impeded, resulting in reduced growth in cash flows from operations. This could affect the company's liquidity and working capital position. Any debt structure would need to recognize the general security interest over the company's assets held by the 9% debentures holders.

The company has certain business risks linked to the collection of its transaction credits. Under the MCA program the company acquires the rights to cash flow from future receivables at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). The majority of the transaction credits are estimated to be fully extinguishable within 180-365 days. Until these transaction credits have been extinguished through collections from participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days. The evaluation of collectability of transaction credits is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The amount of the estimates is determined based on the status of the merchant and the company's historical experience on recoveries. Deterioration in either the credit environment or the company's monitoring processes and a resulting increase in bad debts would adversely impact the financial status of the company thereby affecting its attractiveness as a borrower and its ability to access existing or additional or alternative debt or debt at economic terms and this could materially and adversely affect the company.

The company's activities are funded by two sources of debt. The 9% debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05%, on loan payable. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. As disclosed under the section Interest Expense in this document, for the year ended June

30, 2019, the company incurred interest expense of $796,782 on utilization of loan payable. Had the interest rate, for the year ended June 30, 2019, been 10% higher the interest expense on loan payable would have been $876,460, an increase of $79,678.

The company believes the MCA business is a growth industry because institutional lenders are not available to independent merchants, the engines of significant economic activity. There are several competitors in the MCA space. Currently there is no legislation governing the MCA business. The company believes the transparency, pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital.

Both competition and regulation, however carry the possibility of adversely affecting the company's revenue and costs.

The company's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While the company has entered into employment agreements with key management personnel and other employees, and each of these agreements includes confidentiality and non-competition clauses, the business prospects of the company could be adversely affected if any of these people were unable or unwilling to continue their employment with the company.

The Aeroplan program the company operates is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2020. The company believes it shall be able to secure a multi-year renewal.

The Aeroplan program the company develops and manages for Aeroplan is dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on Air-Canada. Due to the current coronavirus concerns and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

The company provides loyalty marketing services to retail organizations and, in more general terms, the company could be considered competitive with other advertising and promotional programs for a portion of a client's total marketing budget. If client promotional spending levels decrease, this could have a material adverse effect on the company's revenue. In addition, there are additional operators of either loyalty programs or merchant cash advance in Canada, targeting the same merchant base as the company. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making the company, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. The company believes its substantial client equity, proprietary systems, provide a strong platform for the company to compete effectively and respond to competition in Canada.

Covid-19 pandemic has created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration of the crisis and its adverse effect on the economy in general and the company's merchants' in particular. This will adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% debentures, Air-Canada; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. The company is exploring its eligibility to secure relief provided by various government programs but no assurance can be given on a successful outcome.

In addition to those factors noted above, factors noted in the Working Capital and Liquidity Management Section, the financial condition and profitability of the company is also subject to a number of additional risk factors including: state of the economy, its ability to negotiate settlement accommodation with its suppliers and changes in taxation regulations.

In the ordinary course of business, the company is subject to ongoing audits by tax authorities. While the company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The company regularly reviews the potential for adverse outcomes in respect of tax matters and believes that any ultimate disposition of a reassessment will not have a material adverse impact on its liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the company's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief the MCA business is a growth industry; belief it has a competitive MCA product; belief it can growth its MCA portfolio provided it has growth capital available to it; belief it has a scale-able and profitable MCA business mode; belief it has the ability to manage delinquencies at Fiscal 2019 levels during growth mode; belief it has the support of its current providers of capital; belief merchant participation is primary driver of growth across all programs; belief that timely and economic access to growth capital alone is adequate for growth of the business and achieve financial stability; belief it offers an attractive opportunity for investors; expectation of time-line to recovery, financial stability and providing value to 9% debenture holders and shareholders; belief it can pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief it will be able to secure a multi-year renewal of its agreement with Aeroplan; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of capital expenditures during fiscal year ending June 30, 2020; belief capital expenditure needs are better served by leasing and using could vs. purchasing; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable and holders of 9% debentures; renewal of its agreement with Aeroplan and its ability to access additional working capital in the form of debt and or equity to meet operational needs and to support the growth of the company; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of the company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, those listed under "Working Capital and Liquidity Management", "Economic Dependence" and "General Risks and Uncertainties" in this Management Discussion and Analysis.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

Management is responsible for external reporting. The company maintains appropriate processes to ensure that relevant and reliable financial information is produced.

Additional Information

Additional information relating to the company is available at www.sedar.com, and may also be obtained by request by telephone or facsimile or at the company's website at www.advantex.com.

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Schedule B

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2019, and June 30, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2019.

The company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) using the accounting policies described therein. The significant accounting policies which management believes are appropriate for the company are described in note 4 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, whose membership currently consists of two members, a non-management Director, and President & CEO, is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy and internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

BDO Canada LLP, the company’s external auditors, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the consolidated financial statements.

(Signed) – “Kelly E. Ambrose”

Kelly E. Ambrose
President and Chief Executive Officer

(Signed) - “Mukesh Sabharwal”

Mukesh Sabharwal
V.P. and Chief Financial Officer

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BDO Canada LLP
60 Columbia Way, Suite 300
Markham ON L3R 0C9 Canada

To the Shareholders of Advantex Marketing International Inc.

1. **Opinion**

2. We have audited the consolidated financial statements of Advantex Marketing International Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of profit/(loss) and comprehensive profit/(loss), shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

4. We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

5. **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has current liabilities in excess of current assets of $6,282,357 as at June 30, 2019 and, as of that date, had an accumulated deficit of $34,840,656. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainties exists that casts significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

6. Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

9. We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of

this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

10. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

12. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

13. Those charged with governance are responsible for overseeing the Company's financial reporting process.

14.

15. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

16. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

17. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

18. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

19. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(signed) BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 21, 2020

Advantex Marketing International Inc.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	Note	June 30, 2019	June 30, 2018
		$	$
Assets			
Current assets			
Cash and cash equivalents		$ 119,636	$ 635,836
Accounts receivable	11 a	110,630	112,322
Transaction credits	11 a	9,473,999	5,592,426
Prepaid expenses and sundry assets		52,232	79,349
		$ 9,756,497	**$ 6,419,933**
Non-current assets			
Property, plant and equipment	5	$ 15,255	$ 43,969
		$ 15,255	**$ 43,969**
Total assets		**$ 9,771,752**	**$ 6,463,902**
Liabilities			
Current liabilities			
Loan payable	6	$ 8,416,076	$ 4,427,390
Accounts payable and accrued liabilities		2,526,829	2,843,718
9% Non-convertible debentures payable	7	5,095,949	-
		$ 16,038,854	**$ 7,271,108**
Non-current liabilities			
9% Non-convertible debentures payable	7	$ -	$ 4,547,951
		$ -	**$ 4,547,951**
Total liabilities		**$ 16,038,854**	**$ 11,819,059**
Shareholders' deficiency			
Share capital	8	$ 24,530,555	$ 24,530,555
Contributed surplus		4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(34,840,656)	(33,928,711)
Total deficiency		**$ (6,267,102)**	**$ (5,355,157)**
Total liabilities and deficiency		**$ 9,771,752**	**$ 6,463,902**

Going concern (note 2), Commitments and contingencies (note 13)

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board

Director: Signed "Marc Lavine"
Marc Lavine

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Consolidated Statements of Profit/(Loss) and Comprehensive Profit/(Loss)
For the years ended June 30, 2019 and 2018
(expressed in Canadian dollars)

	Note	2019	2018
		$	$
Revenues	17		
Marketing activities		$ 4,710,413	$ 6,509,756
Interest income		1,390,117	1,077,001
		6,100,530	**$ 7,586,757**
Direct expenses	16/17	1,566,874	2,374,970
		4,533,656	5,211,787
Operating expenses			
Selling and marketing	16/17	1,329,303	1,881,386
General and administrative	16/17	2,241,285	2,412,486
Earnings from operations before depreciation, amortization and interest		**963,068**	**917,915**
Interest expense:			
Stated interest expense - loan payable, and debentures	6/7	1,297,092	1,183,185
Non-cash interest expense (accretion charges) and restructuring bonus related to debentures	7	547,998	272,562
		(882,022)	(537,832)
Depreciation of property, plant and equipment, and amortization of intangible assets	5	29,923	32,973
(Loss) and comprehensive (loss) before non-recurring item		**$ (911,945)**	**$ (570,805)**
Gain on debt restructuring	7	$ -	$ 1,795,103
Net profit/(loss) and comprehensive profit/(loss)		**$ (911,945)**	**$ 1,224,298**
Profit/(Loss) per share			
Basic and Diluted	15	**$ -**	**$ -**

The accompanying notes are an integral part of these consolidated financial statements

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended June 30, 2019 and June 30, 2018
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2017	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (35,153,009)**	**$ (6,579,455)**
Net profit and comprehensive profit	-	-	-	-	1,224,298	1,224,298
Balance - June 30, 2018	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,928,711)**	**$ (5,355,157)**
Balance - July 1, 2018	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,928,711)**	**$ (5,355,157)**
Net (loss) and comprehensive (loss)	-	-	-	-	(911,945)	(911,945)
Balance - June 30, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (34,840,656)**	**$ (6,267,102)**

The accompanying notes are an integral part of these consolidated financial statements

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow
For the years ended June 30, 2019 and 2018
(expressed in Canadian dollars)

	Note	June 30, 2019	June 30, 2018
		$	$
Operational activities			
Net profit/(loss) for the year		$ (911,945)	$ 1,224,298
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets	5	29,923	32,973
Accretion charge for debentures	7	299,714	142,638
Restructuring bonus for debentures	7	248,284	129,924
Non-cash portion of gain on debt restructuring	7	-	(1,283,611)
		(334,024)	246,222
Changes in items of working capital			
Accounts receivable		1,692	68,195
Transaction credits		(3,881,573)	(42,714)
Inventory		-	35,038
Prepaid expenses and sundry assets		27,117	3,064
Accounts payable and accrued liabilities		(316,889)	(388,416)
		(4,169,653)	(324,833)
Net cash (used in) operating activities		**$ (4,503,677)**	**$ (78,611)**
Investing activities			
Purchase of property, plant and equipment, and intangible assets		$ (1,209)	$ (3,879)
Net cash (used in) investing activities		**$ (1,209)**	**$ (3,879)**
Financing activities			
Proceeds - 9% Non-convertibles debentures	7	$ -	$ 400,000
Increase/(Decrease) of loan payable	6	$ 3,988,686	$ (49,031)
Net cash generated from financing activities		**$ 3,988,686**	**$ 350,969**
Increase/(Decrease) in cash and cash equivalents during the year		**$ (516,200)**	**$ 268,479**
Cash and cash equivalents at beginning of the year		635,836	367,357
Cash and cash equivalents at end of the year		**$ 119,636**	**$ 635,836**
Additional information			
Interest paid		$ 1,046,810	$ 859,720
Cash and cash equivalents		$ 119,636	$ 635,836

The accompanying notes are an integral part of these consolidated financial statements

Advantex Marketing International Inc.
Notes 1 to 18 to the Consolidated Financial Statements

1 General information

Advantex Marketing International Inc. and its subsidiaries (together the company or Advantex) is a public company with common shares listed on the Canadian Securities Exchange (trading symbol ADX). The company operated its CIBC/TD program in partnership with Canadian Imperial Bank of Canada ("CIBC") and Toronto Dominion Bank ("TD"). The CIBC/TD program was the company's core business until the end of the company's partnership with CIBC on March 31, 2019 and TD on June 15, 2019. The company developed and managed loyalty programs for CIBC and TD and through which their customers earned frequent flyer miles or points on purchases at participating merchants. Under the program the company provided participating merchants with marketing and customer incentives. At its sole discretion the company pre-purchased merchants' future sales through its Advance Purchase Marketing (APM) product.

During year ended June 30, 2019 the company started to transition merchants participating in the CIBC/TD program to its merchant cash advance program. In this program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future receivables.

The company has an agreement with Air Canada ("AC") to operate as a re-seller of aeroplan miles to merchants. Aeroplan members are eligible to earn aeroplan miles on purchases at merchants buying aeroplan miles from the company. The five year term of the agreement ended April 30, 2019 and was extended to April 30, 2020; the two parties continue to work while discussing future terms and direction. The agreement can be terminated by AC under certain conditions during its term.

The company's segment reporting is provided in note 17.

Advantex is incorporated and domiciled in Canada, and the address of its registered office is Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

2 Going concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $6,267,102 and negative working capital of $6,282,357 as at June 30, 2019. The company is also in breach of its covenants on its debentures (note 7). Also, due to the termination of its agreements with CIBC and TD described above as well as the potential financial impact from COVID-19 there is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including payments to its suppliers and payment of interest on the 9% debentures. These material uncertainties cast significant doubt on the validity of the going concern assumption and the company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

3 Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on May 21, 2020.

Accounting standards issued but not yet applied

The IASB has issued the following applicable standards which have not yet been adopted by the company.

IFRS 16, Leases

In January 2016, IASB issued IFRS 16, Leases which replaces IAS 17, Leases, IFRIC 4, Determining whether an Agreement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 will be effective for the company's fiscal year beginning on July 1, 2019. Management expects the adoption of IFRS 16 to result in a material adjustment to its financial statements to recognize the asset and lease obligation related to the lease of its premises.

4 Summary of significant accounting policies

The significant policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the Chief Executive Officer of the company. The company has four operating segments (note 17).

Significant estimation uncertainties
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These significant estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to the recoverability of transaction credits, determining the initial fair value of the 9% debentures, and the disclosure of contingent liabilities at the date of the consolidated financial statements, which are described hereunder.

Transaction credits
The company reviews transaction credits quarterly for indication of the amounts that might be impaired. A significant amount of estimation is applied in determining allowance for transaction credits, which is established based on the specific credit risk associated with the customer and other relevant information.

The net realizable amount of transaction credits is disclosed in note 11 a.

9% debentures
A significant amount of estimation was applied to the evaluation of the initial fair value of the 9% debentures in fiscal 2018. Estimates applied by management in the determination of fair value were reflective of the company's overall cost of equity capital.

Basis of consolidation
The financial statements of the company consolidate the accounts of Advantex and its wholly owned subsidiaries including Advantex Dining Corporation, Advantex Marketing Corporation, Advantex Marketing International Inc. (US), Advantex Marketing International (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership, Advantex GP Inc. and Advantex Smartadvance Inc.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Foreign currency translation
(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Advantex group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of each of the entities in the Advantex group.

(ii) Translation of transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the approximate exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of income in the current year. The foreign currency loss for year ended June 30, 2019 is $2,347 (June 30, 2018 loss of $6,073).

Cash and cash equivalents
Cash and cash equivalents represent cash on hand.

Financial instruments
Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has

transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company does not have any assets recorded at fair value through other comprehensive income.

Amortized cost
These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issues, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for transaction credits is determined based on the company' assessment of the collectability of outstanding transaction credits using the simplified approach as prescribed by IFRS 9. The evaluation of collectability of transaction credits is done on an individual customer basis. For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The Company's financial assets measured at amortized cost comprise cash and cash equivalents, accounts receivable and transaction credits.

Financial liabilities

The Company's liabilities are classified as Other financial liabilities and include the following items:
Loan payable and 9% Non-convertible debentures payable are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

Accounts payable and accrued liabilities which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Transaction credits
While it operated the CIBC/TD program the company purchased at a discount the rights to receive future cash flows associated with designated credit card purchases from participating establishments. Under the merchant cash advance product the company purchases at a discount the rights to receive future cash flows associated with receivables from participating

establishments. The company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

Inventory
Inventory is stated at the lower of cost and net realizable value. Cost is determined using the first in, first out (FIFO) method. Net realizable value is the estimated selling price less applicable selling expenses.

Cost is the purchase price paid by the company.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

Computer equipment	30% using declining balance method
Furniture and equipment	20% using declining balance method
Leasehold Improvements	Over the life of the lease

Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statement of income (loss).

Identifiable intangible assets
The company's intangible assets consist of:

(i) computer software with finite useful lives. These assets include those purchased from external vendors in which case they are capitalized and amortized on a straight-line basis in the consolidated statement of income over 3-5 years, and those developed in-house to support the company's loyalty programs in which case they are capitalized and amortized over their useful life or the term of the affinity partner agreement, whichever is shorter;

(ii) other assets which represents cost of an acquisition the company completed in January 2013. The company acquired all of Futura Loyalty Group Inc.'s ("Futura") Aeroplan Channel Marketing assets ("assets") as per Futura's restructuring under the Companies' Creditors Arrangement Act. Other assets consisted of Futura's (i) channel program agreement with Aeroplan; (ii) agreements with merchants covering about 700 locations, and (iii) inventory of point of purchase and marketing material. The assets are amortized on a straight-line basis over the expected useful life covering 47 months through December 2016.

Impairment of non-financial assets
Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generated units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss, if any, is charged to the consolidated statements of income (loss) and comprehensive income (loss) in the year it arises. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Non-convertible debentures
The non-convertible debentures described in note 7 were issued as units which included debt and common shares. The proceeds received upon issue of the non-convertible debentures are allocated into their liability and equity components on initial recognition in accordance with IAS 32, Financial Instruments: Presentation. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include common shares. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on maturity. The remainder of the proceeds is allocated to the common shares within shareholders' deficiency.

To the extent there are changes to the terms of the outstanding non-convertible debentures these changes may be recorded as a modification or an exchange of debt instruments. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Provisions
Provisions for legal claims, where applicable, are recognized in other liabilities when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income (loss) except to the extent that it relates to items recognized directly in other comprehensive income (loss) or directly in equity, in which case the income tax is also recognized directly in other comprehensive income (loss) or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

Revenue

Revenue is recognized using the five step model prescribed by IFRS 15.

CIBC/TD program

Step 1: Identifying the contract

The company's contracts with participating merchants identify the terms, rights and obligations of each party, and payment terms. Before recognizing revenue the company reviews merchants' status to ensure that it is probable that the company will collect the consideration in exchange for the services as stated in the contract.

Step 2: Identifying performance obligations

The company provides marketing services to participating establishments and provides awards to designated customers who make purchases at participating establishments.

There are two types of products provided to participating merchants:

(i) Under its APM product the company provides marketing and loyalty services, and also provides working capital through the pre-purchase of merchants' future designated credit card sales. With this product the company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments.

(ii) Under its Marketing Only product, the company provides marketing and loyalty services to participating establishments.

Step 3: Identifying the transaction price

Both the APM and Marketing Only contracts state the fee that the merchant will pay to the company. The fee is a percentage of purchases at merchants paid for the merchant's customers using their CIBC and TD aeroplan credit cards.

Step 4: Allocating the transaction price to performance obligations

The Marketing Only product provides a single product, loyalty marketing for a single fee rate.

APM product provides two products, loyalty marketing and working capital for a single fee rate. The company uses directly observable data to estimate allocation of transaction price to performance obligations. Pursuant to IFRS 9 the revenue related to working capital is treated as interest income.

Step 5: Recognizing revenue upon satisfaction of performance obligations

Per the contract terms the company earns its revenue in the form of fee as and when customers complete purchases at participating merchants using their CIBC and TD aeroplan credit cards.

Aeroplan program

Step 1: Identifying the contract

The company's contracts with participating merchants identify the terms, rights and obligations of each party, and payment terms. Before recognizing revenue the company reviews merchants' status to ensure that it is probable that the company will collect the consideration in exchange for the services as stated in the contract.

Step 2: Identifying performance obligations

The company sells aeroplan miles to merchants and this gives merchants the ability to reward aeroplan miles to their eligible customers.

Step 3: Identifying the transaction price

The contract identifies the price a merchant will pay for each aeroplan mile.

Step 4: Allocating the transaction price to performance obligations

The company provides a single product.

Step 5: Recognizing revenue upon satisfaction of performance obligations

Per the contract terms the company earns its revenue when a merchant purchases an aeroplan mile.

Merchant Cash Advance ("MCA") program

Per the contract terms the company earns its revenue as it collects against the pre-purchased receivables. The collection is specified in the contract and could be either once or twice a week. Pursuant to IFRS 9 the company treats the revenue as interest income.

Share capital

Common shares, and preference shares are classified as equity. Incremental costs directly attributable to the issuance of common shares or preference shares are recognized as a deduction from equity. Share capital is described in note 8 to these consolidated financial statements.

Stock option plan

The company has a stock option plan which is described in note 9 a. The company uses the Black-Scholes option pricing model to determine the fair value of stock options and expenses the fair value over the estimated vesting periods. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest. Any consideration paid by employees or directors on the exercise of stock options is credited to share capital together with any previously recognized compensation expense in contributed surplus.

Restricted Share Unit Plan

The company has a restricted share unit plan which is described in note 9 b.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. As at June 30, 2019 and 2018 the company did not have any outstanding stock options or restricted share grants.

5 Property, plant and equipment

	Computer equipment	Furniture and equipment	Leasehold Improvements	Total
	$	$	$	$
Year ended June 30, 2018				
Opening net book value	$ 44,682	$ 27,460	$ -	$ 72,142
Additions during the year	$ 2,342	$ 1,537	$ -	$ 3,879
Depreciation for the year	$ 26,375	$ 5,677	$ -	$ 32,052
Closing net book value	$ 20,649	$ 23,320	-	$ 43,969
At June 30, 2018				
Cost	**$ 414,641**	**$ 161,626**	**$ 31,874**	**$ 608,141**
Accumulated depreciation	**$ 393,992**	**$ 138,306**	**$ 31,874**	**$ 564,172**
Year ended June 30, 2019				
Opening net book value	$ 20,649	$ 23,320	$ -	$ 43,969
Additions during the year	$ 2,809	$ -	$ -	$ 2,809
Disposal	$ -	-$ 1,600	$ -	-$ 1,600
Depreciation for the year	$ 16,827	$ 13,096	$ -	$ 29,923
Closing net book value	$ 6,631	$ 8,624	$ -	$ 15,255
At June 30, 2019				
Cost	**$ 417,450**	**$ 160,026**	**$ -**	**$ 577,476**
Accumulated amortization	**$ 410,819**	**$ 151,402**	**$ -**	**$ 562,221**

Amortization charge for intangible assets for year ended June 30, 2019 was $nil (2018 - $921. The computer software was fully amortized).

6 Loan payable

	June 30, 2019	June 30, 2018
	$	$
Balance at start of year	**$ 4,427,390**	**$ 4,476,421**
Increase/(Decrease) in borrowing	3,988,686	(49,031)
Balance at end of year	**$ 8,416,076**	**$ 4,427,390**

The Loan payable is a line of credit facility provided by Accord Financial Inc. (“Accord”), and was established in December, 2007. The Loan payable is only available to the company for acquisition of transaction credits. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

On January 4, 2018, the term of the Loan payable facility was renewed for a term ending in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the renewal term, the interest rate is equivalent to the prime rate of a certain Canadian bank plus 9.05%. Prior to the renewal the interest rate was the prime rate plus 11.5%. In addition, effective December 29, 2017, Accord decreased the rate of co-funding in the arrangement from 15% to 10%. That is, Accord funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%. The company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

The facility limit is $8.5 million. In May 2019 Accord increased the limit to $9.2 million for a 45 day period ending June 28, 2019 to ease the company's transition of merchants' to merchant cash advance product following wind-down of the CIBC/TD program (Note 1)

The total interest cost during the year ended June 30, 2019 was $796,782 (2018 $619,256).

7 9% Non-convertible debentures payable

In a prior year, the company issued 12% non-convertible debentures payable ("12% debentures") with a maturity date of December 31, 2017.

In December, 2017 the company re-financed the 12% debentures. The terms of the refinancing were as follows:

1. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with a maturity date of December 31, 2021;
2. The 9% debentures bear interest of 9% per annum payable semi-annually;
3. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
4. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
5. Restructuring bonus payment of $180 for each $1,000 of 9% debentures payable on December 31, 2021; and
6. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units consisting of principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company.

The units were issued as follows:

3. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
4. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

The refinancing was considered a transaction with original debtholders in their capacity as debtholders and accounted for as an exchange of the original debt for units of 9% debentures and common shares. The value of the 9% debentures and common shares was determined as the amount required to extinguish the original loan, with the difference resulting in a gain on the exchange of the debt. The fair value of the 9% debentures issued was determined to be $4,275,389 based on a discounted cash flow of the interest and principal obligations of the 9% debentures. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the refinancing. As a result, a gain of $1,795,103 was recognized on the refinancing. The gain consisted of the book value of the 12% debentures of $5,864,299, including accrued interest and penalties, plus the cash proceeds on the refinancing of $400,000 less the fair value of the 9% debentures of $4,275,389 and financing costs of $193,807.

Movement on 9% debentures

		Debt portion
		$
Fair value of 9% debentures on issuance	$	4,275,389
Restructuring bonus - due 2021 - charge for the year	$	129,924
Accretion charge for the year	$	142,638
Balance at June 30, 2018	**$**	**4,547,951**
Restructuring bonus - due 2021 - charge for the year	$	248,284
Accretion charge for the year	$	299,714
Balance at June 30, 2019	**$**	**5,095,949**

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. The significant financial covenants of the 9% debentures require the company to meet, on a quarterly basis, (i) a defined level of designated current assets, and (ii) a defined level of interest coverage. The company is also required to meet a defined level of designated assets supported by a third party valuation every 60 days.

The company was in default on its interest coverage financial coverage at June 30, 2019 and subsequent to year end. As a result the 9% debentures have been classified as a current liability.

In addition, the company did not pay the interest due June 15, 2019 for the period December 16, 2018 to June 15, 2018. The company obtained a waiver to this event of default on June 21, 2019. As compensation, the company agreed to issue an aggregate of 75 million fully paid common shares to the debentures holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder, prior to July 15, 2019. The company issued the fully paid common shares on July 10, 2019. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the agreement.

Stated interest, restructuring bonus and accretion charges are as follows:

	Year ended June 30, 2019			Year ended June 30, 2018		
	Cash Interest	Restructuring bonus	Accretion charge	Cash Interest	Restructuring bonus	Accretion charge
	$	$	$	$	$	$
12% debentures	$ -	$ -	$ -	$ 295,123	$ -	$ -
9% debentures	500,310	248,284	299,714	261,806	129,924	142,638
Fees - 9% debentures	-	-	-	7,000	-	-
Total	**$ 500,310**	**$ 248,284**	**$ 299,714**	**$ 563,929**	**$ 129,924**	**$ 142,638**

8 Share capital

(a) Authorized

Class A preference - 500,000 shares without par value, non-voting, non-participating, redeemable at the company's option (at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Class B preference – Unlimited number of shares, without par value, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue.

Class C preference - 125,000 shares without par value, non-voting, non-participating, redeemable at the option of either the holder or the company (at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Common – Unlimited number of shares without par value.

(b) Issued Class A preference shares

	Number of shares	$
No par value. At June 30, 2019 and 2018	461,887	$ 3,815

(c) Issued common shares

	Number of shares	$
No par value. At June 30, 2018	782,299,614	$ 24,526,740
No par value. At June 30, 2019	782,299,614	$ 24,526,740

During year ended June 30, 2018 pursuant to the restructuring completed on December 22, 2017 (Note 7), the company issued 643,228,396 common shares. The 643,228,396 common shares comprised 601,728,396 issued pursuant to the refinancing and 41,500,000 common shares were issued as retention bonus to Chief Executive Officer (29,000,000 common shares) and Chief Financial Officer (12,500,000 common shares).

9 Share-based payments

a. Employee stock options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable, the stock option price is to be fixed by the Board of Directors (but may not be less than the Canadian Securities Exchange regulations), the term of the stock options may not exceed five years and payment for the optioned shares is required to be made in full on the exercise of the stock options. All stock options are equity settled. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediately to four years.

The number of employee stock options issuable per the company's stock option plan is 16,688,546.

Movement on stock option plan:

	Number of employee stock options	Weighted average exercise price - $
Outstanding at July 1, 2017	**1,490,000**	**0.050**
Forfeited	(290,000)	0.050
Expired	(1,200,000)	0.050
Outstanding at June 30, 2018 and 2019	-	
Exercisable at June 30, 2018	-	-
Exercisable at June 30, 2019	-	-

The company has recorded $nil of stock-based compensation expense during year ended June 30, 2019 (2018 - $nil).

b. Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board. The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at June 30, 2019 and 2018.

c. Potentially Dilutive Securities

No potentially dilutive securities exist as at June 30, 2019 and 2018.

d. Retention bonus

As discussed above in Note 8 c, in December 2017, 41,500,000 common shares were issued as retention bonuses to the Chief Executive Officer (29,000,000 common shares) and Chief

Financial Officer (12,500,000 common shares). The fair value of the common shares at that time was determined to be nominal.

10 Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company (notes 7), on terms and conditions applicable to the other holders of 12% debentures. The holdings of debentures are tabulated below. The 12% debentures were purchased by the related parties on terms and conditions applicable to the other subscribers.

The holdings of debentures by related parties are tabulated:

	June 30, 2019	June 30, 2018
	$	$
	9% debentures	9% debentures
Director, Chief Executive Officer - K. Ambrose	$ 500,000	$ 500,000
Director - W.Polley - Chairman of the Board of Directors	50,000	50,000
Director - M. Lavine	500,000	500,000
Chief Financial Officer - M.Sabharwal	115,000	115,000
	$ 1,165,000	**$ 1,165,000**

Generation PMCA Corp and Generation IACP Inc. (together "Generation") [formerly Trapeze Capital Corp. and Trapeze Asset Management Inc.]

Generation is the principal shareholder of the company by virtue of their holding as of June 30, 2019 approximately 36% common shares of the company (as of February 29, 2020 approximately 37%) and approximately 49% of the 9% debentures (as of February 29, 2020 approximately 48%), on behalf of their managed accounts.

Key management includes the company's directors and members of the Executive Committee. The members of the Executive Committee are the Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management included:

	Year ended June 30, 2019	**Year ended June 30, 2018**
	$	**$**
Salaries, management bonuses and directors fees	528,995	352,617
Share based compensation – Retention bonus (note 9 d) – nominal value	-	-

	$528,995	**$352,617**

11 Financial instruments

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers. The company generally acquires the rights to receive future cash flows associated with either designated credit card purchases under the CIBC/TD program or receivables under the merchant cash advance product at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 365 days. Accounts receivable and transaction credits are net of applicable allowance, which is established based on the specific credit risk associated with the customer and other relevant information.

The evaluation of collectability of transaction credits is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The amount of the estimates is determined based on the status of the company and the company's historical experience on recoveries.

For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The maximum exposure to credit risk is the net balance of the transaction credits and accounts receivable.

The accounts receivable and transaction credit balances and the related allowance is as follows:

	June 30, 2019	June 30, 2018
	$	$
Transaction credits	$ 9,713,908	$ 5,668,489
Accounts receivable	115,550	117,322
Allowance	(244,829)	(81,063)
Per Consolidated statement of financial position	**$ 9,584,629**	**$ 5,704,748**
Maximum exposure to credit risk	**$ 9,584,629**	**$ 5,704,748**

The transaction credits that are considered impaired and the related allowance is as follows:

	June 30, 2019	June 30, 2018
	$	$
Impaired transaction credits	$ 111,463	$ 74,630
Allowance	(105,616)	(66,559)
Impaired transaction credits not allowed for	**$ 5,847**	**$ 8,071**
The company carries a general allowance towards transaction credits of	$ 134,293	$ 9,504

Movement on allowance for impaired transaction credits

	June 30, 2019	June 30, 2018
	$	$
Balance brought forward at start of year	**$ 76,063**	**$ 529,160**
Allowance created during the year	294,132	312,888
Impaired accounts written off against allowance	(130,286)	(765,985)
Balance carried forward at end of year	**$ 239,909**	**$ 76,063**

(b) Currency risk

Currency risk arises due to fluctuations in foreign currency rates.

Until December 2018 the company operated the Caesars program in the US through its subsidiary Advantex Marketing International (Maryland) Inc. The subsidiary carried accounts receivables and accounts payable that were denominated in US dollars. The accounts receivable and accounts payable balances were nominal.

Included in the undernoted accounts are the following amounts (in USD):

	June 30, 2019	**June 30, 2018**
	$	**$**
Cash and cash equivalents	510	4,045
Accounts receivable	-	2,782
Accounts payable and accrued liabilities	5,879	10,498

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when operational obligations, comprising payroll; accounts payable; interest payable; and capital expenditures, are due.

The company deploys available funds to merchants under its merchant cash advance product, which are disclosed as transaction credits on the consolidated statements of financial position.

The contractual maturities of the company's financial liabilities at June 30, 2019 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year - 3 years $
Loan payable - (note 6)	$8,416,076	$8,416,076	$$-
Accounts payable and accrued liabilities	2,526,829	2,526,829	-
9% debentures - face amount - maturing December 31, 2021 (note 7)	5,559,000		5,559,000
9% debentures cash interest (note 7)	1,522,399	771,934	750,465
9% debentures restructuring bonus (note 7)	1,000,620	-	1,000,620
Total	$19,024,924	$11,714,839	$7,310,085

The contractual maturities of the company's financial liabilities at June 30, 2018 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year - 3 years $
Loan payable (note 6)	$4,427,390	$4,427,390	$-
Accounts payable and accrued liabilities	2,843,718	2,843,718	-
9% debentures - face amount - maturing December 31, 2021 (note 7)	5,559,000	-	5,559,000
9% debentures interest (note 7)	1,751,085	500,310	1,250,775
9% debentures restructuring bonus (note 7)	1,000,620	-	1,000,620
Total	$15,581,813	$7,771,418	$7,810,395

(d) Fair value

The company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of cash and cash equivalents, accounts receivable, transaction credits, accounts payable and accrued liabilities and loan payable approximate their fair values due to the short-term maturity of these instruments.

The 9% debentures were recognized at fair value on initial recording and are now reflected at amortized cost in the consolidated financial statements. A significant amount of estimation was applied in evaluation of the initial fair value of the 9% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital. The carrying value of the 9% debentures reflect their fair value. The fair value is a level 3 determination.

(e) Interest rate risk

The company's activities are funded by two sources of debt; the non-convertible debentures (note 7) which have fixed interest rates, and the loan payable (note 6) which carries a floating interest rate. While the company is not exposed to interest rate risk on account of its non-convertible debenture, its future cash flows are exposed to interest rate risk from the floating interest rate payable on its loan payable. The company does not use derivative instruments to reduce its exposure to interest rate risk.

As disclosed in note 6, during year ended June 30, 2019, the company paid annual interest of $796,782. Interest is calculated daily on the amount outstanding on loan payable and charged monthly. The interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05% per annum. For the year ended June 30, 2019, a 10% increase in interest rates would lead to an additional annual interest cost of $79,678.

12 Capital management

The company's objective is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The company manages its Loan payable, Non-convertible Debentures Payable, and Shareholder deficiency. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth in revenues and net income.

Tabulation of capital base

	At June 30, 2019	At June 30, 2018
	$	$
Loan payable – note 6	8,416,076	4,427,390
Non-convertible debentures – Principal – note 7	5,559,000	5,559,000
Share capital – note 8	24,530,555	24,530,555
Contributed surplus and deficit	(30,797,657)	(29,885,712)
	$7,707,974	$4,631,233

13 Commitments and contingencies

Commitments

As at June 30, 2019, the company is committed to minimum payments with respect to existing leases for equipment and premises:

	Equipment	Premises	Total
Not later than one year	$23,594	$77,671	$101,265-
Later than one year and not later than five years	$14,214	$168,287	$182,501-
Later than five years	$-	$-	$-
Total	**$37,808**	**$245,958**	**$283,766**

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income (loss).

In August 2017 the company renewed its lease for the company's head office for a five year term ending August 31, 2022. The lease payments over the five years total $388,355.

Legal matters

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

14 Income taxes

Income tax recognized in Statement of Profit/(Loss) and Comprehensive Profit/(loss) are as follows:

	2019 **$**	**2018** **$**
Current income taxes	-	-
Deferred income taxes	-	-
	$-	$-

The average combined federal and provincial statutory income rate applicable to the company in Canada for 2019 and 2018 was 26.5% and in the USA for 2019 and 2018 was 21.0%.

Since the company does not have an income tax expense there is no reconciliation between the company's effective income tax rate and the combined statutory income tax rate.

In assessing the ability to realize deferred income tax assets, the company considers whether it is more likely or not that some portion or all of the deferred income tax assets will be utilized in the foreseeable future. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. As at June 30, 2019, there is no certainty that such deferred income tax assets will be utilized and, therefore, such assets have not been recognized on the consolidated statements of financial position. The components of deferred income tax are as follows:

	2019 $	2018 $
Non capital losses carried forward	3,766,000	3,744,000
Property, plant and equipment due to amortization	31,000	40,000
Other	-	4,000
	$3,797,000	$3,788,000
Deferred income tax assets not recognized	(3,797,000)	(3,788,000)
	$-	$-

As at June 30, 2019, the company has gross non-capital income tax losses of approximately $15,045,000 (2018 $14,999,000), which may be carried forward to reduce future income for income tax purposes. The benefit of these losses has not been recognized in these consolidated financial statements. These losses expire between 2020 and 2039, and are tabulated hereunder:

Year ending June 30, 2020	$ 125,000
Year ending June 30, 2021	$ 284,000
Year ending June 30, 2022 and thereafter	$ 14,686,000
	$ 15,045,000

15 Earnings (loss) per share

Basic EPS is calculated by dividing the net income (loss) for the year attributable to equity owners of the company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Basic and Diluted EPS are tabulated.

	2019	2018	
	$	$	
Net profit/(loss) and comprehensive profit/(loss)	$ (911,945)	$ 1,224,298	
Basic and Diluted EPS			
Average number of issued common shares during the year	782,299,614	475,664,707	
Basic EPS	**$ (0.00)**	**$ 0.00**	
There are no potentially dilutive common shares outstanding at June 30, 2019 and 2018. Hence Diluted EPS not computec			

16 Nature of Expenses

		Year ended June 30, 2019	Year ended June 30, 2018
		$	$
Direct expenses			
Costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; and b) cost of sales of digital marketing services		$ 1,279,228	$ 2,085,541
Expense for provision against impaired accounts receivable and transaction credits		287,646	289,429
		$ 1,566,874	**$ 2,374,970**
Selling and Marketing, and General & Administrative			
Salaries and wages including travel		$ 2,770,167	$ 3,162,620
Professional fees		200,053	496,559
Facilities, processing, and office expenses		530,349	687,341
Other		70,019	(52,648)
		$ 3,570,588	**$ 4,293,872**

17 Segment reporting

The company's reportable segments include: (1) CIBC/TD program, (2) Aeroplan program and (3) Caesars program. Where applicable, corporate and other activities are reported separately as Corporate. The CIBC/TD program ended June 15, 2019 and operated in Canada. The Aeroplan program operates in Canada. Caesars program operated in the U.S. and ended in December 2018.

During year ended June 30, 2019 and 2018 the CIBC/TD program related to the merchant-based loyalty program the company developed and managed respectively for CIBC and TD.

The company operates Air Canada's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles.

The company completed the transition of CIBC/TD program to merchant cash advance by end of August 2019 and will be reporting this as a segment from July 1, 2019. The revenues earned and the costs incurred in merchant cash advance are reported as part of CIBC/TD program.

The Chief Operating Decision Maker reviews the segment income statement. The segment assets and liabilities are not reviewed.

Financial information by reportable segment for period ended June 30, 2019 and 2018 is tabulated.

Year ended June 30, 2019

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	5,082,191	1,008,995	9,344	-	6,100,530
Direct expenses	1,011,833	539,823	15,218	-	1,566,874
	4,070,358	469,172	(5,874)	-	4,533,656
Selling & marketing	1,272,031	1,582	55,690	-	1,329,303
General & administrative	1,867,156	370,697	3,433	-	2,241,285
Earnings (loss) from operations before depreciation, amortization and interest	931,171	96,893	(64,997)	-	963,068
Stated Interest - loan payable	796,782	-	-	-	796,782
Stated Interest - Non convertible debentures payable	416,795	82,749	766	-	500,310
Non-cash interest - Non convertible debentures payable - accretion charges and restructuring bonus	456,523	90,636	839	-	547,998
	(738,928)	(76,492)	(66,602)	-	(882,022)
Depreciation and amortization	24,928	4,949	46	-	29,923
Segment (loss)	(763,856)	(81,441)	(66,648)	-	(911,945)

Year ended June 30, 2018

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	6,332,854	1,208,256	34,753	10,894	7,586,757
Direct expenses	1,697,937	642,230	34,803	-	2,374,970
	4,634,917	566,026	(50)	10,894	5,211,787
Selling & marketing	1,711,965	25,434	143,987	-	1,881,386
General & administrative	2,016,658	384,762	11,067	-	2,412,486
Earnings (loss) from operations before depreciation, amortization and interest	906,294	155,830	(155,104)	10,894	917,915
Stated Interest - loan payable	619,256	-	-	-	619,256
Stated Interest - Non convertible debentures payable	471,402	89,940	2,587	-	563,929
Non-cash interest - Non convertible debentures payable - accretion charges and restructuring bonus	227,841	43,470	1,250	-	272,562
	(412,205)	22,420	(158,941)	10,894	(537,832)
Depreciation and amortization	27,563	5,259	151	-	32,973
Gain on debt restructuring	-	-	-	1,795,103	1,795,103
Segment profit/(loss)	(439,768)	17,161	(159,092)	1,805,997	1,224,298

18 Subsequent events

a. On October 28, 2019 the company closed a financing whereby it issued additional $200 units of 9% debentures for gross proceeds of $200,000. The additional 200 units of 9% debentures was a related party transaction and the purchase was on terms and conditions applicable to the other subscribers of 9% debentures. Pursuant to the financing the company issued 21,648,800 fully paid common shares. The funds are to be used to assist in funding: a. the pivot in its announced business strategy following the termination of the CIBC and TD programs, b. funding the completion of its year ended June 30, 2019 audit, and 3. meeting operational requirements.

b. The company is under a cease trade order issued by the Ontario Securities Commission for not filing its year ended June 30, 2019, three months ended September 30, 2019, and three and six months ended December 31, 2019 documents by the due dates of October 28, 2019, November 29, 2019, and February 29, 2020 respectively.

c. On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. The government in Canada has ordered the closure of all non-essential businesses and this partial disruption, even if temporary, may impact the Company's future sales, ability to raise capital, and it's overall business by delaying receipt of principal and fee payments from merchants. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

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Schedule C

ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the three month periods ended September 30, 2018 and 2017

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at November 27, 2018. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three month period ended September 30, 2018 compared to the three month period ended September 30, 2017. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2018, and the interim consolidated financial statements and the related notes for the three months ended September 30, 2018 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

Advantex is a leader in the marketing services industry. The company develops and manages merchant based loyalty programs for its "Affinity partners", Canadian Imperial Bank of Commerce ("CIBC"), The Toronto Dominion Bank ("TD"), Aimia Inc. ("Aimia") and Caesars Entertainment Corporation ("Caesars"). The programs the company operates in partnership with CIBC and TD ("CIBC/TD program"), Aimia ("Aeroplan program") and Caesars ("Caesars program") enable holders of designated CIBC and TD credit cards, members of Aeroplan, and Caesars Total Rewards (holders and members together "consumers") to accelerate earning frequent flyer miles and/or other rewards ("consumer rewards") on completing purchases at participating merchants. Under the umbrella of each program, Advantex markets participating merchants to consumers and on behalf of the merchants issues consumer rewards, provides merchants with business intelligence connected to the spending behaviour of consumers, and at its sole discretion provides merchants with working capital by the pre-purchase of their future sales.

On a combined basis, Advantex has contractual marketing access to millions of Canadian consumers with above-average personal and household income. The company's merchant partner base currently consists of about 950 merchants participating in the three programs and operating across Canada and the US in diverse business segments: restaurants; golf courses; independent inns, resorts and selected hotels; spas; retailers of men's and ladies fashion, footwear and accessories; retailers of sporting goods; florists and garden centres; health and beauty centres; dry cleaners; gift stores; and home décor, many of which are leaders in their respective business segment.

Advantex earns its revenue from merchants participating in its CIBC/TD program, in the form of an agreed marketing fee, for every purchase completed using an eligible CIBC and TD credit card at their establishments. Advantex earns its revenue in the Aeroplan program from selling consumer rewards (aeroplan miles), at an agreed price per consumer reward, to participating merchants. Advantex also earns revenue from processing loyalty rewarding transactions for an Aimia customer. Merchants participating in the Caesars program pay an agreed monthly participation fee.

Advantex's common shares are traded on the Canadian Securities Exchange ("CSE") under the symbol ADX.

<u>Summary – Three months ended September 30, 2018</u>

The financial performance for the three months ended September 30, 2018 reflects a stable merchant population and a lean but efficient cost structure.

The financial results for the three months reflect an improvement in all key metrics - gross margin; earnings from operations before depreciation, amortization and interest; and a significant reduction in net loss compared to corresponding period previous year.

Since January 2018 the company is focused on re-building its sales organization and refreshing its product offering so that it can initially stabilize merchant population and then increase merchant participation in its core business, the CIBC/TD program. Merchant population is the primary driver of revenues and profitability.

The task of developing the optimal sales organization is taking longer than initially estimated and expectation is this task will be complete during fiscal year ending June 30, 2019. At the same time the company continues to refresh its product to meet the changing market conditions. The company believes it has to expand its go to market methodology and to this end is developing synergistic partnerships with service providers in the small merchant market.

The financial highlights for the three months ended September 30, 2018 ("Q1 Fiscal 2019") compared to three months ended September 30, 2017 ("Q1 Fiscal 2018") are summarized in the tabulation:

	Q1 Fiscal 2019	Q1 Fiscal 2018
	$	$
Revenues		
CIBC/TD program	$ 1,609,212	$ 1,708,296
Aeroplan program	230,947	287,967
Caesars program	5,975	9,906
	$ 1,846,134	**$ 2,006,169**
Gross profit	**$ 1,401,623**	**$ 1,392,690**
Gross margin	75.9%	69.4%
Earnings from operations before depreciation, amortization and interest	**$ 396,087**	**$ 163,408**
Net loss and Comprehensive loss	**$ (24,747)**	**$ (171,305)**

Income Statement – Q1 Fiscal 2019 compared to Q1 Fiscal 2018

The $160,035 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $99,084 (5.8%). CIBC/TD program accounts for a significant share of the company's revenues (about 85% in both fiscal periods). The decline primarily reflects lower merchant participation in the CIBC/TD program. The average merchant participation during Q1 Fiscal 2019 at 572 was 8.9% lower compared to Q1 Fiscal 2018. The decline in merchant participation is explained in the section Revenues in this document.

Gross profit was flat. ($1,401,623 for Q1 Fiscal 2019 compared to $1,392,630 for Q1 Fiscal 2018). CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was higher by $22,997 reflecting higher program margin (79.9% for Q1 Fiscal 2019 compared to 74.0% for Q1 Fiscal 2018) which offset the lower program revenues. Gross profit is reviewed in sections Direct Expenses and Gross Profit in this document.

Selling expenses were $12,779 lower compared to Q1 Fiscal 2018. The lower selling expenses reflect lower payroll costs of $35,423 offset by higher legal cost connected to merchant litigation. In both periods payroll costs accounted for over 85% of the selling expenses. Lower payroll costs primarily reflect headcount.

General & Administrative (G&A) expenses were $210,967 lower compared to Q1 Fiscal 2018 reflecting lower: (i) payroll costs ($34,581), (ii) severance costs ($52,000) and (iii) other overheads ($124,386). Lower payroll costs primarily reflect lower headcount. Additional details provided in section G&A Expenses.

Increase of $232,679 compared to Q1 Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects lower direct costs and Selling/G&A expenses offsetting decline in revenues. The cost structure reflects efficient use of resources.

Q1 Fiscal 2019 reflects a decrease in stated interest cost ($46,611). The decrease reflects:

(i) lower interest ($16,675) paid on loan payable which reflects lower interest rate from January 1, 2018 on a flat utilization of loan payable; and
(ii) lower interest ($29,936) reflecting primarily lower coupon on 9% non-convertible debentures payable ("9% debentures") issued in December 2017 compared to 12% non-convertible debentures payable ("12% debentures"). The lower coupon offset the higher principal ($400,000) of the 9% debentures compared to 12% debentures.

Q1 Fiscal 2019 reflects higher non-cash interest of $135,675 compared to $nil for Q1 Fiscal 2018. The non-cash interest is restructuring bonus ($62,581) and accretion charges ($73,094) reflecting terms of the 9% debentures.

Depreciation and amortization expense was lower flat.

The above factors are reflected in a modest net loss of $24,747 compared to $171,305 for Q1 Fiscal 2018. An improvement of $146,558.

Balance Sheet – Q1 Fiscal 2019 compared to Q1 Fiscal 2018

Transaction credits at September 30, 2018 were $5,927,402 compared to $5,546,596 at September 30, 2017. Transaction credits account for 91% of Q1 Fiscal 2019 total assets (Q1 Fiscal 2018 87%). Merchant count at September 30, 2018 was 561 compared to 616 at September 30, 2017. The increase in transaction credits in relation to merchant participation is primarily a reflection of the availability of working capital, post restructuring completed in December 2017, leading to increased purchase of transaction credits from the company's existing merchant portfolio. The movement in merchant participation is discussed in the section Revenue in this document.

During Q1 Fiscal 2019 the company placed cash surplus to its immediate working capital needs with provider of loan payable. This reduced the interest cost on loan payable. The amount of such cash at September 30, 2018 was $450,000 (September 30, 2017 $nil). The loan payable is used to fund pre-purchase at a discount future sales at merchants ("transaction credits"). Adjusting for the $450,000, the loan payable balance was $455,150 higher compared to Q1 Fiscal 2018. The increase was to expectation given the increase in transaction credits and consequent to the change in the co-funding formula from 85:15 to 90:10 from end of December 2017. Timing of collection from and deployment of advances to merchants also effects the balance at period ends.

Accounts payable and accrued liabilities at September 30, 2018 are lower by $805,364 compared to September 30, 2017 and reflect extinguishment of certain liabilities – primarily interest payable on 12% debentures and a portion of directors fees – and steady payment of liabilities – generally in the form of agreed payment plans - post restructuring of December 2017.

A detailed look at the results for Q1 Fiscal 2019 compared to Q1 Fiscal 2018 is set out in the following sections.

Outlook

The company continues to maintain the outlook noted in the management discussion and analysis for fiscal year ended June 30, 2018. Reproduced hereunder.

The recent bid for Aimia's Aeroplan business by Air Canada led consortium which includes CIBC, TD and Visa demonstrates the importance of reward currency to credit card issuers. The company provides a reward accelerator service to CIBC and TD whereby holders of their designated credit cards earn bonus rewards. The service is essentially funded by Advantex through operation of its CIBC/TD program. The company also operates a retail level re-seller program for Aimia which gives Aeroplan exposure at the neighborhood level.

The company's assets are its Affinity partnerships with CIBC, TD, Aimia and Caesars, its merchant portfolio and its unique product offerings which seamlessly connect, through the company's proprietary technology, merchants to consumers. The company believes that it has a unique product – working capital, loyalty marketing and business analytics at affordable prices - for the small independent merchant space. The company's systems and processes can rapidly onboard new affinity partners and the business is scalable. Loyalty marketing is a multi-billion dollar business in North America and Advantex is well positioned to gain a wider share of this market with its proprietary technology and its outstanding partners. Based on initial discussions with organizations across North America it believes it has the opportunity to expand its operations beyond Canada.

Following close of restructuring of financial partnerships the company upgraded its outlook at the end of December 2017. The company believes it has the time and access to adequate additional working capital to transition to the next phase of recovery of the company's core business during which it expects a gradual but sustained growth in its CIBC/TD program merchant base and related revenues. The company believes it has the support of its Affinity and Financial partners, and its staff during the transition.

Expansion beyond Canada is on the company's roadmap. To execute, the company would require investment in the form of equity.

Results of Operations

	Q1 Fiscal 2019	Q1 Fiscal 2018
	$	$
Revenues	**$ 1,846,134**	**$ 2,006,169**
Direct Expenses - Cost of cardholder rewards and marketing merchants to cardholders	406,739	481,575
Direct Expenses - Expense for provision against delinquent accounts	37,772	131,904
Gross profit	**$ 1,401,623**	**$ 1,392,690**
Selling and General & Administrative	1,005,536	1,229,282
Earnings from operations before depreciation, amortization and interest	**$ 396,087**	**$ 163,408**
Cash interest on loan payable and debentures	279,211	325,822
Earnings (loss) from operations before depreciation, amortization and non-cash interest on debentures (accretion charges and restructuring bonus)	**$ 116,876**	**$ (162,414)**
Depreciation and amortization	5,948	8,891
Non cash interest expense on debentures	135,675	-
Net loss and Comprehensive loss	**$ (24,747)**	**$ (171,305)**
Basic and Diluted loss per share	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

	At September 30, 2018	At June 30, 2018	Increase/ (Decrease)
	$	$	$
Current assets	$ 6,464,269	$ 6,419,933	$ 44,336
Total assets	$ 6,505,100	$ 6,463,902	$ 41,198
Shareholders' deficiency	$ (5,379,904)	$ (5,355,157)	$ 24,747

The current assets and total assets at September 30, 2018 are flat compared to June 30, 2018 reflecting a stability in the CIBC/TD program at September 30, 2018 relative to June 30, 2018. Merchant participation at June 30, 2018 was 583 and was 561 at September 30, 2018.

The movement in the shareholders' deficit reflects net loss during Q1 Fiscal 2019.

Extracts from the Statement of Cash Flow

	Q1 Fiscal 2019	Q1 Fiscal 2018	Change
	$	$	$
Net loss	$ (24,747)	$ (171,305)	$ 146,558
Adjustments for non cash expenses	141,623	8,891	132,732
Profit/(loss) after adjustments for non cash expenses	$ 116,876	$ (162,414)	$ 279,290
Changes in working capital	(653,461)	69,518	(722,979)
Net cash provided by financing activities supporting working capital	206,096	151,915	54,181
Net cash (used in) provided by operations and financing activities	$ (330,489)	$ 59,019	$ (389,508)
Net cash (used in) investing activities	$ (2,810)	$ -	$ (2,810)
(Decrease) Increase in cash and cash equivalents	(333,299)	59,019	$ (392,318)
Cash and cash equivalents at start of period	$ 635,836	$ 367,357	$ 268,479
Cash and cash equivalents at end of period	$ 302,537	$ 426,376	$ (123,839)

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. Q1 Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $334,976 and decrease in accounts payable and accrued liabilities of $275,826. While the merchant participation at September 30, 2018 is flat compared to June 30, 2018 there is an increase in transaction credits and this reflects higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring offset by increase in provision for 9% debenture interest for the period June 16, 2018 to September 30, 2018. During Q1 Fiscal 2018 the change reflects nominal movement in the various working capital items. This reflects stability in the CIBC/TD program during Q1 Fiscal 2018 relative to balance sheet at June 30, 2017.

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with two affinity partners and certain vendors. The company had a payment plan with CIBC to settle outstanding amounts by July 31, 2017 and these were settled by the due date.

Financing activities. Q1 Fiscal 2019 reflects the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization. During Q1 Fiscal 2018 the movement in loan payable reflects changes in merchant participation. Both periods reflect the timing difference between the company's ongoing deployment and collection of transaction credits from merchants participating in its CIBC/TD program's APM product. Merchant participation is discussed in the section Revenue.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three months ended September 30, 2018, and have been included to provide additional analysis for the reader.

Revenue

The company's revenue is derived from merchants participating in its Retail programs which currently consist of the CIBC/TD program, the Aeroplan program and Caesars program.

The Retail programs have five business products. APM, Marketing Only, Re-seller, Processing and Participation fee which are described later in this section.

The CIBC/TD program operates the APM, and Marketing Only business products.

The Aeroplan program operates the Re-seller and Processing products.

The Caesars program operates the Participation fee product.

The nature of the company's products is as follows:

Advance Purchase Marketing ("APM"): The company acquires the rights to cash flow from future designated CIBC and TD credit card transactions at a discount from participating merchants (transaction credits on consolidated statement of financial position) and promotes the merchant by way of targeted marketing to holders of designated CIBC/TD credit cards, issues consumer rewards to consumers when they complete purchases at participating merchants, and provides merchants with business intelligence connected to the spending behaviour of consumers. The company's revenue is from the purchases completed at the participating merchants using designated CIBC and TD credit cards, net of the company's costs to acquire the transaction credits. Proceeds from the amount spent on above noted CIBC/TD credit cards at participating merchants are received by the company and a predetermined portion is applied to reduce the transaction credit balance.

Marketing Only: The company does not acquire transaction credits. In all other respects Marketing Only is similar to APM. Revenue is earned in the form of an agreed marketing fee for every purchase completed using CIBC/TD credit card (as defined under APM) at participating merchants.

Re-seller: The company sells aeroplan miles to small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan mile, when the participating merchant issues aeroplan miles to an Aeroplan member completing a qualifying transaction at the merchant.

Processing: The company processes issuance of aeroplan miles for a Aimia customer. Revenue is recognized at the agreed price per aeroplan mile processed by the company. This activity generated about 15% of Aeroplan program revenues during Fiscal 2018 (Fiscal 2017 just over 4%).

Participation fee: The company markets participating merchants to Caesars Total Rewards members and the merchant issues total rewards loyalty points to Total Rewards members completing a qualifying transaction at the merchant. The merchant pays an agreed monthly fee to Advantex.

The drivers for revenues from the CIBC/TD program are:

6. Number of participating merchants;
7. Market penetration of the CIBC/TD credit cards;
8. Economic environment;
9. Mix of merchants in terms of their volume of CIBC/TD credit card transactions; and
10. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM product is higher compared to Marketing Only.

The revenues from the Re-seller product reflect the number of participating merchants, traffic of aeroplan members completing purchases at participating merchants and the level of engagement of participating merchants in the program.

The revenues from the Caesars program are dependent on the number of participating merchants. About 60 merchants are participating in the program as of date hereof.

The company believes the primary driver of revenues across all programs is the number of merchants participating in the programs.

The revenue trends are provided in the tabulation.

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)	Inc./(Dec)
Avg. # of merchants participating during the periods				
CIBC/TD program	572	628	(56)	-8.9%
Aeroplan program	334	373	(39)	-10.5%
	$	$	$	
Revenues				
CIBC/TD program	$ 1,609,212	$ 1,708,296	$ (99,084)	-5.8%
Aeroplan program	230,947	287,967	(57,020)	-19.8%
Caesars program	5,975	9,906	(3,931)	
	$ 1,846,134	**$ 2,006,169**	**$ (160,035)**	**-8.0%**

CIBC/TD program

The lower merchant participation during Q1 Fiscal 2019 compared to Q1 Fiscal 2018 is the primary reason for decline in revenues.

Until close of the restructuring in December 2017 there was deficiency of working capital. This severely limited the company's ability to re-build its sales organization and to pre-purchase future sales from new merchants wishing to enroll in the company's APM product. Consequently the company was unable to arrest the decline in merchant participation during the first half of Fiscal 2018; merchant count at June 30, 2017 was 640 and at December 31, 2017 it was 594. Post restructuring the company has begun to stabilize merchant participation (583 at June 30, 2018 and 561 at September 30, 2019.

The company started to re-build its sales organization from middle of March 2017. The goal was to create a sales organization that would, post restructuring, enable a gradual and sustained growth in merchant count and revenues. The company expected to re-build the sales organization by end of May 2018 but it is expected to take a couple of iterations before the ideal team is in place. Expectation of completion during the course of fiscal year ending June 30, 2019.

<u>Aeroplan program</u>

The decline in revenues of $57,020 is primarily due to lower re-seller revenues ($52,477) which in turn is a reflection of lower merchant participation.

Direct Expenses

In the CIBC/TD program, direct expenses include costs of consumer rewards which the company purchases from CIBC and TD, the cost of marketing and advertising on behalf of merchants, cost of sales of digital marketing services and provision against receivables.

In the Aeroplan program, direct expenses are primarily costs of consumer rewards which the company purchases from Aimia. Other costs include cost of marketing and advertising on behalf of merchants and provision against receivables.

Caesars program direct expenses are costs of consumer rewards which the company purchases from Caesars.

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
Revenues			
CIBC/TD program	$ 1,609,212	$ 1,708,296	-5.8%
Aeroplan program	230,947	287,967	-19.8%
Caesars program	5,975	9,906	-39.7%
	$ 1,846,134	**$ 2,006,169**	**-8.0%**
Direct expenses			
CIBC/TD program	$ 322,814	$ 444,895	-27.4%
Aeroplan program	117,425	162,918	-27.9%
Caesars program	4,272	5,666	-24.6%
	$ 444,511	**$ 613,479**	**-27.5%**

➢ CIBC/TD program

	Q1 Fiscal 2019		Q1 Fiscal 2018		Inc./(Dec)
	$		$		%
Avg. # of merchants participating during the periods		572		628	-8.9%
Revenue	$	1,609,212	$	1,708,296	-5.8%
Direct expenses					
Consumer rewards	$	273,961	$	296,546	-7.6%
Marketing and advertising		61,081		66,445	-8.1%
Marketing support by Affinity partners		(50,000)		(50,000)	0.0%
Expense for delinquent accounts		37,772		131,904	-71.4%
	$	322,814	$	444,895	-27.4%

The Q1 Fiscal 2019 decline in cost of consumer rewards primarily reflects decline in merchant population.

The Q1 Fiscal 2019 decrease in marketing and advertising costs relative to merchant participation and revenues primarily reflects timing of marketing expenditures which vary in a fiscal year. Timing is driven by marketing needs of the merchant portfolio and the marketing calendars of Affinity partners.

Q1 Fiscal 2019 expense for delinquent accounts – at 2.3% of revenues - is lower than expectations of 5%-6% range and lower than trend for Fiscal 2018 of 4.3%, reflecting a combination of improved due diligence processes and better credit environment. The company now expects the expense for Fiscal year ending June 30, 2019 to be in the 3%-4% range. Delinquencies are discussed in the section Critical Accounting Estimates – Credit Risk.

- Aeroplan program.

	Q1 Fiscal 2019		Q1 Fiscal 2018		Inc./(Dec)
	$		$		%
Avg. # of merchants participating during the periods		334		373	-10.5%
Revenue - Re-seller	$	198,961	$	251,438	-20.9%
Revenue - Processing (no Direct Expenses)	$	31,986	$	36,529	-12.4%
	$	230,947	$	287,967	-19.8%
Direct expenses					
Consumer rewards		117,425		162,918	-27.9%
	$	117,425	$	162,918	-27.9%

The decrease in Q1 Fiscal 2019 direct expenses primarily reflects decline in revenues.

Gross Profit

Gross margins of Q1 Fiscal 2019 compared to Q1 Fiscal 2018 are tabulated.

	Q1 Fiscal 2019	Q1 Fiscal 2018
CIBC/TD program	79.9%	74.0%
Aeroplan program	49.2%	43.4%

Improvement in Q1 Fiscal 2019 CIBC/TD program gross margin reflects lower direct expenses which are explained in section Direct Expenses in this document.

Improvement in Q1 Fiscal 2019 Aeroplan program gross margin reflects lower direct expenses on the re-seller business and increase in the processing business (which has no direct expenses) to 13.8% of Aeroplan program revenues compared to 12.7% in Q1 Fiscal 2018.

The company gross profit in Q1 Fiscal 2019 was flat compared to Q1 Fiscal 2018 reflecting higher CIBC/TD program gross margins offsetting lower revenues (5.8%) of this program. For both periods under review CIBC/TD program accounts for about 90% of company gross profit.

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
CIBC/TD program	$ 1,286,398	$ 1,263,401	1.8%
Aeroplan program	$ 113,522	125,049	-9.2%
Caesars program	$ 1,703	4,240	-59.8%
	$ 1,401,623	**$ 1,392,690**	**0.6%**

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. The significant component is cost of sales staff.

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
Revenues			
CIBC/TD program	$ 1,609,212	$ 1,708,296	-5.8%
Aeroplan program	230,947	287,967	-19.8%
Caesars program	5,975	9,906	-39.7%
	$ 1,846,134	**$ 2,006,169**	**-8.0%**
Selling expenses			
CIBC/TD program	$ 436,210	$ 444,155	-1.8%
Aeroplan program	1,582	5,018	-68.5%
Caesars program	29,627	31,025	-4.5%
	$ 467,419	**$ 480,198**	**-2.7%**
Remuneration of sales staff	$ 404,660	$ 440,083	
Remuneration as % of selling expenses	86.6%	91.6%	

CIBC/TD program

The company started to re-build its sales organization from middle of March 2017. The goal is to create a sales organization that would, post restructuring, enable a gradual and sustained growth in merchant count and revenues. The company expected to re-build the sales organization by end of May 2018 but it is expected to take a couple of iterations before the ideal team is in place. Expectation of completion during fiscal year ending June 30, 2019. The costs reflect team building process.

Aeroplan program

The sales and account management functions were managed by resources from CIBC/TD program and other internal functions. This has aligned costs to expected medium term activity levels.

General and Administrative Expenses ("G&A")

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overheads, capital and income taxes, and foreign exchange gains/(losses).

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
Change in revenues			**-8.0%**
G&A			
Compensation for non-sales staff	$ 365,720	$ 400,301	-8.6%
Severances	$ -	$ 52,000	
All other G&A expenses	172,397	296,783	
	$ 538,117	**$ 749,084**	**-28.2%**

Compensation

Q1 Fiscal 2019 reflects the optimal organization in relation to expected medium term activity levels. Q1 Fiscal 2018 reflects the closing phase of rightsizing.

All other expenses

Both periods reflect focus on cost management. Q1 Fiscal 2019 reflects write-back of about $36,000 from provision for legal expenses on account of rebate received from advisors. In addition, Q1 Fiscal

2019 directors’ fees is lower on account of smaller membership (independent directors – 2 during Q1 Fiscal 2019 compared to 3 during Q1 Fiscal 2018).

Interest Expense

The interest expense is tabulated:

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	%
Stated ("Cash") interest expense			
Loan payable	$ 153,105	$ 169,780	-9.8%
12% debentures	-	156,042	
9% debentures	126,106	-	
	$ 279,211	$ 325,822	-14.3%
Non cash interest - accretion charge - on 9% debentures	$ 73,094		
Non cash interest - restructuring bonus - on 9% debentures	$ 62,581	$ -	
	$ 414,886	**$ 325,822**	**27.3%**

Q1 Fiscal 2019 reflects a decrease in stated interest cost ($46,611). The decrease reflects

(i) lower interest ($16,675) paid on loan payable which reflects lower interest rate from January 1, 2018 on a flat utilization of loan payable; and

(ii) lower interest ($29,936) reflecting primarily lower coupon on 9% non-convertible debentures payable ("9% debentures") issued in December 2017 compared to 12% non-convertible debentures payable ("12% debentures"). The lower coupon offset the higher principal ($400,000) of the 9% debentures compared 12% debentures.

Q1 Fiscal 2019 reflects higher non-cash interest of $135,675 compared to $nil for Q1 Fiscal 2018. The non-cash interest is restructuring bonus ($62,581) and accretion charges ($73,094) reflecting terms of the 9% debentures.

Loan payable and 9% and 12% debentures are described in later sections in this document.

Net Loss

Highlights of Q1 Fiscal 2019 compared to Q1 Fiscal 2018 are tabulated:

	Q1 Fiscal 2019	Q1 Fiscal 2018	Inc./(Dec)
	$	$	$
Revenues	$ 1,846,134	$ 2,006,169	$ (160,035)
Gross margin	75.9%	69.4%	
Gross profit	$ 1,401,623	$ 1,392,690	$ 8,933
Earnings from operations before depreciation, amortization and interest	$ 396,087	$ 163,408	$ 232,679
Net loss and Comprehensive loss	$ (24,747)	$ (171,305)	$ 146,558
Basic and Diluted loss per share	$ (0.00)	$ (0.00)	

The $160,035 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $99,084 (5.8%). CIBC/TD program accounts for about 85% of company revenues in both fiscal periods. Gross profit is flat and reflects higher CIBC/TD program gross margin which offset the decline in the CIBC/TD program revenues. CIBC/TD program accounts for about 90% gross profit in both fiscal periods. The improvement of $232,679 in earnings from operations before depreciation, amortization and interest reflects lower SG&A of $223,746. The stated interest costs were lower by $46,611. The savings on account of stated interest, which is cash interest, were completely offset by non-cash interest costs of $135,675 relating to 9% debentures. Depreciation and amortization expense was flat. Q1 Fiscal 2019 net loss of $24,747 compares favourably to net loss of $171,305, an improvement of $146,558. The improvement reflects the above noted factors and these are explained in the respective sections earlier in this document.

Working Capital and Liquidity Management

	Q1 Fiscal 2019	Q1 Fiscal 2018
	$	$
Funds available to expand the CIBC/TD programs APM product (Transaction credits on the balance sheet) and meet working capital needs		
Net loss	$ (24,747)	$ (171,305)
Adjustments for non cash expenses	141,623	8,891
Profit (loss) after adjustment for non cash expenses	116,876	(162,414)
Cash balances at start of the period	635,836	367,357
Inc in loan payable	206,096	151,915
	$ 958,808	**$ 356,858**
Utilization of funds		
Cash balances at end of period	$ 302,537	$ 426,376
Inc in accounts receivable	43,743	71,640
Inc (Dec) in transaction credits	334,976	(3,116)
Inc (Dec) in accounts payable and accrued liabilities	275,826	(141,122)
Changes in all other working capital items	(1,084)	3,080
Capital expenditures	2,810	-
	$ 958,808	**$ 356,858**

In December 2017 the company completed a restructuring of its financial partnership. The restructuring is explained in sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable in this document. Post restructuring and to date cash and cash equivalents surplus to immediate operating requirements were used to reduce the loan payable and consequently the interest paid. Balance of such cash and cash equivalents at September 30, 2018 was $450,000.

The company believes that increasing the amount of the transaction credits deployed with merchants under the CIBC/TD program's APM product will result in higher revenue and, consequently, improve the company's financial results and cash flows. Generally, the change in transaction credits partially reflects the change in the number of merchants participating in the APM product, as well as the amount of transaction credits deployed with its existing merchants.

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. Q1 Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $334,976 and decrease in accounts payable and accrued liabilities of $275,826. While the merchant participation at September 30, 2018 is flat compared to June 30, 2018 there is an increase in transaction credits and this reflects higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring offset by increase in provision for 9% debenture interest for the period June 16, 2018 to September 30, 2018. During Q1 Fiscal 2018 the change reflects nominal movement in the various working capital items. This reflects stability in the CIBC/TD program during Q1 Fiscal 2018 relative to balance sheet at June 30, 2017.

Financing activities. Q1 Fiscal 2019 reflects the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization. During Q1 Fiscal 2018 the movement in loan payable reflects changes in merchant participation. Both periods reflect the timing difference between the company's ongoing deployment and collection of transaction credits from merchants participating in its CIBC/TD program's APM product. Merchant participation is discussed in the section Revenue.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with two affinity partners and certain vendors. The company had a payment plan with CIBC to settle outstanding amounts by July 31, 2017 and these were settled by the due date.

While, generally the cash balances at the end of a quarter/year reflect cash generated/(used) by operations [profit/(loss) before depreciation of property, plant and equipment, and amortization of intangible assets; and non-cash interest on debentures, the other factors are timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, funds from Affinity partners towards marketing initiatives. The additional consideration at September 30, 2018 is the cash raised following the close of restructuring with its financial partners. Furthermore, cash surplus to immediate operating requirements was used to reduce the loan payable and consequently the interest cost. Balance of such cash at September 30, 2018 was $450,000.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document. Both the partnerships are set-up for maturity/expiry in December 2021, on terms that the company believes are beneficial, and provide access to adequate additional working capital to transition to the next phase of recovery of the company's core business during which it expects a gradual but sustained growth in its CIBC/TD program merchant base and related revenues.

To continue its current operations and fund growth beyond Fiscal year ended June 30, 2018 and period ended September 30, 2018, the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity.

The company's future success is dependent on retaining its existing relationships with CIBC, TD, Aimia, Accord and holders of 9% debentures and it believes it has their support.

While the company has significant shareholders deficit and current liabilities exceed current assets at September 30, 2018, based on the recent restructuring of its financial partnerships, extension of agreement with TD, expected extension of agreement, expiring March 31, 2019, with CIBC, belief in its ability to transition to the next phase of recovery of its core business, payments plans with suppliers, the company believes it has adequate working capital to meet its operational needs and meet its payment obligations for the next 12 months.

Except for the leasing arrangements the company does not participate in off balance sheet financing arrangements.

Contractual Obligations

Contractual obligations as at September 30, 2018 were due as follow:

	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 4,633,486	$ 4,633,486	$ -	$ -
9% debentures	$ 5,559,000	$ -	$ -	$ 5,559,000
Operating leases	$ 54,413	$ 29,357	$ 25,056	$ -
	$ 10,246,899	**$ 4,662,843**	**$ 25,056**	**$ 5,559,000**

In addition, 9% debenture interest of $1,751,085 is payable for the period June 16, 2018 to maturity on December 31, 2021 (interest is paid semi-annually, June 15 and December 15). The company also has a liability of restructuring bonus for $1,000,620 to the holders of the 9% debentures payable on December 31, 2021.

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

Furthermore, in August 2017 the company renewed its lease for the company's head office for five year term ending August 31, 2022. The commitment from October 2018 to August 2022 is $304,211.

Loan Payable

The loan payable is a line of credit facility with Accord Financial Inc. ("Accord") to be used exclusively to fund the merchants participating in the APM product in the business segments available to the company under its agreements with CIBC, TD and Aimia. As security, Accord has first charge to all amounts due from merchants funded from the loan payable.

The loan payable was established in December 2007. The current term of the loan payable is due to expire in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the renewal term commencing January 1, 2018 the interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05% (compared to prime rate plus 11.5% until December 31, 2017). Furthermore, during the renewal term the co-funding arrangement is amended to 90:10, whereby Accord funds 90% of each dollar of amounts funded to merchants. The company funds 10%. This compares to 85:15 arrangement until December 28, 2017.

The facility has a limit of $8.5 million.

Interest is calculated daily on the amount outstanding and charged monthly.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The company had utilized $4.6 million of the facility at September 30, 2018 (at September 30, 2017 $4.6 million).

With the change in the loan payable terms effective January 1, 2018, the company and Accord did not renew the temporary overdraft facility of $100,000 which expired December 31, 2017.

12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable

On December 30, 2013, the company issued 12% non-convertible debentures ("12% debentures"), by way of a private placement, in the principal amount of $5,159,000. The 12% debentures were issued as units. Each unit comprised (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and with an initial maturity date of September 30, 2016, and (ii) 8,150 common shares in the capital of the company. The company issued 5,159 units and 42,045,850 common shares. The maturity date went through several extensions with the latest maturity date of December 31, 2017. The company was in breach of all its financial covenants since September 30, 2016, had not paid the interest since January 1, 2017 and was not in a position to re-pay the 12% debentures.

On December 22, 2017 the company announced it re-financed the new 12% debentures with the approval of existing holders of the 12% debentures. The terms of the refinancing are as follows:

7. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with maturity date of December 31, 2021;
8. The 9% debentures bear interest rate of 9% per annum payable semi-annually;
9. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
10. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
11. Restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021; and
12. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units comprising principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company, comprising:

5. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
6. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

Under the agreement, the proceeds of the 9% debentures are to be used for working capital purposes.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. In October 2018 the 9% debentures holders amended and re-set certain financial covenants for quarters ending December 31, 2018 to June 30, 2020. The significant financial covenants of the 9% debentures require the company to meet on a quarterly basis (i) commencing the quarter ended March 31, 2018 a defined level of designated current assets, and (ii) commencing June 30, 2019 a defined level of interest coverage. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in compliance with financial covenants at March 31, 2018, June 30, 2018 and September 30, 2018.

Summary of Quarterly Results

12 month period ended September 30, 2018					
	Q2	Q3	Q4	Q1	Total
	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	
	$	$	$	$	$
Revenues	2.0	1.7	1.9	2.0	7.6
% of annual revenues	26.3%	22.4%	25.0%	26.3%	100.0%
Net Profit (Loss)	1.8	(0.1)	(0.3)	-	1.4
Profit (Loss) per share - Basic and Diluted	0.01	-	-	-	-
12 Month period ended September 30, 2017					
	Q2	Q3	Q4	Q1	Total
	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	
	$	$	$	$	$
Revenues	2.4	1.9	2.3	2.0	8.6
% of annual revenues	27.9%	22.1%	26.7%	23.3%	100.0%
Net Loss	(0.2)	(0.5)	(0.4)	(0.2)	(1.3)
Profit (Loss) per share - Basic and Diluted	-	-	-	-	(0.01)

The fluctuations in the company’s quarterly revenues from its Retail programs reflect seasonal consumer behavior at merchants participating in the Retail programs, as well as the other factors described under section Revenue in this document.

The fluctuations in the company’s quarterly results reflect revenues and the costs to earn the revenues.

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

Critical Accounting Estimates

The preparation of the company's consolidated financial statements, in accordance with IFRS, requires the company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim and annual consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The company's significant accounting policies are disclosed in note 4 to the audited consolidated financial statements for year ended June 30, 2018. The adoption of IFRS 9 and IFRS 15, applicable for the company's fiscal year which commenced July 1, 2018, had no material impact on the company's consolidated financial statements for the three months ended September 30, 2018.

Contingent liabilities

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding continuation of its agreement with CIBC and TD, ability to access additional sources of working capital in the form of either debt or equity, continued access to existing sources of debt, growth of its existing business and development of new lines of business. The forecasts also include the reset of financial covenants obtained in October 2018 (Note 8 in Consolidated Financial Statements for year ended June 30, 2018, and under 12% non-convertible debentures payable and 9% non-convertible debentures payable in this document). The reset of the covenants allowed management to determine that the company has sufficient funds to meet its obligations for the ensuing twelve months resulting in no material uncertainty. The company concluded that there were no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern based on the judgement that forecasted results will be attained and that management could reduce salaries and other costs if forecasted revenues and margins were not achieved.

Financial instruments – fair value

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities, loan payable approximate their fair values due to the short-term maturity of these instruments.

A significant amount of estimation was applied in evaluation the fair value of the 9% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

The company has certain business risks linked to the collection of its transaction credits. Under the APM product the company generally acquires the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are estimated to be fully extinguishable within 30 – 270 days. Until these transaction credits have been extinguished through designated cardholder spend at participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 270 days. In the event of default, the company has set up escalating collection measures, and an allowance is determined on specifically identified transaction credit balances that are delinquent and amount of the specific provision is determined based on whether the account has been referred to collection agency, for legal action, whether the company's attempt to debit the merchant's bank account for payments due to the company has been rejected, the underlying reason for the rejections, and the company's historical experience on recoveries.

The maximum exposure to credit risk is the balance, net of provision for impaired accounts, of the transaction credits, and accounts receivable.

The accounts receivable, transaction credits, and the allowance is as follows:

	At September 30, 2018	At June 30, 2018
	$	$
Transaction credits	$ 5,955,015	$ 5,668,489
Accounts receivable	177,283	117,322
Allowance	(48,831)	(81,063)
Per statement of financial position	$ 6,083,467	$ 5,704,748
Maximum exposure to credit risk	$ 6,083,467	$ 5,704,748

The transaction credits that are considered impaired and the related allowance is as follows:

	At September 30, 2018	At June 30, 2018
	$	$
Impaired transaction credits	$ 23,356	$ 74,630
Allowance	(19,485)	(66,559)
Impaired transaction credits not allowed for	$ 3,871	$ 8,071
The company carries a general allowance towards transaction credits of	$ 8,128	$ 9,504

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable; the stock option price is to be fixed by the Board of Directors but may not be less than the regulations of the stock exchange on which the company's common shares are listed; the term of the stock options may not exceed five years, and payment for the optioned shares is required to be made in full on the exercise of the stock options. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediate to four years.

Movement during Q1 Fiscal 2019 and Q1 Fiscal 2018 is tabulated.

	Q1 Fiscal 2019	Q1 Fiscal 2018
	Number of options	
Outstanding at start of the period	-	1,490,000
Outstanding at end of the period	-	1,490,000

The number of stock options available for future issuance at September 30, 2018 compared to September 30, 2017 is as follows:

	Q1 Fiscal 2019	Q1 Fiscal 2018
	Number of options	
Maximum number of shares reserved for issuance	16,688,546	16,688,546
Less: outstanding at end of period	-	(1,490,000)
Number of options available for future issuance	16,688,546	15,198,546

There was no stock based compensation expense during Q1 Fiscal 2019 and Q1 Fiscal 2018.

Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized, subject to approval by the shareholders of the company, the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The shareholders of the company approved the RSU Plan at the Annual and Special Meeting of the Shareholders held on February 28, 2018.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at September 30, 2018.

Outstanding Share Data

As of June 30, 2018, September 30, 2018 and the date hereof, the number of issued and outstanding common shares of the company is 782,299,614. The number of common shares is provided by the company's transfer agent AST Trust Company.

Potentially Dilutive Securities

As of date hereof, there are no potentially dilutive securities exercisable into common shares of the company.

Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company (note 7), on terms and conditions applicable to the other holders of 12% debentures. The holdings of 9% debentures by related parties are tabulated:

	At September 30, 2018	At June 30, 2018
	$	$
Director, Chief Executive Officer - K. Ambrose	$ 500,000	$ 500,000
Director - W.Polley - Chairman of Board of Directors	$ 50,000	$ 50,000
Director - M. Lavine	$ 500,000	$ 500,000
Chief Financial Officer - M.Sabharwal	$ 115,000	$ 115,000
	$ 1,165,000	**$ 1,165,000**

Related parties holdings at June 30, 2018 and September 30, 2018 represent about 24% of the company's issued and outstanding common shares.

Trapeze Capital Corp. and Trapeze Asset Management Inc. (together "Trapeze")

Trapeze may have been considered, at the time of the issuance of 9% debentures to be a related party of the company by virtue of their holding about 60% of the 12% debentures and about 15% of the common shares of the company, on behalf of their respective managed accounts. Trapeze may be considered at September 30, 2018 to be a related party. Trapeze is the principal shareholder of the company and principal holder of the 9% debentures, on behalf of their managed accounts.

Economic Dependence

A significant portion of the company's current revenue is dependent upon its value-added loyalty program agreement with CIBC and TD under which consumer rewards are awarded to holders of designated CIBC and TD credit cards when they complete purchases at merchants participating in Advantex's CIBC/TD program. The significance to the company of the CIBC and TD agreements can best be assessed by comparing its revenues from its relationship with CIBC and TD with that of other programs as tabulated at the end of this section.

The company's relationship with CIBC has been in place for about two decades and has been through several multi-year renewals and extensions. The current agreement expires March 31, 2019. If CIBC does not renew the agreement or exercises its right to terminate the existing agreement upon at least six months prior notice or retains a competing service provider the company could be materially and adversely affected.

In June 2014, the company entered into an agreement with TD. The agreement with TD had an initial term of two years and it was followed by two one year renewals of the agreement. In February 2018 the agreement was renewed for a two year term ending February 15, 2020 and was subsequently amended moving the renewal date to March 12, 2020. It allows for annual renewal thereafter for periods of one year unless TD gives termination notice. If TD does not renew the agreement or exercises its right to terminate the agreement upon at least two months prior notice or retains a competing service provider the company could be materially and adversely affected.

The company's revenue from the CIBC/TD programs is dependent on the number of merchants participating in the CIBC/TD program, dollar spending by holders of designated CIBC credit cards and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of designated CIBC and TD aeroplan credit cards is dependent upon the banks credit card portfolio, the company believes that the agreements with two banks mitigate the risk of dependence on one partner.

Illustration of economic dependence on CIBC/TD program. Revenue and Gross profit are tabulated.

	Q1 Fiscal 2019		Q1 Fiscal 2018	
	$	% of company Total	$	% of company Total
CIBC/TD program revenues	$ 1,609,212	87.2%	$ 1,708,296	85.2%
CIBC/TD program gross profit	$ 1,286,398	91.8%	$ 1,263,401	90.7%

General Risks and Uncertainties

As indicated in the Economic Dependence section of this document a significant portion of the company's current revenue is dependent on its value-added loyalty agreement with CIBC and TD. The company's relationship with CIBC has been in place for about two decades and has been through several multi-year renewal terms. The current agreement was renewed effective September 1, 2016. On January 11, 2018 the company announced an extension of the agreement until March 31, 2019. If CIBC does not renew the agreement or exercises its right to terminate the existing agreement upon at least six months prior notice or retains a competing service provider the company could be materially and adversely affected.

In June 2014, the company entered into an agreement with TD. The agreement with TD had an initial term of two years and it was followed by two one year renewals of the agreement. In February 2018 the agreement was renewed for a two year term ending February 15, 2020 and was subsequently amended moving the renewal date to March 12, 2020. It allows for annual renewal thereafter for periods of one year unless TD gives termination notice. If TD does not renew the agreement or exercises its right to terminate the agreement upon at least two months prior notice the company could be materially and adversely affected.

The company's revenue from the CIBC/TD programs is dependent on the number of merchants participating in the CIBC/TD program, dollar spending by holders of designated CIBC credit cards and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of designated CIBC and TD credit cards is dependent upon the banks credit card portfolio, the company believes that the agreements with two banks mitigate the risk of dependence on one partner.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document). Both the partnerships are set-up for maturity/expiry in December 2021. To continue its current operations and fund growth, the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity. The company's relationship with the primary holder of the 9% debentures holders, and providers of loan payable span over a decade. At September 30, 2018 there is about $3.9 million room on the loan payable and the need for capital to expand the APM product is partially satisfied by the loan payable. The loan payable requires the company to co-fund 10% of the transaction credits deployed with merchants under the APM product. To be able to operate and advance its business the company needs to be able to access the loan payable facility and have funds to co-fund. The loan payable is a demand facility. The 9% debentures carry financial covenants. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. Consequently, general market conditions or the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

The company believes that increasing the amount of the transaction credits deployed with merchants under its CIBC/TD program's APM product will result in higher revenue and, consequently, improve the company's financial results and cash flows. The company requires additional debt financing and or equity to scale its ability in this area. If the company is not successful in raising additional debt financing and equity, its ability to expand its merchant base and increase revenue may be impeded, resulting in reduced growth in cash flows from operations. This could affect the company's liquidity and working capital position. Any debt structure would need to recognize the general security interest over the company's assets held by the 9% debentures holders.

The company has certain business risks linked to the collection of its transaction credits. Under the CIBC/TD program's APM product the company acquires the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are generally estimated to be fully extinguishable within 30 – 270 days of the funds being deployed with the merchant. Management has implemented review and monitoring procedures to assess the creditworthiness and ongoing eligibility of merchants if they wish to benefit from larger purchases of their future sales. Until these transaction credits have been extinguished through designated cardholder spend at participating merchants there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 270 days. In the event of default, the company has set up escalating collection measures, and an allowance is determined on specifically identified transaction credit balances that are delinquent and amount of the specific provision is determined based on whether the account has been referred to a collection agency, for legal action, whether the company's attempt to debit the merchant's bank account for payments due to the company has been rejected, the underlying reason for the rejections, and the company's historical experience on recoveries. Deterioration in either the credit environment or the company's monitoring processes and a resulting increase in bad debts would adversely impact the financial status of the company thereby affecting its attractiveness as a borrower and its ability to access existing or additional or alternative debt or debt at economic terms and this could materially and adversely affect the company.

The company's activities are funded by two sources of debt. The 9% debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05%, on loan payable. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it can pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. As disclosed under the section Interest Expense in this document, for the three months ended September 30, 2018, the company incurred interest expense of $153,105 on utilization of loan payable. Had the interest rate, for the three months ended September 30, 2018, been 10% higher the interest expense on loan payable would have been $168,416, an increase of $15,311.

The company's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While the company has entered into employment agreements with key management personnel and other employees, and each of these agreements includes confidentiality and non-competition clauses, the business prospects of the company could be adversely affected if any of these people were unable or unwilling to continue their employment with the company.

The merchant based loyalty programs that the company develops and manages for CIBC, TD and Aimia, are dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on designated airlines. Due to the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

The company provides marketing services to retail organizations and, in more general terms, the company could be considered competitive with other advertising and promotional programs for a portion of a client's total marketing budget. If client promotional spending levels decrease, this could have a material adverse effect on the company's revenue. In addition, there are additional operators of either loyalty programs or merchant cash advance in Canada, targeting the same merchant base as the company. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making the company, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. The company believes its substantial client equity, proprietary systems, breadth of in-house services and significant Affinity partner contracts provide a strong platform for the company to compete effectively in the North American marketplace and respond to competition in Canada.

In addition to economic factors, factors noted in the Working Capital and Liquidity Management section, and those factors noted above, the profitability of the company is also subject to a number of additional risk factors including: continuation of partnership with Affinity partners CIBC, TD and Aimia; continued access to loan payable; continued access to the 9% debentures; ability to raise additional capital in the form of either debt or equity which is needed to meet future operational and expansion requirements; ability to negotiate payment plans with its vendors; competition; changes in regulations - including taxation - affecting the company's activities; consumer spending behavior; and continued demand for the company's programs by merchants.

In the ordinary course of business, the company is subject to ongoing audits by tax authorities. While the company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The company regularly reviews the potential for adverse outcomes in respect of tax matters and believes that any ultimate disposition of a reassessment will not have a material adverse impact on its liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the company's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief it has time and access to adequate working capital to transition to the next phase of recovery of its core business; its expectation of a gradual but sustained growth in its core business; belief restructuring of its sales organization and product is necessary to expand its business and expectation of its ability to do so; expectation the sales organization will be optimized during fiscal year ending June 30, 2019; belief it has a unique product for the small independent merchant market; expectations from its processes and systems and belief the business is scalable; expectation of the size of the loyalty marketing market; belief in its ability to gain a share of the market; expectations from expansion outside Canada; belief it has the support of its Affinity and Financial partners and its staff; estimation of the amount of working capital required to expand operations and the terms and conditions; expectation of capital expenditures during fiscal year ending June 30, 2019; expectation of securing lease arrangements for significant capital expenditures; belief the primary driver of revenues is merchant participation; belief an increase in transaction credits will positively effect financial performance and cash flows; belief it has adequate working capital to meet its operational needs and meet its payment obligations for the next twelve months; belief in its ability to retain and expand its merchant base; belief agreements with CIBC and TD mitigate the risk of dependence on one partner; ability to manage credit and collection risk; expectations of delinquency expense during fiscal year ending June 30, 2019; expectation of adverse interest rate increase it can pass onto merchants; expectation of its ability to compete; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued Affinity partner participation; continued support from its provider of loan payable and holders of 9% debentures; its ability to access additional working capital in the form of debt and or equity to meet operational needs including payments to its partners CIBC, TD and Aimia and to support the growth of the company; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to increase merchant participation in its programs; ongoing and future Affinity partnerships and revenue sources; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; and the appropriateness of its tax filing position.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of the company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, those listed under "Working Capital and Liquidity Management", "General Risks and Uncertainties" and "Economic Dependence" in this Management Discussion and Analysis.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

Management is responsible for external reporting. The company maintains appropriate processes to ensure that relevant and reliable financial information is produced.

Additional Information

Additional information relating to the company is available at www.sedar.com, and may also be obtained by request by telephone or facsimile or at the company's website at www.advantex.com.

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® Aeroplan is a Registered Trademark of Aimia Canada Inc.; CIBC and TD are Authorized Licensee of the Mark.

ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the three and six month periods ended December 31, 2018 and 2017

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at February 27, 2019. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three and six months periods ended December 31, 2018 compared to the three and six month periods ended December 31, 2017. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2018, and the interim consolidated financial statements and the related notes for the three and six months ended December 31, 2018 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

Advantex is a leader in the marketing services and merchant cash advance industry. Currently, the company develops and manages merchant based loyalty programs for its "Affinity partners", Canadian Imperial Bank of Commerce ("CIBC"), The Toronto Dominion Bank ("TD") and Aimia Inc. ("Aimia"). The programs the company operates in partnership with CIBC and TD ("CIBC/TD program") and Aimia ("Aeroplan program") enable holders of designated CIBC and TD credit cards and members of Aeroplan (holders and members together "consumers") to accelerate earning frequent flyer miles and/or other rewards ("consumer rewards") on completing purchases at participating merchants. Under the umbrella of each program, Advantex markets participating merchants to consumers and on behalf of the merchants issues consumer rewards, provides merchants with business intelligence connected to the spending behaviour of consumers, and at its sole discretion provides merchants with working capital by the pre-purchase of their future sales.

The company's merchant partner base currently consists of about 875 merchants participating in the two programs and operating across Canada in diverse business segments.

Advantex earns its revenue from merchants participating in its CIBC/TD program, in the form of an agreed marketing fee, for every purchase completed using an eligible CIBC and TD credit card at their establishments. Advantex earns its revenue in the Aeroplan program from selling consumer rewards (aeroplan miles), at an agreed price per consumer reward, to participating merchants. Advantex also earns revenue from processing loyalty rewarding transactions for an Aimia customer.

Advantex's common shares are traded on the Canadian Securities Exchange ("CSE") under the symbol ADX.

<u>Summary – Three and six months ended December 31, 2018</u>

The financial performance for the three months and six months ended December 31, 2018 reflects a stable merchant population and an efficient cost structure.

The financial results for the three and six months reflect an improvement in gross profit and earnings from operations before depreciation, amortization and interest.

The financial highlights for the three and six months ended December 31, 2018 ("Q2 Fiscal 2019" and "YTD Fiscal 2019" respectively) compared to three and six months ended December 31, 2017 ("Q2 Fiscal 2018" and "YTD Fiscal 2018" respectively) are summarized in the tabulation. The financial changes from the restructuring - a non-recurring item - is a significant factor in the company's results for the three and six months ended December 31, 2017.

	Q2 Fiscal 2019	Q2 Fiscal 2018	YTD Fiscal 2019	YTD Fiscal 2018
	$	$	$	$
Revenues				
CIBC/TD program	$ 1,572,589	$ 1,691,436	$ 3,181,801	$ 3,399,732
Aeroplan program	236,962	266,694	467,909	554,661
Caesars program	3,302	9,185	9,277	19,091
Misc	-	10,851	-	10,851
	$ 1,812,853	**$ 1,978,166**	**$ 3,658,987**	**$ 3,984,335**
Gross profit	**$ 1,436,791**	**$ 1,384,741**	**$ 2,838,414**	**$ 2,777,431**
Gross margin	79.3%	70.0%	77.6%	69.7%
Earnings from operations before depreciation, amortization and interest	**$ 435,237**	**$ 363,706**	**$ 831,324**	**$ 527,114**
Profit/(loss) and Comprehensive profit/(loss) before non-recurring item	**$ (4,828)**	**$ 32,070**	**$ (29,575)**	**$ (139,235)**
Net profit/(loss) and Comprehensive profit/(loss)	**$ (4,828)**	**$ 1,827,173**	**$ (29,575)**	**$ 1,655,868**

There have been significant developments in the company's prospects. On December 6, 2018 the company announced that CIBC would not be renewing its agreement expiring March 31, 2019. In February 2019 TD advised the company it would be terminating its agreement effective June 15, 2019. A significant portion, over 80% +, of the company's revenues and gross profit are generated from programs the company operates in partnership with CIBC and TD. The company has updated its outlook – see Outlook section in this document.

In December 2018 the company discontinued its merchant based loyalty program it operated in the US in partnership with Caesars Entertainment Corporation program. This was a marginal activity.

Outlook

Advantex is shifting its business focus, but will continue to focus on marketing services and working capital for retail merchants to overcome the challenge to its business model from the impending exit of affinity partners CIBC and TD. Advantex has a strong base of existing merchants participating in its current program and believes it can grow this merchant base.

The company believes it has the support of its existing financial partners to make a successful transition. While its financial partners have supported the company in the past, the most recent illustration being the restructuring of December 2017, there can be no assurance of continued support and the terms and conditions of such support. In the event of on-going support from its financial partners and on terms that the company can accommodate, the company expects to continue operations but cautions that the road to recovery will be long and gradual.

Income Statement – Q2 Fiscal 2019 and YTD Fiscal 2019 compared to Q2 Fiscal 2018 and YTD Fiscal 2018

Q2 Fiscal 2019 compared to Q2 Fiscal 2018

The $165,313 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $118,847 (7.0%). CIBC/TD program accounts for a significant share of the company's revenues (over 85% in both fiscal periods). The decline primarily reflects lower merchant participation in the CIBC/TD program. The average merchant participation during Q2 Fiscal 2019 at 546 was 9.8% lower compared to Q2 Fiscal 2018. The decline in merchant participation is explained in the section Revenues in this document.

Gross profit is higher by $52,050 ($1,436,791 for Q2 Fiscal 2019 compared to $1,384,791 for Q2 Fiscal 2018). CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was higher by $91,772 reflecting higher program margin (84.2% for Q2 Fiscal 2019 compared to 72.9% for Q2 Fiscal 2018) which offset the lower program revenues. Gross profit is reviewed in sections Direct Expenses and Gross Profit in this document.

Selling expenses were $54,619 lower compared to Q2 Fiscal 2018. The lower selling expenses reflect lower payroll costs of $39,605. In both periods payroll costs accounted for over 85% of the selling expenses. Lower payroll costs primarily reflect headcount.

General & Administrative (G&A) expenses were $35,138 higher compared to Q2 Fiscal 2018 reflecting (i) higher payroll costs ($65,571) which reflect roll back in August 2018 of company-wide salary cut implemented in August 2017, (ii) Q2 Fiscal 2018 reflects severance costs ($111,000) and (iii) Q2 Fiscal 2018 reflects refund from CRA ($91,186). Additional details provided in section G&A Expenses.

Increase of $71,531 compared to Q2 Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects higher gross profit and marginally lower Selling/G&A expenses.

Q2 Fiscal 2019 reflects a decrease in stated ("cash") interest cost ($20,427). The decrease reflects:

(iii) marginally higher interest ($6,256) paid on loan payable which reflects higher loan payable utilization; and lower interest rate; and
(iv) Lower interest ($26,683) reflecting primarily lower coupon on 9% non-convertible debentures payable ("9% debentures") issued in December 2017 compared to 12% non-convertible debentures payable ("12% debentures"). The lower coupon offset the higher principal ($400,000) of the 9% debentures compared to 12% debentures.

Q2 Fiscal 2019 reflects higher non-cash interest of $136,886 compared to $6,802 for Q2 Fiscal 2018. The YTD Fiscal 2019 non-cash interest is restructuring bonus ($62,582) and accretion charges ($74,304) reflecting terms of the 9% debentures.

Depreciation and amortization expense was flat.

The above factors are reflected in a modest loss before non-recurring item of $4,828 for Q2 Fiscal 2019 compared to profit of $32,070 for Q2 Fiscal 2018.

<u>YTD Fiscal 2019 compared to YTD Fiscal 2018</u>

The $325,348 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $217,931 (6.4%). CIBC/TD program accounts for a significant share of the company's revenues (over 85% in both fiscal periods). The decline primarily reflects lower merchant participation in the CIBC/TD program. The average merchant participation during YTD Fiscal 2019 at 562 was 8.9% lower compared to YTD Fiscal 2018. The decline in merchant participation is explained in the section Revenues in this document.

Gross profit is higher by $60,983 ($2,838,414 for YTD Fiscal 2019 compared to $2,777,431 for YTD Fiscal 2018). CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was higher by $114,769 reflecting higher program margin (82.1% for YTD Fiscal 2019 compared to 73.4% for YTD Fiscal 2018) which offset the lower program revenues. Gross profit is reviewed in sections Direct Expenses and Gross Profit in this document.

Selling expenses were $67,398 lower compared to YTD Fiscal 2018. The lower selling expenses reflect lower payroll costs of $75,028. In both periods payroll costs accounted for over 85% of the selling expenses. Lower payroll costs primarily reflect headcount. Another factor in YTD Fiscal 2019 is the roll back in August 2018 of company-wide salary cut implemented in August 2017.

General & Administrative (G&A) expenses were $175,829 lower compared to YTD Fiscal 2018 reflecting (i) higher payroll costs ($30,990) which reflect roll back in August 2018 of company-wide salary cut implemented in August 2017, (ii) YTD Fiscal 2018 reflects severance costs ($163,000) and (iii) YTD Fiscal 2018 reflects refund from CRA ($91,186). Additional details provided in section G&A Expenses.

Increase of $304,210 compared to YTD Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects higher gross profit and lower Selling/G&A expenses.

YTD Fiscal 2019 reflects a decrease in stated ("cash") interest cost ($67,038). The decrease reflects:

(v) marginally lower interest ($10,419) paid on loan payable which reflects higher loan payable utilization and lower interest rate; and
(vi) Lower interest ($56,619) reflecting primarily lower coupon on 9% debentures issued in December 2017 compared to 12% debentures. The lower coupon offset the higher principal ($400,000) of the 9% debentures compared to 12% debentures.

YTD Fiscal 2019 reflects higher non-cash interest of $272,561 compared to $6,802 for YTD Fiscal 2018. The YTD Fiscal 2019 non-cash interest is restructuring bonus ($125,163) and accretion charges ($147,398) reflecting terms of the 9% debentures.

Depreciation and amortization expense was marginally lower.

The above factors are reflected in a modest loss before non-recurring item of $29,575 for YTD Fiscal 2019 compared to loss before non-recurring item of $139,235 for YTD Fiscal 2018.

Balance Sheet – December 31, 2018 compared to December 31, 2017

Transaction credits at December 31, 2018 were $6,656,069 compared to $4,686,357 at December 31, 2017, an increase of $1,969,712. Transaction credits account for 93.9% of Q2 Fiscal 2019 total assets (Q2 Fiscal 2018 76.8%). Merchant count at December 31, 2018 was 531 compared to 594 at December 31, 2017. The increase in transaction credits in relation to merchant participation is primarily a reflection of the availability of working capital, post restructuring completed in December 2017, leading to increased purchase of transaction credits from the company's existing merchant portfolio. The movement in merchant participation is discussed in the section Revenue in this document.

During YTD Fiscal 2019 the company placed cash surplus to its immediate working capital needs with provider of loan payable. This reduced the interest cost on loan payable. The amount of such cash at December 31, 2018 was $175,000. The loan payable is used to fund pre-purchase at a discount future sales at merchants ("transaction credits"). Adjusting for the $175,000, the loan payable balance at December 31, 2018 was $1,845,786 higher compared to corresponding periods in the previous year. The increase was to expectation given the increase in transaction credits and consequent to the change in the co-funding formula from 85:15 to 90:10 from end of December 2017. Timing of collection from and deployment of advances to merchants also effects the balance at period ends.

Accounts payable and accrued liabilities at December 31, 2018 are lower by $767,693 compared to December 31, 2017 and reflect steady payment of liabilities – generally in the form of agreed payment plans - post restructuring of December 2017.

A detailed look at the results for Q2 Fiscal 2019 and YTD Fiscal 2019 compared to corresponding periods in the previous year is set out in the following sections.

Results of Operations

	Q2 Fiscal 2019	Q2 Fiscal 2018	YTD Fiscal 2019	YTD Fiscal 2018
	$	$	$	$
Revenues	**$ 1,812,853**	**$ 1,978,166**	**$ 3,658,987**	**$ 3,984,335**
Direct expenses - Cost of cardholder rewards and marketing merchants to cardholders	334,884	545,273	741,623	1,026,848
Direct expenses - Expense for provision against delinquent accounts	41,178	48,152	78,950	180,056
Gross profit	**$ 1,436,791**	**$ 1,384,741**	**$ 2,838,414**	**$ 2,777,431**
Selling and General & Administrative	1,001,554	1,021,035	2,007,090	2,250,317
Earnings from operations before depreciation, amortization and interest	**$ 435,237**	**$ 363,706**	**$ 831,324**	**$ 527,114**
Cash interest on loan payable and debentures	296,161	316,588	575,372	642,410
Earnings (loss) from operations before depreciation, amortization and non-cash interest on debentures (accretion charges)	**$ 139,076**	**$ 47,118**	**$ 255,952**	**$ (115,296)**
Depreciation and amortization	7,018	8,246	12,966	17,137
Non cash interest expense on debentures	136,886	6,802	272,561	6,802
Profit/(loss) and Comprehensive profit/(loss) before non-recurring item	**$ (4,828)**	**$ 32,070**	**$ (29,575)**	**$ (139,235)**
Gain on debt restructuring	$ -	$ 1,795,103	$ -	$ 1,795,103
Net profit/(loss) and Comprehensive profit/(loss)	**$ (4,828)**	**$ 1,827,173**	**$ (29,575)**	**$ 1,655,868**
Basic and Diluted profit/(loss) per share	**$ -**	**$ 0.01**	**$ -**	**$ 0.01**

Extract from the Statement of Financial Position

		At December 31, 2018	At June 30, 2018	Increase/ (Decrease)
		$	$	$
Current assets		$ 7,051,891	$ 6,419,933	$ 631,958
Total assets		$ 7,085,704	$ 6,463,902	$ 621,802
Shareholders' deficiency		$ (5,384,732)	$ (5,355,157)	$ 29,575

The change in current assets primarily reflects an increase in transaction credits (net of provision for delinquent accounts) of $1,063,643. While the merchant participation at December 31, 2018 is lower compared to June 30, 2018, this increase in transaction credits is primarily a reflection of higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. The cash and cash equivalents decreased by $499,425. This decrease together with decrease of cash surplus to immediate requirements ($425,000) held by the company with Accord reflects the decrease in accounts payable and accrued liabilities and investment of 10% as amount co-funded with Accord in the transaction credits. Furthermore, the cash balances and transaction credits at the end of a quarter / year reflect utilization of cash in and by the operations of the company and the timing difference between the company's ongoing deployment and collection of transaction credits from merchants participating in its CIBC/TD program's APM product.

The change in the total assets primarily reflects increase in the current assets.

The movement in the shareholders' deficit reflects net loss during YTD Fiscal 2019.

Extracts from the Statement of Cash Flow

		YTD Fiscal 2019	YTD Fiscal 2018	Change
		$	$	$
Net profit/(loss)		$ (29,575)	$ 1,655,868	$ (1,685,443)
Adjustments for non cash expenses		285,527	(1,259,672)	1,545,199
Income after adjustments for non cash expenses		$ 255,952	$ 396,196	$ (140,244)
Changes in working capital		(1,807,813)	410,322	(2,218,135)
Net cash generated from / (used in) financing activities supporting working capital		1,055,246	(264,571)	1,319,817
Net cash provided by / (used in) operations		$ (496,615)	$ 541,947	$ (1,038,562)
Net cash provided by / (used in) investing activities		(2,810)	-	(2,810)
Increase (Decrease) in cash and cash equivalents		(499,425)	$ 541,947	$ (1,041,372)
Cash and cash equivalents at start of period		$ 635,836	$ 367,357	$ 268,479
Cash and cash equivalents at end of period		$ 136,411	$ 909,304	$ (772,893)

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $1,063,643 and decrease in accounts payable and accrued liabilities of $676,430. While the merchant participation at December 31, 2018 is lower compared to June 30, 2018 there is an increase in transaction credits and this reflects higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring and settlement of 9% debenture interest for the period June 16, 2018 to December 15, 2018. During YTD Fiscal 2018 changes reflect decrease in transaction credits, net of provision for delinquent accounts, of $863,355 which is a reflection of a decrease in merchant participation. Increase in accounts receivable of $167,498 primarily reflects amount of $102,028 receivable from CRA which was received. Decrease in accounts payable and accrued liabilities reflects cancellation of interest, on 12% debentures for period January 1, 2017 to December 21, 2017, consequent to the close of the restructuring, provision for professional fees connected to the restructuring, and provision for severances resulting from the restructuring of the organization.

Financing activities. YTD Fiscal 2019 reflects the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization. YTD Fiscal 2018 reflects the new investment of $400,000 in the 9% debentures and the change in the loan payable balance consequent to change in the co-funding arrangement. YTD Fiscal 2018 movement in loan payable also reflects changes in merchant participation. Both periods also reflect the timing difference between the company's ongoing deployment and collection of transaction credits from merchants participating in its CIBC/TD program's APM product. Merchant participation is discussed in the section Revenue.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three and six months ended December 31, 2018, and have been included to provide additional analysis for the reader.

Revenue

The company's revenue is derived from merchants participating in its Retail programs which currently consist of the CIBC/TD program, the Aeroplan program. Caesars program was discontinued in December 2018.

During the periods under review the Retail programs had five business products. APM, Marketing Only, Re-seller, Processing and Participation fee which are described later in this section.

The CIBC/TD program operates the APM, and Marketing Only business products.

The Aeroplan program operates the Re-seller and Processing products.

The Caesars program operates the Participation fee product.

The nature of the company's products is as follows:

Advance Purchase Marketing ("APM"): The company acquires the rights to cash flow from future designated CIBC and TD credit card transactions at a discount from participating merchants (transaction credits on consolidated statement of financial position) and promotes the merchant by way of targeted marketing to holders of designated CIBC/TD credit cards, issues consumer rewards to consumers when they complete purchases at participating merchants, and provides merchants with business intelligence connected to the spending behaviour of consumers. The company's revenue is from the purchases completed at the participating merchants using designated CIBC and TD credit cards, net of the company's costs to acquire the transaction credits. Proceeds from the amount spent on above noted CIBC/TD credit cards at participating merchants are received by the company and a predetermined portion is applied to reduce the transaction credit balance.

Marketing Only: The company does not acquire transaction credits. In all other respects Marketing Only is similar to APM. Revenue is earned in the form of an agreed marketing fee for every purchase completed using CIBC/TD credit card (as defined under APM) at participating merchants.

Re-seller: The company sells aeroplan miles to small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan mile, when the participating merchant issues aeroplan miles to an Aeroplan member completing a qualifying transaction at the merchant.

Processing: The company processes issuance of aeroplan miles for a Aimia customer. Revenue is recognized at the agreed price per aeroplan mile processed by the company. This activity generated about 15% of Aeroplan program revenues during Fiscal 2018 (Fiscal 2017 just over 4%).

Participation fee: The company markets participating merchants to Caesars Total Rewards members and the merchant issues total rewards loyalty points to Total Rewards members completing a qualifying transaction at the merchant. The merchant pays an agreed monthly fee to Advantex.

The drivers for revenues from the CIBC/TD program are:

11. Number of participating merchants;
12. Market penetration of the CIBC/TD credit cards;
13. Economic environment;
14. Mix of merchants in terms of their volume of CIBC/TD credit card transactions; and
15. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM product is higher compared to Marketing Only.

The revenues from the Re-seller product reflect the number of participating merchants, traffic of aeroplan members completing purchases at participating merchants and the level of engagement of participating merchants in the program.

The revenues from the discontinued Caesars program were dependent on the number of participating merchants.

The company believes the primary driver of revenues across all programs is the number of merchants participating in the programs.

The revenue trends are provided in the tabulation.

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
Avg. # of merchants participating during the periods						
CIBC/TD program	546	605	-9.8%	562	617	-8.9%
Aeroplan program	334	354	-5.6%	341	373	-8.6%
	$	$	$	$	$	$
Revenues						
CIBC/TD program	$ 1,572,589	$ 1,691,436	$ (118,847)	$ 3,181,801	$ 3,399,732	$ (217,931)
Aeroplan program	236,962	266,694	(29,732)	467,909	554,661	(86,752)
Caesars program	3,302	9,185	(5,883)	9,277	19,091	(9,814)
Misc	-	10,851	(10,851)	-	10,851	(10,851)
	$ 1,812,853	**$ 1,978,166**	**$ (165,313)**	**$ 3,658,987**	**$ 3,984,335**	**$ (325,348)**

CIBC/TD program

Merchant participation decline during Q2 Fiscal 2019 (9.8%) and YTD Fiscal of 2019 (8.9%) compared to corresponding periods in the previous year is the primary reason for the decline in revenues in Q2 Fiscal 2019 (7.0%) and YTD Fiscal 2019 (6.4%) compared to corresponding periods in the previous year.

Aeroplan program

Decline in Q2 Fiscal 2019 and YTD Fiscal 2019 re-seller revenues primarily reflects decline in merchant participation.

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Avg. # of merchants participating during the periods	334	354	-5.6%	341	373	-8.6%
Revenue - Re-seller	$ 205,624	$ 225,645	-8.9%	$ 404,585	$ 477,083	-15.2%
Revenue - Processing (no Direct Expenses)	$ 31,338	$ 41,049		$ 63,324	$ 77,578	
	$ 236,962	$ 266,694		$ 467,909	$ 554,661	

Direct Expenses

In the CIBC/TD program, direct expenses include costs of consumer rewards which the company purchases from CIBC and TD, the cost of marketing and advertising on behalf of merchants, cost of sales of digital marketing services and provision against receivables.

In the Aeroplan program, direct expenses are primarily costs of consumer rewards which the company purchases from Aimia. Other costs include cost of marketing and advertising on behalf of merchants and provision against receivables.

Caesars program direct expenses are costs of consumer rewards which the company purchases from Caesars.

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
CIBC/TD program	$ 1,572,589	$ 1,691,436	-7.0%	$ 3,181,801	$ 3,399,732	-6.4%
Aeroplan program	236,962	266,694	-11.1%	467,909	554,661	-15.6%
Caesars program	3,302	9,185	-64.1%	9,277	19,091	-51.4%
Misc	-	10,851		-	10,851	
	$ 1,812,853	**$ 1,978,166**	**-8.4%**	**$ 3,658,987**	**$ 3,984,335**	**-8.2%**
Direct expenses						
CIBC/TD program	$ 247,901	$ 458,520	-45.9%	$ 570,715	$ 903,415	-36.8%
Aeroplan program	117,326	130,004	-9.8%	234,751	292,922	-19.9%
Caesars program	10,835	4,901	-121.1%	15,107	10,567	43.0%
	$ 376,062	**$ 593,425**	**-36.6%**	**$ 820,573**	**$ 1,206,904**	**-32.0%**

- CIBC/TD program

	Q2 Fiscal 2019		Q2 Fiscal 2018		Inc./(Dec)	YTD Fiscal 2019		YTD Fiscal 2018		Inc./(Dec)
	$		$		%	$		$		%
Avg. # of merchants participating during the periods		546		605	-9.8%		562		617	-8.9%
Revenue	$	1,572,589	$	1,691,436	-7.0%	$	3,181,801	$	3,399,732	-6.4%
Direct expenses										
Consumer rewards	$	241,373	$	296,700	-18.6%	$	515,334	$	593,246	-13.1%
Marketing and advertising		41,029		134,293	-69.4%		102,110		200,738	-49.1%
Marketing/Program support by Affinity partners		(68,170)		(20,625)	230.5%		(118,170)		(70,625)	67.3%
Expense for delinquent accounts		33,669		48,152	-30.1%		71,441		180,056	-60.3%
	$	247,901	$	458,520	-45.9%	$	570,715	$	903,415	-36.8%

The Q2 Fiscal 2019 and YTD Fiscal 2019 decline in cost of consumer rewards primarily reflects decline in merchant population and revenues.

The Q2 Fiscal 2019 and YTD Fiscal 2019 decline in marketing and advertising costs reflects decline in merchant participation and revenues, timing of marketing expenditures which vary in a fiscal year. Timing is driven by marketing needs of the merchant portfolio and the marketing calendars of Affinity partners.

The Q2 Fiscal 2019 expense for delinquent accounts (2.1% of revenues) and YTD Fiscal 2019 (2.2% of revenues) is lower than expectations. The YTD Fiscal 2019 expense is lower than corresponding period in the previous year (YTD Fiscal 2018 at 5.3%). The company now expects the expense for Fiscal year ending June 30, 2019 to be in the 3%-4% range. Delinquencies are discussed in the section Critical Accounting Estimates – Credit Risk.

- Aeroplan program.

	Q2 Fiscal 2019		Q2 Fiscal 2018		Inc./(Dec)	YTD Fiscal 2019		YTD Fiscal 2018		Inc./(Dec)
	$		$		%	$		$		%
Avg. # of merchants participating during the periods		334		354	-5.6%		341		373	-8.6%
Revenue - Re-seller	$	205,624	$	225,645	-8.9%	$	404,585	$	477,083	-15.2%
Revenue - Processing (no Direct Expenses)	$	31,338	$	41,049		$	63,324	$	77,578	
	$	236,962	$	266,694		$	467,909	$	554,661	
Direct expenses										
Consumer rewards		117,326		130,004	-9.8%		234,751		292,922	-19.9%
	$	117,326	$	130,004	-9.8%	$	234,751	$	292,922	-19.9%

The decline in Q2 Fiscal 2019 and YTD Fiscal 2019 direct expenses primarily reflects decline in re-seller product revenues.

Gross Profit

Gross margins of Q2 Fiscal 2019 and YTD Fiscal 2019 compared to Q2 Fiscal 2018 and YTD Fiscal 2018 are tabulated below:

	Q2 Fiscal 2019	Q2 Fiscal 2018		YTD Fiscal 2019	YTD Fiscal 2018
CIBC/TD program	84.2%	72.9%		82.1%	73.4%
Aeroplan program	50.5%	51.3%		49.8%	47.2%

Improvement in Q2 Fiscal 2019 and YTD Fiscal 2019 CIBC/TD program gross margin compared to corresponding periods in the previous year reflects lower direct expenses which are explained in section Direct Expenses in this document.

Aeroplan program Q2 Fiscal 2019 and YTD Fiscal 2019 gross margins are flat to corresponding periods in the previous years.

The company gross profit for Q2 Fiscal 2019 and YTD Fiscal 2019 was higher compared to the corresponding period in the previous year reflecting primarily an improvement in the CIBC/TD program gross margin which offset the decline in the program revenues.

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
CIBC/TD program	$ 1,324,688	$ 1,232,916	7.4%	$ 2,611,086	$ 2,496,317	4.6%
Aeroplan program	119,636	136,690	-12.5%	233,158	261,739	-10.9%
Caesars program	(7,533)	4,284	-275.8%	(5,830)	8,524	-168.4%
Misc	-	10,851		-	10,851	-100.0%
	$ 1,436,791	**$ 1,384,741**	**3.8%**	**$ 2,838,414**	**$ 2,777,431**	**2.2%**

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. The significant component is cost of sales staff.

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
CIBC/TD program	$ 1,572,589	$ 1,691,436	-7.0%	$ 3,181,801	$ 3,399,732	-6.4%
Aeroplan program	236,962	266,694	-11.1%	467,909	554,661	-15.6%
Caesars program	3,302	9,185	-64.1%	9,277	19,091	-51.4%
Misc	-	10,851	0.0%	-	10,851	0.0%
	$ 1,812,853	**$ 1,978,166**	**-8.4%**	**$ 3,658,987**	**$ 3,984,335**	**-8.2%**
Selling expenses						
CIBC/TD program	$ 364,408	$ 397,102	-8.2%	$ 800,618	$ 841,257	-4.8%
Aeroplan program	-	7,940	-100.0%	1,582	12,958	-87.8%
Caesars program	23,637	37,622	-37.2%	53,264	68,647	-22.4%
	$ 388,045	**$ 442,664**	**-12.3%**	**$ 855,464**	**$ 922,862**	**-7.3%**
Remuneration of sales staff	$ 344,694	$ 384,299	**-10.3%**	$ 749,354	$ 824,382	**-9.1%**
Remuneration as % of selling expenses	88.8%	86.8%		87.6%	89.3%	

CIBC/TD program

The company started to re-build its sales organization from middle of March 2017. The goal was to create a sales organization that would, post successful December 2017 restructuring, enable a gradual and sustained growth in merchant count and revenues. The company expected to re-build the sales organization by end of May 2018 but it was expected to take a couple of iterations before the ideal team was in place, which it expected to complete during fiscal year ending June 30, 2019. The costs reflect team building process. Given the going forward shift in business focus the company will be further restructuring its sales organization.

Aeroplan program

The sales and account management functions were managed by resources from CIBC/TD program and other internal functions. This has aligned costs to expected medium term activity levels.

General and Administrative Expenses ("G&A")

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overheads, capital and income taxes, and foreign exchange gains/(losses).

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Change in revenues			**-8.4%**			**-8.2%**
G&A						
Compensation for non-sales staff	$ 385,654	$ 320,083	20.5%	$ 751,374	$ 720,384	4.3%
Severances	(8,206)	111,000		(8,206)	163,000	
Refund from CRA	-	(91,186)		-	(91,186)	
All other G&A expenses	236,061	238,474		408,458	535,257	
	$ 613,509	**$ 578,371**	**6.1%**	**$ 1,151,626**	**$ 1,327,455**	**-13.2%**

Compensation

Q2 Fiscal 2019 and YTD Fiscal 2019 reflect the roll back in August 2018 of the company-wide salary reduction of between 10% and 20% implemented from mid-August 2017.

Severances

Q2 Fiscal 2018 and YTD Fiscal 2018 severances are consequent to the restructuring of the organization.

Refund from CRA

Q2 Fiscal 2018 and YTD Fiscal 2018 reflects a refund of $102,028 (including interest of $10,846 which is reflected in Misc. revenue) by CRA. In December 2003 the company completed a tax assisted financing transaction with a promoter of the transaction whereby it raised funds from the sale of its tax losses. Subsequent to the transaction the CRA and tax payers participating in the promoter's structure were in dispute and while the company was not a party to the dispute its share of tax losses solely consequent to the transaction were disallowed and this resulted in nominal annual tax liability which the company settled. Upon resolution of the dispute the previously disallowed tax losses were partially allowed and this resulted in the refund.

All other expenses

Q2 Fiscal 2019 is flat to corresponding period in the previous year.

YTD Fiscal 2019 reflects write-back of about $36,000 from provision for legal expenses on account of rebate received from advisors.

In addition, in both Q2 Fiscal 2019 and YTD Fiscal 2019 directors' fees are lower on account of smaller membership (independent directors – 2 during YTD Fiscal 2019 compared to 3 during YTD Fiscal 2018).

Interest Expense

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Loan payable	$ 170,056	$ 163,800		$ 323,161	$ 333,580	
12% debentures	-	139,081		-	295,123	
9% debentures	126,105	13,707		252,211	13,707	
	296,161	316,588		575,372	642,410	
Non-cash interest - 9% debentures - restructuring bonus	62,582	6,802		125,163	6,802	
Non cash interest (accretion charge) on 9% debentures	$ 74,304	$ -		$ 147,398	$ -	
	$ 433,047	**$ 323,390**	**33.9%**	**$ 847,933**	**$ 649,212**	**30.6%**

Loan payable interest cost reflects utilization of line of credit and the interest rate applied to the line. The interest rate during YTD Fiscal 2018 was 9.05% plus prime rate of a certain Canadian bank compared to 11.5% plus prime rate during YTD Fiscal 2017. The interest rate during YTD Fiscal 2019 increased due to the interest rate hikes in the prime rate.

The cash component of the 9% debentures interest cost reflects the higher principal amount and lower coupon compared to the 12% debentures. The restructuring bonus and the accretion charges reflect the terms of the 9% debentures and the accounting treatment (per IFRS) of the 9% debentures. The debentures are discussed in the section 12% non-convertible debentures payable and 9% non-convertible debentures payable in this document.

Non-recurring Item

A gain on debt restructuring of $1,795,103 has been recognized on the refinancing. This consists of the book value of the 12% debentures of $5,864,299, including accrued interest and penalties, plus the cash proceeds on the refinancing of $400,000 less the fair value of the 9% debentures of $4,275,389 and financing costs of $193,807.

	9% debentures
	Non-recurring item
Costs to close the refinancing	$ (193,807)
Extingusiment of interest and penalty of 12% debentures	705,299
Adjustment to reflect fair value of 9% debentures	1,283,611
	$ 1,795,103

Net Profit/(Loss)

Highlights are tabulated:

	Q2 Fiscal 2019	Q2 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	$	$	$	$
Revenues	$ 1,812,853	$ 1,978,166	$ (165,313)	$ 3,658,987	$ 3,984,335	$ (325,348)
Gross margin	79.3%	70.0%		77.6%	69.7%	
Gross profit	$ 1,436,791	$ 1,384,741	$ 52,050	$ 2,838,414	$ 2,777,431	$ 60,983
Earnings from operations before depreciation, amortization and interest	$ 435,237	$ 363,706	$ 71,531	$ 831,324	$ 527,114	$ 304,210
Profit/(loss) and Comprehensive profit/(loss) before non-recurring item	$ (4,828)	$ 32,070	$ 36,898	$ (29,575)	$ (139,235)	$ (109,660)
Net Profit/(loss)	$ (4,828)	$ 1,827,173	$ 1,832,001	$ (29,575)	$ 1,655,868	$ 1,685,443
Basic and Diluted profit/(loss) per share	$ -	$ 0.01		$ -	$ 0.01	

<u>Q2 Fiscal 2019 compared to Q2 Fiscal 2018</u>

The $165,313 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $118,847. Gross margin reflects improvement in CIBC/TD program, 84.2% for Q2 Fiscal 2019 compared to 72.9% for Q2 Fiscal 2018. Gross profit improvement of $52,050 reflects the $91,772 improvement in gross profit from CIBC/TD program offset by decline in the other programs. Q2 Fiscal 2019 SG&A expenses are marginally lower compared to Q2 Fiscal 2018. The improvement of

$71,531 in earnings from operations before depreciation, amortization and interest reflects higher gross profit and lower SG&A. Q2 Fiscal 2019 reflects a decrease in cash interest expense of $20,427 offset by the increase in non-cash interest on 9% debentures of $130,084. Depreciation and amortization expense is flat. Q2 Fiscal 2019 loss before non-recurring item of $4,828 is a decrease in profitability of $36,898 compared to Q2 Fiscal 2018. Q2 Fiscal 2018 net profit of $1,827,173 reflects non-recurring item of $1,795,103.

Detailed discussion on revenues, direct expenses, gross profit, SG&A, interest expense, non-recurring item is available in the respective sections earlier in this document.

<u>YTD Fiscal 2019 compared to YTD Fiscal 2018</u>

The $325,348 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $217,931. Gross margin reflects improvement in CIBC/TD program, 82.1% for YTD Fiscal 2019 compared to 73.4% for YTD Fiscal 2018. Gross profit improvement of $60,983 reflects the $114,769 improvement in gross profit from CIBC/TD program offset by declines in other programs. YTD Fiscal 2018 SG&A expenses are $243,227 lower compared to YTD Fiscal 2018. The improvement of $304,210 in earnings from operations before depreciation, amortization and interest primarily reflects lower SG&A. YTD Fiscal 2019 reflects a decrease in cash interest expense of $67,038 offset by the increase in non-cash interest on 9% debentures of $265,759. Depreciation and amortization expense is marginally lower. YTD Fiscal 2019 loss before non-recurring item of $29,575 is an improvement in profitability of $109,660 compared to YTD Fiscal 2018. YTD Fiscal 2018 net profit of $1,655,868 reflects non-recurring item of $1,795,103.

Detailed discussion on revenues, direct expenses, gross profit, SG&A, interest expense, non-recurring item is available in the respective sections earlier in this document.

Working Capital and Liquidity Management

	Q2 Fiscal 2019	Q2 Fiscal 2018	YTD Fiscal 2019	YTD Fiscal 2018
	$	$	$	$
Funds available to expand the CIBC/TD programs APM product (Transaction credits on the balance sheet) and meet working capital needs				
Net profit/(loss)	$ (4,828)	$ 1,827,173	$ (29,575)	$ 1,655,868
Adjustments for non cash expenses	143,904	(1,268,563)	285,527	(1,259,672)
Income after adjustment for non cash expenses	139,076	558,610	255,952	396,196
Cash balances at start of the period	302,537	426,376	635,836	367,357
Inc. 9% debentures	-	400,000	-	400,000
Inc./(dec) in loan payable	849,150	(816,486)	1,055,246	(664,571)
	$ 1,290,763	**$ 568,500**	**$ 1,947,034**	**$ 498,982**
Utilization of funds				
Cash balances at end of periods	$ 136,411	$ 909,304	$ 136,411	$ 909,304
Inc./(dec) in transaction credits	728,667	(860,239)	1,063,643	(863,355)
Decrease in Accounts payable	400,604	438,275	676,430	297,153
Changes in all other working capital items	25,081	81,160	67,740	155,880
Capital expenditures	-	-	2,810	-
	$ 1,290,763	**$ 568,500**	**$ 1,947,034**	**$ 498,982**

In December 2017 the company completed a restructuring of its financial partnership. The restructuring is explained in sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable in this document. Post restructuring and to date cash and cash equivalents surplus to immediate operating requirements were used to reduce the loan payable and consequently the interest paid. Balance of such cash and cash equivalents at December 31, 2018 was $175,000.

The company believes that increasing the amount of the transaction credits deployed with merchants under the CIBC/TD program's APM product will result in higher revenue and, consequently, improve the company's financial results and cash flows. Generally, the change in transaction credits partially reflects the change in the number of merchants participating in the APM product, as well as the amount of transaction credits deployed with its existing merchants.

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $1,063,643 and decrease in accounts payable and accrued liabilities of $676,430. While the merchant participation at December 31, 2018 is lower compared to June 30, 2018 there is an increase in transaction credits and this reflects higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring and settlement of 9% debenture interest for the period June 16, 2018 to December 15, 2018. During YTD Fiscal 2018 changes reflect decrease in transaction credits, net of provision for delinquent accounts, of $863,355 which is a reflection of a decrease in merchant participation. Increase in accounts receivable of $167,498 primarily reflects amount of $102,028 receivable from CRA which was received. Decrease in accounts payable and accrued liabilities reflects cancellation of interest, on 12% debentures for period January 1, 2017 to December 21, 2017, consequent to the close of the restructuring, provision for professional fees connected to the restructuring, and provision for severances resulting from the restructuring of the organization.

Financing activities. YTD Fiscal 2019 reflects the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization. YTD Fiscal 2018 reflects the new investment of $400,000 in the 9% debentures and the change in the loan payable balance consequent to change in the co-funding arrangement. YTD Fiscal 2018 movement in loan payable also reflects changes in merchant participation. Both periods also reflect the timing difference between the company's ongoing deployment and collection of transaction credits from merchants participating in its CIBC/TD program's APM product. Merchant participation is discussed in the section Revenue.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with two affinity partners and certain vendors. The company had a payment plan with CIBC to settle outstanding amounts by July 31, 2017 and these were settled by the due date.

While, generally the cash balances at the end of a quarter/year reflect cash generated/(used) by operations [profit/(loss) before depreciation of property, plant and equipment, and amortization of intangible assets; and non-cash interest on debentures, the other factors are timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, funds from Affinity partners towards marketing initiatives. The additional consideration at December 31, 2017 and 2018 is the cash raised following the close of restructuring with its financial partners. Furthermore, cash surplus to immediate operating requirements was used to reduce the loan payable and consequently the interest cost. Balance of such cash at December 31, 2018 was $175,000.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document. Both the partnerships are set-up for maturity/expiry in December 2021, on terms that the company believes are beneficial, and provide access to working capital to support, post termination of its agreements with CIBC and TD, shift in the business focus. Additional working capital in the form of debt and/or equity will be required to successfully transition existing merchant base to new marketing services and working capital products and expand the product.

To continue its current operations and fund growth beyond Fiscal year ended June 30, 2018 and period ended December 31, 2018, the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity.

The company's future continuation of its business and success is dependent on retaining its existing relationships with Aimia/new owner of Aeroplan, Accord and holders of 9% debentures and it believes it has their support.

Except for the leasing arrangements the company does not participate in off balance sheet financing arrangements.

The consolidated financial statements for the three and six months ended December 31, 2018 have been prepared in accordance with accounting principles applicable to a going concern which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $5,384,732 and negative working capital of $598,033 as at December 31, 2018.

Due to the termination of its agreements with CIBC and TD there is uncertainty surrounding the company's ability to: retain the support of its financial partners, generate cash flow sufficient to meet operational needs including payments to its suppliers and payment of 9% debentures interest, meet the financial covenants connected to the 9% debentures and seek alternative sources of capital to support the continuation and growth of the company.

As a result, this may cast significant doubt on the validity of going concern assumption and the company's ability to continue as a going concern after December 31, 2018 and hence the ultimate use of accounting principles applicable to a going concern.

The company's future success is dependent on retaining its relationships with the existing financial partners and thereby being able to continue to access existing levels of debt and obtain additional capital to support the company; ability to transition shift in business focus from loyalty marketing plus working capital for merchants to marketing services and working capital for merchants; accommodation on softer payment terms from its suppliers; additional capital in the form of debt or equity; ensuring profitability; and generating positive cash flows from operations. The company's business plan includes retaining support of its financial partners; shift in business focus but continuing focus on new products offering marketing services and working capital to merchants; rightsizing its cost structure; accommodation on payment terms with suppliers; and ability to access additional capital. While in the past the company has been successful in retaining support of its financial partners and been able restructure its product and organization there can be no assurance these initiatives will continue to be successful.

The consolidated financial statements for the three and six months ended December 31, 2018 do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

Contractual Obligations

Contractual obligations as at December 31, 2018 were due as follow:

Contractual obligations				
	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 5,482,636	$ 5,482,636	$ -	$ -
9% debentures	$ 5,559,000	$ -	$ 5,559,000	$ -
Operating leases	$ 327,548	$ 99,623	$ 176,144	$ 51,781
	$ 11,369,184	**$ 5,582,259**	**$ 5,735,144**	**$ 51,781**

In addition, 9% debenture interest of $1,521,776 is payable for the period December 16, 2018 to maturity on December 31, 2021 (interest is paid semi-annually, June 15 and December 15). The company also has a liability of restructuring bonus for $1,000,620 to the holders of the 9% debentures payable on December 31, 2021.

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

Furthermore, in August 2017 the company renewed its lease for the company's head office for five year term ending August 31, 2022. The commitment from January 2019 to August 2022 is $284,794.

Loan Payable

The loan payable is a line of credit facility with Accord Financial Inc. ("Accord") to be used exclusively to fund the merchants participating in the APM product in the business segments available to the company under its agreements with CIBC, TD and Aimia. As security, Accord has first charge to all amounts due from merchants funded from the loan payable.

The loan payable was established in December 2007. The current term of the loan payable is due to expire in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the renewal term commencing January 1, 2018 the interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05% (compared to prime rate plus 11.5% until December 31, 2017). Furthermore, during the renewal term the co-funding arrangement is amended to 90:10, whereby Accord funds 90% of each dollar of amounts funded to merchants. The company funds 10%. This compares to 85:15 arrangement until December 28, 2017.

The facility has a limit of $8.5 million.

Interest is calculated daily on the amount outstanding and charged monthly.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The company had utilized $5.5 million of the facility at December 31, 2018 (at December 31, 2017 $3.8 million).

With the change in the loan payable terms effective January 1, 2018, the company and Accord did not renew the temporary overdraft facility of $100,000 which expired December 31, 2017.

12% Non-Convertible Debentures Payable and 9% Non-convertible Debentures Payable

On December 30, 2013, the company issued 12% non-convertible debentures ("12% debentures"), by way of a private placement, in the principal amount of $5,159,000. The 12% debentures were issued as units. Each unit comprised (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and with an initial maturity date of September 30, 2016, and (ii) 8,150 common shares in the capital of the company. The company issued 5,159 units and 42,045,850 common shares. The maturity date went through several extensions with the latest maturity date of December 31, 2017. The company was in breach of all its financial covenants since September 30, 2016, had not paid the interest since January 1, 2017 and was not in a position to re-pay the 12% debentures.

On December 22, 2017 the company announced it re-financed the new 12% debentures with the approval of existing holders of the 12% debentures. The terms of the refinancing are as follows:

13. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with maturity date of December 31, 2021;
14. The 9% debentures bear interest rate of 9% per annum payable semi-annually;
15. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
16. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
17. Restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021; and
18. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units comprising principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company, comprising:

7. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
8. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

Under the agreement, the proceeds of the 9% debentures are to be used for working capital purposes.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. In October 2018 the 9% debentures holders amended and re-set certain financial covenants for quarters ending December 31, 2018 to June 30, 2020. The significant financial covenants of the 9% debentures require the company to meet on a quarterly basis (i) commencing the quarter ended March 31, 2018 a defined level of designated current assets, and (ii) commencing June 30, 2019 a defined level of interest coverage. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in compliance with financial covenants at March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018.

Summary of Quarterly Results

In millions of dollars except per share amounts					
12 month period ended December 31, 2018					
	Q3 Fiscal 2018	Q4 Fiscal 2018	Q1 Fiscal 2019	Q2 Fiscal 2019	Total
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	
Revenue	1.7	1.9	1.8	$ 1.8	$ 7.2
Percent of annual revenue	23.6%	26.4%	25.0%	25.0%	100.0%
Net income/(loss)	(0.1)	(0.3)	-	$ -	$ (0.4)
Profit/(Loss) per share - Basic and Diluted	-	-	-	$ -	$ -
12 month period ended December 31, 2017					
	Q3 Fiscal 2017	Q4 Fiscal 2017	Q1 Fiscal 2018	Q2 Fiscal 2018	Total
	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	
Revenue	$ 1.9	$ 2.3	$ 2.0	$ 2.0	$ 8.2
Percent of annual revenue	23.2%	28.0%	24.4%	24.4%	100.0%
Net income/(loss)	$ (0.5)	$ (0.4)	$ (0.2)	$ 1.8	$ 0.7
Profit/(Loss) per share - Basic and Diluted	$ -	$ -	$ -	$ 0.01	$ -
Q2 Fiscal 2018 net profit includes gain on debt restructuring of $1.8 million					

The fluctuations in the company's quarterly revenues from its Retail programs reflect seasonal consumer behavior at merchants participating in the Retail programs, as well as the other factors described under section Revenue in this document.

The fluctuations in the company's quarterly results reflect revenues and the costs to earn the revenues.

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

There are no material commitments for capital expenditures as of the date hereof.

Critical Accounting Estimates

The preparation of the company's consolidated financial statements, in accordance with IFRS, requires the company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim and annual consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The company's significant accounting policies are disclosed in note 4 to the audited consolidated financial statements for year ended June 30, 2018. The adoption of IFRS 9 and IFRS 15, applicable for the company's fiscal year which commenced July 1, 2018, had no material impact on the company's consolidated financial statements for the three and six months ended December 31, 2018.

Contingent liabilities

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

Going concern

The company tests the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company's interim consolidated financial statements for the three and six months ended December 31, 2018 carry a going concern note (note 2). The note is also carried in the Working Capital and Liquidity Management section in this document.

Financial instruments – fair value

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities, loan payable approximate their fair values due to the short-term maturity of these instruments.

A significant amount of estimation was applied in evaluation the fair value of the 9% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

The company has certain business risks linked to the collection of its transaction credits. Under the APM product the company generally acquires the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are estimated to be fully extinguishable within 30 – 365 days. Until these transaction credits have been extinguished through designated cardholder spend at participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days. In the event of default, the company has set up escalating collection measures, and an allowance is determined on specifically identified transaction credit balances that are delinquent and amount of the specific provision is determined based on whether the account has been referred to collection agency, for legal action, whether the company's attempt to debit the merchant's bank account for payments due to the company has been rejected, the underlying reason for the rejections, and the company's historical experience on recoveries.

The maximum exposure to credit risk is the balance, net of provision for impaired accounts, of the transaction credits, and accounts receivable.

The accounts receivable, transaction credits, and the allowance is as follows:

	At December 31, 2018	At June 30, 2018
	$	$
Transaction credits	$ 6,686,458	$ 5,668,489
Accounts receivable	181,375	117,322
Allowance	(35,389)	(81,063)
Per statement of financial position	$ 6,832,444	$ 5,704,748
Maximum exposure to credit risk	$ 6,832,444	$ 5,704,748

The transaction credits that are considered impaired and the related allowance is as follows:

	At December 31, 2018	At June 30, 2018
	$	$
Impaired transaction credits	$ 6,613	$ 74,630
Allowance	(1,638)	(66,559)
Impaired transaction credits not allowed for	$ 4,975	$ 8,071
The company carries a general allowance towards transaction credits of	$ 28,751	$ 9,504

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable; the stock option price is to be fixed by the Board of Directors but may not be less than the regulations of the stock exchange on which the company's common shares are listed; the term of the stock options may not exceed five years, and payment for the optioned shares is required to be made in full on the exercise of the stock options. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediate to four years.

Movement during YTD Fiscal 2019 and YTD Fiscal 2018 is tabulated.

	YTD Fiscal 2019	YTD Fiscal 2018
	Number of options	
Outstanding at July 1	-	1,490,000
Expired	-	-
Forfeited	-	-
Granted	-	-
Outstanding at September 30	-	1,490,000
Expired	-	-
Forfeited	-	- 90,000
Granted	-	-
Outstanding at December 31	-	1,400,000

The number of stock options available for future issuance at December 31, 2018 compared to December 31, 2017 is as follows:

	YTD Fiscal 2019	YTD Fiscal 2018
	Number of options	
Maximum number of shares reserved for issuance	16,688,546	16,688,546
Less: outstanding at end of period	-	(1,400,000)
Number of options available for future issuance	16,688,546	15,288,546

There was no stock based compensation expense during YTD Fiscal 2019 and YTD Fiscal 2018.

Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized, subject to approval by the shareholders of the company, the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The shareholders of the company approved the RSU Plan at the Annual and Special Meeting of the Shareholders held on February 28, 2018.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at December 31, 2018.

Outstanding Share Data

As of June 30, 2018, December 31, 2018 and the date hereof, the number of issued and outstanding common shares of the company is 782,299,614. The number of common shares is provided by the company's transfer agent AST Trust Company.

Potentially Dilutive Securities

As of date hereof, there are no potentially dilutive securities exercisable into common shares of the company.

Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued with 9% debentures and common shares on terms and conditions applicable to the other holders of 12% debentures. The 12% debentures were purchased by the related parties on terms and conditions applicable to the other subscribers.

The holdings of 9% debentures by related parties are tabulated.

	At December 31, 2018		At June 30, 2018	
	$		$	
Director, Chief Executive Officer - K. Ambrose	$	500,000	$	500,000
Director - W.Polley - Chairman of Board of Directors	$	50,000	$	50,000
Director - M. Lavine	$	500,000	$	500,000
Chief Financial Officer - M.Sabharwal	$	115,000	$	115,000
	$	**1,165,000**	**$**	**1,165,000**

As at December 31, 2018 the related parties held 194,610,188 common shares of the company representing about 24% of the issued and outstanding common shares of the company.

Trapeze Capital Corp. and Trapeze Asset Management Inc. (together "Trapeze")

Trapeze may have been considered, at the time of the issuance of 9% debentures to be a related party of the company by virtue of their holding about 60% of the 12% debentures and about 15% of the common shares of the company, on behalf of their respective managed accounts. Trapeze may be considered as at December 31, 2018 to be a related party. Trapeze is the principal shareholder of the company and the principal holder of the 9% debentures, on behalf of their respective managed accounts.

Economic Dependence

A significant portion of the company's current revenue and gross profit is dependent upon its value-added loyalty program agreement with CIBC and TD under which consumer rewards are awarded to holders of designated CIBC and TD credit cards when they complete purchases at merchants participating in Advantex's CIBC/TD program.

Illustration of economic dependence on CIBC/TD program. Revenue and gross profit are tabulated.

	Fiscal 2018		Fiscal 2017	
	$	% of Company Total	$	% of Company Total
CIBC/TD program revenues	$ 6,332,854	83.5%	$ 7,607,604	83.1%
CIBC/TD program gross profit	$ 4,634,917	88.9%	$ 5,355,058	89.2%

CIBC advised the company it would not be renewing its agreement with the company upon its expiry on March 31, 2019. TD advised the company it would be terminating its agreement with the company effective February 15, 2019.

The company's interim consolidated financial statements for the three and six months ended December 31, 2018 carry a going concern note (note 2). The note is also carried in the Working Capital and Liquidity Management section in this document.

General Risks and Uncertainties

As indicated in the Economic Dependence section of this document a significant portion of the company's current revenue is dependent on its value-added loyalty agreement with CIBC and TD. With the termination of the agreements with CIBC and TD the company is materially and adversely affected. The company's interim consolidated financial statements for the three and six months ended December 31, 2018 carry a going concern note (note 2). The note is also carried in the Working Capital and Liquidity Management section in this document.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document). Both the partnerships are set-up for maturity/expiry in December 2021. The company's relationship with the primary holder of the 9% debentures holders, and providers of loan payable span over a decade. To continue its current operations and fund growth, the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity. The loan payable is a demand facility. The 9% debentures carry financial covenants. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. Due to the termination of its agreements with CIBC and TD there is uncertainty surrounding the company's ability to retain the support of its financial partners, generate cash flow sufficient to meet operational needs including payment of 9% debentures interest, meet the financial covenants connected to the 9% debentures and have continued access to existing sources of debt and support the growth of the company.

Furthermore, general market conditions or the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet may eliminate or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company and impair its ability to continue as a going concern.

The company's future and success is dependent on retaining its relationships with the existing financial partners and thereby being able to continue to access existing levels of debt and obtain additional capital to support the company, and post termination of relationships with CIBC and TD its ability to transition its business model from loyalty marketing plus working capital i.e. its APM product for merchants to marketing services and working capital for merchants. While in the past the company has been successful in retaining support of its financial partners and been able restructure its product and organization there can be no assurance these initiatives will continue to be successful. If the company is not successful this could affect the company's liquidity and working capital position and its ability to continue as a going concern.

The company has certain business risks linked to the collection of its transaction credits. Under the CIBC/TD program's APM product the company acquired the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are generally estimated to be fully extinguishable within 30 – 365 days of the funds being deployed with the merchant. With the company losing access to CIBC and TD cardholder spend the company has to reach agreements with merchants to establish revised collection methodology and collection time-table. There can be no assurance on the successful collection of transaction credits and the time-line of such collection.

While the company is not exposed to interest rate risk on account of 9% debentures due to the fixed interest rate its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05%, on loan payable. In the event the company is able to continue as a going concern, the company would have to either use derivative instruments to reduce its exposure to interest rate risk or absorb the adverse interest rate movement or pass on all or some of the adverse rate movement to its merchants. Had the interest rate, for the six months ended December 31, 2018 been 10% higher the interest expense on loan payable would have been $355,477, an increase of $32,316.

The company's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While the company has entered into employment agreements with key management personnel and other employees, and each of these agreements includes confidentiality and non-competition clauses, the business prospects of the company could be adversely affected if any of these people were unable or unwilling to continue their employment with the company.

In addition to going concern, economic factors, factors noted in the Working Capital and Liquidity Management section, and those factors noted above in this section, the profitability of the company is also subject to a number of additional risk factors including: ability to transition its business focus;; raise additional capital in the form of either debt or equity which is needed to meet immediate and future operational and expansion requirements; ability to negotiate payment plans with its vendors; competition; changes in regulations - including taxation - affecting the company's activities.

In the ordinary course of business, the company is subject to ongoing audits by tax authorities. While the company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The company regularly reviews the potential for adverse outcomes in respect of tax matters and believes that any ultimate disposition of a reassessment will not have a material adverse impact on its liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the company's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: plan to shift its business focus to overcome challenge to its business model; expectation from its shift in business focus/new products and organization; belief it has support of its financial partners and expectation of terms of their support; expectation of the period and pace of recovery of its operations and financial performance; expectation of future capital expenditures; belief higher amount of transaction credits will improve financial results and cash flows; expectation of retaining/establishing relationship to operate Aeroplan program; ability to manage credit and collection risk; expectations of future delinquency expense; belief it has support of its staff; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things: continued support from its provider of loan payable and holders of 9% debentures on existing terms; ability to execute plan to transition its business model; ability to access additional working capital in the form of debt and or equity to meet immediate operational needs during the period of plan implementation and to support the growth of the company; ability to restructure its organization and adjust costs to expected revenues; continuation of Aeroplan program it currently operates; ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; the size of the market for marketing services and working capital for merchants; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; and the appropriateness of its tax filing position.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of the company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, those listed under "Working Capital and Liquidity Management", "General Risks and Uncertainties" and "Economic Dependence" in this Management Discussion and Analysis.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

Management is responsible for external reporting. The company maintains appropriate processes to ensure that relevant and reliable financial information is produced.

Additional Information

Additional information relating to the company is available at www.sedar.com, and may also be obtained by request by telephone or facsimile or at the company's website at www.advantex.com.

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ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the three and nine month periods ended March 31, 2019 and 2018

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at May 30, 2019. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three and nine month periods ended March 31, 2019 compared to the three and nine month periods ended March 31, 2018. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2018, and the interim consolidated financial statements and the related notes for the three and nine months ended March 31, 2019 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

Advantex is a leader in the merchant cash advance and marketing services industry. As of date hereof, the company develops and manages merchant based loyalty programs for its "Affinity partners", The Toronto Dominion Bank ("TD") and owners of Aeroplan ("Aeroplan"). Until March 31, 2019 the company also developed and managed merchant based loyalty program for Canadian Imperial Bank of Commerce ("CIBC"). The programs the company operated in partnership with CIBC and TD ("CIBC/TD program") and Aeroplan ("Aeroplan program") enable holders of designated CIBC and TD credit cards and members of Aeroplan (holders and members together "consumers") to accelerate earning frequent flyer miles and/or other rewards ("consumer rewards") on completing purchases at participating merchants. Under the umbrella of each program, Advantex markets participating merchants to consumers and on behalf of the merchants issues consumer rewards, provides merchants with business intelligence connected to the spending behaviour of consumers. As part of its merchant cash advance program, the company provides merchants including those participating in the CIBC/TD and Aeroplan programs, with working capital by the pre-purchase of their future sales.

The company's merchant partner base currently consists of about 780 merchants participating in the programs the company operates across Canada in diverse business segments.

Advantex earned its revenue from merchants participating in its CIBC/TD program, in the form of an agreed marketing fee, for every purchase completed using an eligible CIBC and TD credit card at their establishments. Revenue from merchant cash advance was earned in the form of an agreed fee earned upon completion of sales at merchants' establishments which sales in certain cases may be limited to eligible CIBC and TD credit card transactions. Advantex earned its revenue in the Aeroplan program from selling aeroplan miles, at an agreed price per consumer reward, to participating merchants.

Advantex also earned revenue from processing loyalty rewarding transactions for an Aeroplan customer.

Advantex's common shares are traded on the Canadian Securities Exchange ("CSE") under the symbol ADX.

Summary – Three and nine months ended March 31, 2019

The financial performance for the three months and nine months ended March 31, 2019 reflects period of transition. For the past four months the company is dealing with the challenge to its business model from exit of CIBC (relationship ended March 31, 2019) and TD (relationship ends June 15, 2019). The relationships with CIBC and TD accounted for over 80% of the company's revenues and gross profit.

The company has begun converting its merchant base to re-defined working capital and marketing services products, through among others its Aeroplan program, and the prospects are discussed in the Outlook section in this document.

The financial highlights for the three and nine months ended March 31, 2019 ("Q3 Fiscal 2019" and "YTD Fiscal 2019" respectively) compared to three and nine months ended March 31, 2018 ("Q3 Fiscal 2018" and "YTD Fiscal 2018" respectively) are summarized in the tabulation. The financial changes from the restructuring - a non-recurring item - is a significant factor in the company's results for the nine months ended March 31, 2018.

	Q3 Fiscal 2019	Q3 Fiscal 2018	YTD Fiscal 2019	YTD Fiscal 2018
	$	$	$	$
Revenues				
CIBC/TD program	$ 1,194,516	$ 1,399,361	$ 4,376,317	$ 4,799,093
Aeroplan program	193,101	244,721	661,010	799,382
Caesars program	35	8,632	9,312	27,723
Misc	-	43	-	10,894
	$ 1,387,652	**$ 1,652,757**	**$ 5,046,639**	**$ 5,637,092**
Gross profit	**$ 992,956**	**$ 1,164,823**	**$ 3,831,370**	**$ 3,942,254**
Gross margin	71.6%	70.5%	75.9%	69.9%
Earnings from operations before depreciation, amortization and interest	**$ 93,852**	**$ 283,766**	**$ 925,176**	**$ 810,880**
(Loss) and Comprehensive (loss) before non-recurring item	**$ (366,875)**	**$ (124,073)**	**$ (396,450)**	**$ (263,308)**
Net profit/(loss) and Comprehensive profit/(loss)	**$ (366,875)**	**$ (124,073)**	**$ (396,450)**	**$ 1,531,795**

Outlook

The company is shifting its business focus, but will continue to focus on working capital and marketing services products for merchants to overcome the challenge to its business model from the exit of CIBC and TD.

The company has re-defined its product line and is leveraging its existing merchant base to re-build its business where it has found healthy demand. The indications of demand are reflected in growth of transaction credits at March 2019. However, to re-build in a time sensitive period it needs access to growth capital to transition its existing merchant base to the new merchant cash advance product. While the existing financial partners are supportive of the transition, there is a gap in the growth capital required to make a successful transition. The company is in the market for sourcing growth capital. Furthermore, the company has to complete a restructuring of its cost structure to match the new business model.

The company believes it has the support of its existing financial partners. While its financial partners have supported the company in the past, the most recent illustration being the restructuring of December 2017, there can be no assurance of continued support and the terms and conditions of such support. While the company believes it provides attractive opportunities for lenders there can be no assurance on timely and successful outcome to the company's efforts to raise growth capital and the economics of the terms and conditions. In the past the company has made successful cost adjustments however there can be no assurance of a successful outcome to the current effort.

In the event of on-going support from its financial partners, timely raise of growth capital on terms that the company can accommodate, transition of its existing merchant base to new product and a successful cost restructuring the company expects to continue operations but cautions that the road to recovery will be long and gradual.

Income Statement – Q3 Fiscal 2019 and YTD Fiscal 2019 compared to Q3 Fiscal 2018 and YTD Fiscal 2018

Q3 Fiscal 2019 compared to Q3 Fiscal 2018

The $265,105 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $204,845 (14.6%). CIBC/TD program accounts for a significant share of the company's revenues (about 85% in both fiscal periods). The decline primarily reflects lower merchant participation in the CIBC/TD program. The decline in merchant participation is explained in the section Revenues in this document.

Gross profit is lower by $171,867. CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was lower by $137,933 reflecting flat program margin (74.7% for Q3 Fiscal 2019 compared to 73.6% for Q3 Fiscal 2018) and the lower program revenues. Gross profit is reviewed in sections Direct Expenses and Gross Profit in this document.

Selling expenses were $80,015 lower compared to Q3 Fiscal 2018. The lower selling expenses primarily reflect lower payroll costs of $42,070. In both periods payroll costs accounted for about 90% of the selling expenses. Lower payroll costs primarily reflect headcount.

General & Administrative (G&A) expenses were $98,062 higher compared to Q3 Fiscal 2018 reflecting $105,566 write-back in Q3 Fiscal 2018 of expense provision no longer required. Additional details provided in section G&A Expenses.

Decrease of $189,914 compared to Q3 Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects lower gross profit and marginally higher Selling/G&A expenses.

Q3 Fiscal 2019 reflects an increase in stated ("cash") interest cost ($49,762). The increase reflects higher interest ($53,263) paid on loan payable which reflects higher loan payable utilization.

Q3 Fiscal 2019 non-cash interest is flat compared to Q3 Fiscal 2018.

Depreciation and amortization expense was flat.

The above factors are reflected in a higher loss, $366,875 for Q3 Fiscal 2019 compared to loss of $124,073 for Q3 Fiscal 2018.

<u>YTD Fiscal 2019 compared to YTD Fiscal 2018</u>

The $590,453 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $422,776 (8.8%). CIBC/TD program accounts for a significant share of the company's revenues (about 85% in both fiscal periods). The decline primarily reflects lower merchant participation in the CIBC/TD program. The decline in merchant participation is explained in the section Revenues in this document.

Gross profit is lower by $110,884. CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was lower by $23,164 reflecting higher program margin (80.1% for YTD Fiscal 2019 compared to 73.5% for YTD Fiscal 2018) which offset the lower program revenues. The Aeroplan program gross profit declined $60,249 reflecting decline in revenues. There was a $16,577 decline in gross profit from the Caesars program which was discontinued in December 2018. Gross profit is reviewed in sections Direct Expenses and Gross Profit in this document.

Selling expenses were $147,413 lower compared to YTD Fiscal 2018. The lower selling expenses reflect lower payroll costs of $117,098. In both periods payroll costs accounted for about 90% of the selling expenses. Lower payroll costs primarily reflect headcount. Another factor in YTD Fiscal 2019 is the roll back in August 2018 of company-wide salary cut implemented in August 2017.

General & Administrative (G&A) expenses were $77,767 lower compared to YTD Fiscal 2018 reflecting (i) higher payroll costs ($60,628) which reflect roll back in August 2018 of company-wide salary cut implemented in August 2017, (ii) YTD Fiscal 2018 reflects severance costs ($158,102),(iii) YTD Fiscal 2018 reflects refund from CRA ($91,186), (iv) write-off of expense provision no longer required ($105,566) and (v) lower overheads of $168,839. Additional details provided in section G&A Expenses.

Increase of $114,296 compared to YTD Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects lower gross profit offset by lower Selling/G&A expenses.

YTD Fiscal 2019 reflects a decrease in stated ("cash") interest cost ($17,276). The decrease reflects:

(vii) higher interest ($42,844) paid on loan payable which reflects higher loan payable utilization and lower interest rate; and

(viii) Lower interest ($60,120) reflecting primarily lower coupon on 9% debentures issued in December 2017 compared to 12% debentures. The lower coupon offset the higher principal ($400,000) of the 9% debentures compared to 12% debentures.

YTD Fiscal 2019 reflects higher non-cash interest of $270,558. The YTD Fiscal 2019 non-cash interest is higher restructuring bonus ($118,360) and higher accretion charges ($152,198) reflecting terms of the 9% debentures.

Depreciation and amortization expense was marginally lower.

The above factors are reflected in a loss before non-recurring item of $396,450 for YTD Fiscal 2019 compared to loss before non-recurring item of $263,308 for YTD Fiscal 2018.

Balance Sheet – March 31, 2019 compared to March 31, 2018

Transaction credits (net of provision for delinquent accounts) at March 31, 2019 were $9,303,565 compared to $6,016,397 at March 31, 2018, an increase of $3,287,168. Transaction credits account for 95.0% of Q3 Fiscal 2019 total assets (Q3 Fiscal 2018 89.7%). The increase is primarily the result of the company transitioning merchants from its APM product to its new merchant cash advance product. The transition started in late February 2019.

During YTD Fiscal 2019 the company placed cash surplus to its immediate working capital needs with provider of loan payable. This reduced the interest cost on loan payable. The amount of such cash at March 31, 2019 was $nil.

The loan payable is used to fund pre-purchase at a discount future sales at merchants ("transaction credits"). The loan payable balance at March 31, 2019 was $3,359,688 higher compared to corresponding periods in the previous year. The increase reflects the growth in transaction credits.

Accounts payable and accrued liabilities at March 31, 2019 are lower by $114,517 compared to March 31, 2018 and reflect steady payment of liabilities – generally in the form of agreed payment plans - post restructuring of December 2017 and lower activity level.

A detailed look at the results for Q3 Fiscal 2019 and YTD Fiscal 2019 compared to corresponding periods in the previous year is set out in the following sections.

Results of Operations

	Q3 Fiscal 2019	Q3 Fiscal 2018	YTD Fiscal 2019	YTD Fiscal 2018
	$	$	$	$
Revenues	**$ 1,387,652**	**$ 1,652,757**	**$ 5,046,639**	**$ 5,637,092**
Direct expenses - Cost of cardholder rewards and marketing merchants to cardholders	319,066	431,618	1,060,689	1,458,466
Direct expenses - Expense for provision against delinquent accounts	75,630	56,316	154,580	236,372
Gross profit	**$ 992,956**	**$ 1,164,823**	**$ 3,831,370**	**$ 3,942,254**
Selling and General & Administrative	899,104	881,057	2,906,194	3,131,374
Earnings from operations before depreciation, amortization and interest	**$ 93,852**	**$ 283,766**	**$ 925,176**	**$ 810,880**
Cash interest on loan payable and debentures	317,143	267,381	892,515	909,791
Earnings (loss) from operations before depreciation, amortization, non-cash interest on debentures (accretion charges) and restructuring bonus due 2021	**$ (223,291)**	**$ 16,385**	**$ 32,661**	**$ (98,911)**
Depreciation and amortization	6,830	8,503	19,796	25,640
Non-cash interest expense (accretion charges) and restructuring bonus related to debentures	136,754	131,955	409,315	138,757
(Loss) and Comprehensive (loss) before non-recurring item	**$ (366,875)**	**$ (124,073)**	**$ (396,450)**	**$ (263,308)**
Gain on debt restructuring	$ -	$ -	$ -	$ 1,795,103
Net profit/(loss) and Comprehensive profit/(loss)	**$ (366,875)**	**$ (124,073)**	**$ (396,450)**	**$ 1,531,795**
Basic and Diluted profit/(loss) per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ 0.00**

Extract from the Statement of Financial Position

		At March 31, 2019	At June 30, 2018	Increase/ (Decrease)
		$	$	$
Current assets		$ 9,761,768	$ 6,419,933	$ 3,341,835
Total assets		$ 9,788,750	$ 6,463,902	$ 3,324,848
Shareholders' deficiency		$ (5,751,607)	$ (5,355,157)	$ 396,450

The change in current assets primarily reflects an increase in transaction credits (net of provision for delinquent accounts) of $3,711,139. While the merchant participation at March 31, 2019 is lower compared to June 30, 2018, this increase in transaction credits is primarily a reflection of higher pre-purchase of future sales at a discount (transaction credits) from existing merchants as they are transitioned to the new merchant cash advance product. The cash and cash equivalents decreased by $513,538. This decrease together with decrease of cash surplus to immediate requirements held by the company with Accord reflects the decrease in accounts payable and accrued liabilities, increase in investment of 10% as amount co-funded with Accord in the transaction credits and use of cash for operational purposes. Furthermore, the cash balances and transaction credits at the end of a quarter / year reflect the timing difference between the company's ongoing deployment and collection of transaction credits from merchants.

The change in the total assets primarily reflects increase in the current assets.

The movement in the shareholders' deficit reflects net loss during YTD Fiscal 2019.

Extracts from the Statement of Cash Flow

	YTD Fiscal 2019	YTD Fiscal 2018	Change
	$	$	$
Net profit/(loss)	$ (396,450)	$ 1,531,795	$ (1,928,245)
Adjustments for non cash expenses	429,111	- 1,119,214	1,548,325
Income after adjustments for non cash expenses	$ 32,661	$ 412,581	$ (379,920)
Changes in working capital	(4,212,307)	(1,093,164)	(3,119,143)
Net cash generated from (used in) financing activities supporting working capital	3,668,917	660,198	3,008,719
Net cash provided by (used in) operations	$ (510,729)	$ (20,385)	$ (490,344)
Net cash provided by (used in) investing activities	(2,809)	(2,344)	(465)
(Decrease) in cash and cash equivalents	(513,538)	$ (22,729)	$ (490,809)
Cash and cash equivalents at start of period	$ 635,836	$ 367,357	$ 268,479
Cash and cash equivalents at end of period	$ 122,298	$ 344,628	$ (222,330)

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $3,711,139 and decrease in accounts payable and accrued liabilities of $356,934. While the merchant participation at March 31, 2019 is lower compared to June 30, 2018, this increase in transaction credits is primarily a reflection of higher pre-purchase of future sales at a discount (transaction credits) from existing merchants as they are transitioned to the new merchant cash advance product. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, settlement of accounts payable and accrued liabilities following the December 2017 restructuring. During YTD Fiscal 2018 changes reflect increase in transaction credits, net of provision for delinquent accounts, of $466,685 which is a reflection of the availability of working capital at the company leading to increased purchase of transaction credits from its existing merchant portfolio. The second significant item is decrease in accounts payable and accrued liabilities and this reflects cancellation of interest, on 12% debentures for period January 1, 2017 to December 21, 2017, consequent to the close of the restructuring; provision for professional fees connected to the restructuring; provision for severances resulting from the restructuring of the organization; and settlement of accounts payable and accrued liabilities following the restructuring.

Financing activities. YTD Fiscal 2019 reflects the change in the loan payable balance consequent to changes in transaction credits purchased from existing merchant portfolio. YTD Fiscal 2018 reflects the new investment of $400,000 in the 9% debentures and the change in the loan payable balance consequent to 1. change in the co-funding arrangement, 2. cash surplus to immediate requirements being used to reduce loan payable utilization, and 3. changes in transaction credits purchased from existing merchant portfolio and change in merchant population.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three and nine months ended March 31, 2019, and have been included to provide additional analysis for the reader.

Revenue

The company's revenue was derived from merchants participating in its Retail programs which consisted of the CIBC/TD program, re-defined merchant cash advance, Aeroplan program and Caesars program which was discontinued in December 2018.

During the periods under review the Retail programs had six business products which are described hereunder.

The CIBC/TD program operated the APM, and Marketing Only business products.

The re-defined merchant cash advance (‘new merchant advance”) product.

The Aeroplan program operated the Re-seller and Processing products.

The Caesars program operated the Participation fee product.

The nature of the company’s products is as follows:

Advance Purchase Marketing (“APM”): The company acquires the rights to cash flow from future designated CIBC and TD credit card transactions at a discount from participating merchants (transaction credits on consolidated statement of financial position) and promotes the merchant by way of targeted marketing to holders of designated CIBC/TD credit cards, issues consumer rewards to consumers when they complete purchases at participating merchants, and provides merchants with business intelligence connected to the spending behaviour of consumers. The company’s revenue is from the purchases completed at the participating merchants using designated CIBC and TD credit cards, net of the company’s costs to acquire the transaction credits. Proceeds from the amount spent on above noted CIBC/TD credit cards at participating merchants are received by the company and a predetermined portion is applied to reduce the transaction credit balance.

new merchant cash advance product: The company acquires the rights to cash flow from future sales and receivables at discount from participating merchants (transaction credits). The company collects pre-determined amounts, at contracted intervals, of sales at merchants and these amounts are split per contracted terms towards the company’s revenues and applied to reduce the transaction credit balance.

The merchants also have the opportunity to purchase loyalty marketing available from the Aeropan program.

Marketing Only: The company does not acquire transaction credits. In all other respects Marketing Only is similar to APM. Revenue is earned in the form of an agreed marketing fee for every purchase completed using CIBC/TD credit card (as defined under APM) at participating merchants.

Re-seller: The company sells aeroplan miles to small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan mile, when the participating merchant issues aeroplan miles to an Aeroplan member completing a qualifying transaction at the merchant.

Processing: The company processes issuance of aeroplan miles for an Aeroplan customer. Revenue is recognized at the agreed price per aeroplan mile processed by the company. This activity generated about 15% of Aeroplan program revenues during Fiscal 2018 (Fiscal 2017 just over 4%). The processing for this customer ended end May 2019.

Participation fee: The company markets participating merchants to Caesars Total Rewards members and the merchant issues total rewards loyalty points to Total Rewards members completing a qualifying transaction at the merchant. The merchant pays an agreed monthly fee to the company.

The drivers for revenues from the CIBC/TD program and the merchant cash advance product are:

16. Number of participating merchants;
17. Market penetration of the CIBC/TD credit cards;
18. Economic environment;
19. Mix of merchants in terms of their volume of CIBC/TD credit card transactions;
20. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM product is higher compared to Marketing Only; and
21. Transaction credits purchased by the company.

The revenues from the Re-seller product reflect the number of participating merchants, traffic of aeroplan members completing purchases at participating merchants and the level of engagement of participating merchants in the program.

The revenues from the discontinued Caesars program were dependent on the number of participating merchants.

The company believes that while primary driver of revenues across all programs is the number of merchants participating in the programs, the revenues from APM and new merchant cash advance product are also reflective of transaction credits purchased by the company.

The revenue trends are provided in the tabulation.

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
Avg. # of merchants participating during the periods						
Legacy CIBC/TD program	444	587	-24.4%	503	610	-17.5%
new merchant cash advance	66	-	100.0%	44	-	100.0%
CIBC/TD program	510	587	-13.1%	547	610	-10.3%
Aeroplan program	342	355	-3.8%	345	374	-7.8%
	$	$	$	$	$	$
Revenues						
Legacy CIBC/TD program	$ 1,076,102	$ 1,399,361	$ (323,259)	$ 4,158,076	$ 4,799,093	$ (641,017)
new merchant casg advance	118,414	-	118,414	218,241	-	218,241
CIBC/TD program	1,194,516	1,399,361	(204,845)	4,376,317	4,799,093	(422,776)
Aeroplan program	193,101	244,721	(51,620)	661,010	799,382	(138,372)
Caesars program	35	8,632	(8,597)	9,312	27,723	(18,411)
Misc	-	43	(43)	-	10,894	(10,894)
	$ 1,387,652	**$ 1,652,757**	**$ (265,105)**	**$ 5,046,639**	**$ 5,637,092**	**$ (590,453)**

CIBC/TD program

Merchant participation decline during Q3 Fiscal 2019 (13.1%) and YTD Fiscal of 2019 (10.3%) compared to corresponding periods in the previous year is the primary reason for the decline in revenues in Q3 Fiscal 2019 (14.6%) and YTD Fiscal 2019 (8.8%) compared to corresponding periods in the previous year.

Aeroplan program

Decline in Q3 Fiscal 2019 and YTD Fiscal 2019 re-seller revenues are reflective of change in merchant participation and the engagement of participating merchants in the program.

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
Avg. # of merchants participating during the periods	342	355	-3.8%	345	374	-7.8%
Revenues						
Re-seller	$ 164,047	$ 186,831	-12.2%	$ 568,632	$ 663,914	-14.4%
Processing for Aeroplan clients	29,054	57,890		92,378	135,468	
	$ 193,101	$ 244,721		$ 661,010	$ 799,382	

Direct Expenses

In the CIBC/TD program, direct expenses include costs of consumer rewards which the company purchases from CIBC and TD, the cost of marketing and advertising on behalf of merchants, cost of sales of digital marketing services and provision against receivables.

In the Aeroplan program, direct expenses are primarily costs of consumer rewards which the company purchases from Aeroplan. Other costs include cost of marketing and advertising on behalf of merchants and provision against receivables.

Caesars program direct expenses are costs of consumer rewards which the company purchases from Caesars.

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
CIBC/TD program	$ 1,194,516	$ 1,399,361	-14.6%	$ 4,376,317	$ 4,799,093	-8.8%
Aeroplan program	193,101	244,721	-21.1%	661,010	799,382	-17.3%
Caesars program	35	8,632	-99.6%	9,312	27,723	-66.4%
Misc	-	43		-	10,894	
	$ 1,387,652	**$ 1,652,757**	**-16.0%**	**$ 5,046,639**	**$ 5,637,092**	**-10.5%**
Direct expenses						
CIBC/TD program	$ 301,910	$ 368,822	-18.1%	$ 872,625	$ 1,272,237	-31.4%
Aeroplan program	92,728	112,680	-17.7%	327,479	405,602	-19.3%
Caesars program	58	6,432	99.1%	15,165	16,999	-10.8%
	$ 394,696	**$ 487,934**	**-19.1%**	**$ 1,215,269**	**$ 1,694,838**	**-28.3%**

➢ CIBC/TD program

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Avg. # of merchants participating during the periods	510	587	-13.1%	547	610	-10.3%
Revenue	$ 1,194,516	$ 1,399,361	-14.6%	$ 4,376,317	$ 4,799,093	-8.8%
Direct expenses						
Consumer rewards	$ 178,017	$ 233,738	-23.8%	$ 693,351	$ 826,984	-16.2%
Marketing and advertising	48,292	84,952	-43.2%	150,402	285,690	-47.4%
Marketing/Program support by Affinity partners	-	-		(118,170)	(70,625)	67.3%
Expense for delinquent accounts	75,601	50,132	50.8%	147,042	230,188	-36.1%
	$ 301,910	$ 368,822	-18.1%	$ 872,625	$ 1,272,237	-31.4%

The Q3 Fiscal 2019 and YTD Fiscal 2019 decline in cost of consumer rewards primarily reflects decline in merchant population and revenues.

The Q3 Fiscal 2019 and YTD Fiscal 2019 decline in marketing and advertising costs reflects decline in merchant participation and revenues, and the limited marketing and advertising during the wind-down of CIBC/TD programs.

While the Q3 Fiscal 2019 expense for delinquent accounts (6.3% of revenues) is higher than expectation the YTD Fiscal 2019 (3.4% of revenues) are within expectations. The YTD Fiscal 2019 expense is lower than corresponding period in the previous year (YTD Fiscal 2018 at 4.8%). The company now expects the expense for Fiscal year ending June 30, 2019 to be in the 4%-5% range. Delinquencies are discussed in the section Critical Accounting Estimates – Credit Risk.

- Aeroplan program.

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Avg. # of merchants participating during the periods	342	355	-3.8%	345	374	-7.8%
Re-seller revenues	$ 164,047	$ 186,831	-12.2%	$ 568,632	$ 663,914	-14.4%
Direct expenses						
Consumer rewards	92,728	108,996	-14.9%	327,479	401,918	-18.5%
Misc., including expense for delinquent accounts	-	3,684		-	3,684	
	$ 92,728	$ 112,680	-17.7%	$ 327,479	$ 405,602	-19.3%

The decline in Q3 Fiscal 2019 and YTD Fiscal 2019 re-seller direct expenses primarily reflects decline in re-seller product revenues.

Gross Profit

Gross margins of Q3 Fiscal 2019 and YTD Fiscal 2019 compared to Q3 Fiscal 2018 and YTD Fiscal 2018 are tabulated below:

	Q3 Fiscal 2019	Q3 Fiscal 2018		YTD Fiscal 2019	YTD Fiscal 2018
Legacy CIBC/TD program	74.7%	73.6%		80.1%	73.5%
Aeroplan program	52.0%	54.0%		50.5%	49.3%

Changes in Q3 Fiscal 2019 and YTD Fiscal 2019 CIBC/TD program gross margin compared to corresponding periods in the previous year reflects changes in direct expenses which are explained in section Direct Expenses in this document.

Aeroplan program Q3 Fiscal 2019 and YTD Fiscal 2019 gross margins are flat to corresponding periods in the previous years.

The company gross profit for Q3 Fiscal 2019 and YTD Fiscal 2019 was lower compared to the corresponding periods in the previous year reflecting primarily a decline in the CIBC/TD program revenues which is partially offset by improved gross margin for YTD Fiscal 2019.

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
CIBC/TD program	$ 892,606	$ 1,030,539	-13.4%	$ 3,503,692	$ 3,526,856	-0.7%
Aeroplan program	100,373	132,041	-24.0%	333,531	393,780	-15.3%
Caesars program	(23)	2,200	-101.0%	(5,853)	10,724	-154.6%
Misc	-	43		-	10,894	-100.0%
	$ 992,956	**$ 1,164,823**	**-14.8%**	**$ 3,831,370**	**$ 3,942,254**	**-2.8%**

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. The significant component is cost of sales staff.

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
CIBC/TD program	$ 1,194,516	$ 1,399,361	-14.6%	$ 4,376,317	$ 4,799,093	-8.8%
Aeroplan program	193,101	244,721	-21.1%	661,010	799,382	-17.3%
Caesars program	35	8,632	-99.6%	9,312	27,723	-66.4%
Misc	-	43	0.0%	-	10,894	0.0%
	$ 1,387,652	**$ 1,652,757**	**-16.0%**	**$ 5,046,639**	**$ 5,637,092**	**-10.5%**
Selling expenses						
CIBC/TD program	$ 319,583	$ 369,459	-13.5%	$ 1,120,201	$ 1,210,716	-7.5%
Aeroplan program	-	7,844	-100.0%	1,582	20,802	-92.4%
Caesars program	573	22,868	-97.5%	53,837	91,515	-41.2%
	$ 320,156	**$ 400,171**	**-20.0%**	**$ 1,175,620**	**$ 1,323,033**	**-11.1%**
Remuneration of sales staff	$ 306,384	$ 348,454	**-12.1%**	$ 1,055,738	$ 1,172,836	**-10.0%**
Remuneration as % of selling expenses	95.7%	87.1%		89.8%	88.6%	

Given the impending wind-down of the CIBC/TD program, during Q3 Fiscal 2019 the company started the process of determining the sales organization needed to move forward the company's new business model to replace CIBC/TD as well to develop the Aeroplan program. Staffing changes were initiated during Q3 Fiscal 2019 and these are reflected in Q3 and YTD Fiscal 2019.

General and Administrative Expenses ("G&A")

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overheads, capital and income taxes, and foreign exchange gains/(losses).

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Change in revenues			**-16.0%**			**-10.5%**
G&A						
Compensation for non-sales staff	$ 376,092	$ 346,454	8.6%	$ 1,127,466	$ 1,066,838	5.7%
Severances	-	(4,898)		(8,206)	158,102	
Write-back of Directors fees	-	(105,566)		-	(105,566)	
Refund from CRA	-	-		-	(91,186)	
All other G&A expenses	202,856	244,896		611,314	780,153	
	$ 578,948	**$ 480,886**	**20.4%**	**$ 1,730,574**	**$ 1,808,341**	**-4.3%**

Compensation

Q3 Fiscal 2019 and YTD Fiscal 2019 reflect the roll back in August 2018 of the company-wide salary reduction of between 10% and 20% implemented from mid-August 2017.

Given the impending wind-down of the CIBC/TD program, during Q3 Fiscal 2019 the company started the process of determining the administrative organization needed to move forward the company's new business model to replace CIBC/TD as well to develop the Aeroplan program. Staffing changes were initiated during Q3 Fiscal 2019 and these are reflected in Q3 and YTD Fiscal 2019.

Severances

YTD Fiscal 2018 severances are consequent to the restructuring of the organization.

Refund from CRA

YTD Fiscal 2018 reflects a refund of $102,028 (including interest of $10,846 which is reflected in Misc. revenue) by CRA. In December 2003 the company completed a tax assisted financing transaction with a promoter of the transaction whereby it raised funds from the sale of its tax losses. Subsequent to the transaction the CRA and tax payers participating in the promoter's structure were in dispute and while the company was not a party to the dispute its share of tax losses solely consequent to the transaction were disallowed and this resulted in nominal annual tax liability which the company settled. Upon resolution of the dispute the previously disallowed tax losses were partially allowed and this resulted in the refund.

All other expenses

YTD Fiscal 2019 reflects write-back of about $36,000 from provision for legal expenses on account of rebate received from advisors.

In addition, Q3 and YTD Fiscal 2019 directors' fees are lower on account of smaller membership (independent directors – 2 during YTD Fiscal 2019 compared to 3 during most of YTD Fiscal 2018).

Given the impending wind-down of the CIBC/TD program, during Q3 Fiscal 2019 the company started the process of determining the support services needed to move forward the company's new business model to replace CIBC/TD as well to develop the Aeroplan program. Changes were initiated during Q3 Fiscal 2019 and these are reflected in Q3 and YTD Fiscal 2019.

Interest Expense

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	%	$	$	%
Loan payable	$ 193,780	$ 140,517		$ 516,941	$ 474,097	
12% debentures	-	-		-	295,123	
9% debentures	123,363	123,364		375,574	137,071	
9% debentures - fees	-	3,500		-	3,500	
	317,143	267,381		892,515	909,791	
Non cash interst - 9% debentures - restructuring bonus	61,220	61,221		186,383	68,023	
Non cash interest - 9% and 12% debentures - accretion charge	$ 75,534	$ 70,734		$ 222,932	$ 70,734	
	$ 453,897	**$ 399,336**	**13.7%**	**$ 1,301,830**	**$ 1,048,548**	**24.2%**

Loan payable interest cost reflects utilization of line of credit and the interest rate applied to the line. The interest rate during Q3 and YTD Fiscal 2019 was 9.05% plus prime rate of a certain Canadian bank ("prime rate") compared to 11.5% plus prime rate until December 2017 and 9.05% prime rate thereafter.

The cash component of the 9% debentures interest cost reflects the higher principal amount and lower coupon compared to the 12% debentures. The restructuring bonus and the accretion charges reflect the terms of the 9% debentures and the accounting treatment (per IFRS) of the 9% debentures. The debentures are discussed in the section 12% non-convertible debentures payable and 9% non-convertible debentures payable in this document.

Non-recurring Item

Reflected in YTD Fiscal 2018. A gain on debt restructuring of $1,795,103 has been recognized on the refinancing. This consists of the book value of the 12% debentures of $5,864,299, including accrued interest and penalties, plus the cash proceeds on the refinancing of $400,000 less the fair value of the 9% debentures of $4,275,389 and financing costs of $193,807.

	9% debentures
	Non-recurring item
Costs to close the refinancing	$ (193,807)
Extingusiment of interest and penalty of 12% debentures	705,299
Adjustment to reflect fair value of 9% debentures	1,283,611
	$ 1,795,103

Net Profit/(Loss)

Highlights are tabulated:

	Q3 Fiscal 2019	Q3 Fiscal 2018	Inc./(Dec)	YTD Fiscal 2019	YTD Fiscal 2018	Inc./(Dec)
	$	$	$	$	$	$
Revenues	$ 1,387,652	$ 1,652,757	$ (265,105)	$ 5,046,639	$ 5,637,092	$ (590,453)
Gross margin	71.6%	70.5%		75.9%	69.9%	
Gross profit	$ 992,956	$ 1,164,823	$ (171,867)	$ 3,831,370	$ 3,942,254	$ (110,884)
Earnings from operations before depreciation, amortization and interest	$ 93,852	$ 283,766	$ (189,914)	$ 925,176	$ 810,880	$ 114,296
(Loss) and Comprehensive (loss) before non-recurring item	$ (366,875)	$ (124,073)	$ 242,802	$ (396,450)	$ (263,308)	$ 133,142
Net Profit/(loss)	$ (366,875)	$ (124,073)	$ 242,802	$ (396,450)	$ 1,531,795	$ 1,928,245
Basic and Diluted profit/(loss) per share	$ (0.00)	$ (0.00)		$ (0.00)	$ 0.00	

<u>Q3 Fiscal 2019 compared to Q3 Fiscal 2018</u>

The $265,105 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $204,845 (14.6%). CIBC/TD program accounts for a significant share of the company's revenues (about 85% in both fiscal periods). Gross profit is lower by $171,867. CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was lower by $137,933 reflecting flat program margin (74.7% for Q3 Fiscal 2019 compared to 73.6% for Q3 Fiscal 2018) and the lower program revenues. Selling expenses were $80,015 lower compared to Q3 Fiscal 2018. The lower selling expenses primarily reflect lower payroll costs of $42,070. General & Administrative (G&A) expenses were $98,062 higher compared to Q3 Fiscal 2018 reflecting $105,566 write-back in Q3 Fiscal 2018 of expense provision no longer required. Decrease of $189,914 compared to Q3 Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects lower gross profit and marginally higher Selling/G&A expenses. Q3 Fiscal 2019 reflects an increase in stated ("cash") interest cost ($49,762). The increase reflects higher interest ($53,263) paid on loan payable which reflects higher loan payable utilization. Q3 Fiscal 2019 non-cash interest is flat compared to Q3 Fiscal 2018. Depreciation and amortization expense was flat. The above factors are reflected in a higher net loss, $366,875 for Q3 Fiscal 2019 compared to net loss of $124,073 for Q3 Fiscal 2018.

Detailed discussion on revenues, direct expenses, gross profit, SG&A, interest expense is available in the respective sections earlier in this document.

YTD Fiscal 2019 compared to YTD Fiscal 2018

The $590,453 drop in the company's revenues reflects mainly the decline in CIBC/TD revenues of $422,776 (8.8%). CIBC/TD program accounts for a significant share of the company's revenues (about 85% in both fiscal periods). Gross profit is lower by $110,884. CIBC/TD program accounts for a significant share of the company's gross profit (about 90% in both fiscal periods). The CIBC/TD gross profit was lower by $23,164 reflecting higher program margin (80.1% for YTD Fiscal 2019 compared to 73.5% for YTD Fiscal 2018) which offset the lower program revenues. The Aeroplan program gross profit declined $60,249 reflecting decline in revenues. There was a $16,577 decline in gross profit from the Caesars program which was discontinued in December 2018. Selling expenses were $147,413 lower compared to YTD Fiscal 2018. The lower selling expenses reflect lower payroll costs of $117,098. General & Administrative (G&A) expenses were $77,767 lower compared to YTD Fiscal 2018 reflecting (i) higher payroll costs ($60,628) which reflect roll back in August 2018 of company-wide salary cut implemented in August 2017, (ii) YTD Fiscal 2018 reflects severance costs ($158,102)), (iii) YTD Fiscal 2018 reflects refund from CRA ($91,186), (iv) write-off of expense provision no longer required ($105,566) and (v) lower overheads of $168,839.. Increase of $114,296 compared to YTD Fiscal 2018 in earnings from operations before depreciation, amortization and interest reflects lower gross profit offset by lower Selling/G&A expenses. YTD Fiscal 2019 reflects a decrease in stated ("cash") interest cost ($17,276). The decrease reflects: higher interest ($42,844) paid on loan payable which reflects higher loan payable utilization and lower interest rate; and lower interest ($60,120) reflecting primarily lower coupon on 9% debentures issued in December 2017 compared to 12% debentures. The lower coupon offset the higher principal ($400,000) of the 9% debentures compared to 12% debentures. YTD Fiscal 2019 reflects higher non-cash interest of $270,558. The YTD Fiscal 2019 non-cash interest is higher restructuring bonus ($118,360) and higher accretion charges ($152,198) reflecting terms of the 9% debentures. Depreciation and amortization expense was marginally lower. The above factors are reflected in a loss before non-recurring item of $396,450 for YTD Fiscal 2019 compared to loss before non-recurring item of $263,308 for YTD Fiscal 2018. Non-recurring item reflected in YTD 2018 is $1,795,103. The above factors are reflected in a net loss of $396,450 for YTD Fiscal 2019 compared to net profit of $1,531,795 for YTD Fiscal 2018.

Detailed discussion on revenues, direct expenses, gross profit, SG&A, interest expense, non-recurring item is available in the respective sections earlier in this document.

Working Capital and Liquidity Management

	Q3 Fiscal 2019	Q3 Fiscal 2018	YTD Fiscal 2019	YTD Fiscal 2018
	$	$	$	$
Funds available to expand the CIBC/TD programs APM product (Transaction credits on the balance sheet) and meet working capital needs				
Net profit/(loss)	$ (366,875)	$ (124,073)	$ (396,450)	$ 1,531,795
Adjustments for non cash expenses	143,584	79,237	429,111	(1,119,214)
Income after adjustment for non cash expenses	(223,291)	(44,836)	32,661	412,581
Cash balances at start of the period	136,411	909,304	635,836	367,357
Inc. 9% debentures	-	-	-	400,000
Inc./(dec) in loan payable	2,613,671	924,769	3,668,917	260,198
	$ 2,526,791	**$ 1,789,237**	**$ 4,337,414**	**$ 1,440,136**
Utilization of funds				
Cash balances at end of periods	$ 122,298	$ 344,628	$ 122,298	$ 344,628
Inc./(dec) in transaction credits	2,647,496	1,330,040	3,711,139	466,685
Changes in all other working capital items	(243,003)	112,225	501,168	626,479
Capital expenditures	-	2,344	2,809	2,344
	$ 2,526,791	**$ 1,789,237**	**$ 4,337,414**	**$ 1,440,136**

In December 2017 the company completed a restructuring of its financial partnership. The restructuring is explained in sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable in this document. Post restructuring cash and cash equivalents surplus to immediate operating requirements were used to reduce the loan payable and consequently the interest paid.

The company believes that increasing the amount of the transaction credits deployed with merchants will result in higher revenue and, consequently, improve the company's financial results and cash flows. Generally, the change in transaction credits partially reflects the change in the number of merchants participating in the APM product, as well as the amount of transaction credits deployed with its existing merchants.

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2019, the significant items are increase in transaction credits, net of provision for delinquent accounts, of $3,711,139 and decrease in accounts payable and accrued liabilities of $356,934. While the merchant participation at March 31, 2019 is lower compared to June 30, 2018, this increase in transaction credits is primarily a reflection of higher pre-purchase of future sales at a discount (transaction credits) from existing merchants as they are transitioned to the new merchant cash advance product. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflects settlement of severances, settlement of accounts payable and accrued liabilities following the December 2017 restructuring. During YTD Fiscal 2018 changes reflect increase in transaction credits, net of provision for delinquent accounts, of $466,685 which is a reflection of the availability of working capital at the company leading to increased purchase of transaction credits from its existing merchant portfolio. The second significant item is decrease in accounts payable and accrued liabilities and this reflects cancellation of interest, on 12% debentures for period January 1, 2017 to December 21, 2017, consequent to the close of the restructuring; provision for professional fees connected to the restructuring; provision for severances resulting from the restructuring of the organization; and settlement of accounts payable and accrued liabilities following the restructuring.

Financing activities. . YTD Fiscal 2019 reflects the change in the loan payable balance consequent to changes in transaction credits purchased from existing merchant portfolio. YTD Fiscal 2018 reflects the new investment of $400,000 in the 9% debentures and the change in the loan payable balance consequent to 1. change in the co-funding arrangement, 2. cash surplus to immediate requirements being used to reduce loan payable utilization, and 3. changes in transaction credits purchased from existing merchant portfolio and change in merchant population.

Investing activities. The company did not incur material capital expenditures or enter into any material equipment leases during the periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019.

While, generally the cash balances at the end of a quarter/year reflect cash generated/(used) by operations [profit/(loss) before depreciation of property, plant and equipment, and amortization of intangible assets; and non-cash interest on debentures, the other factors are timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, funds from Affinity partners towards marketing initiatives. The additional consideration at December 31, 2017 is the cash raised following the close of restructuring with its financial partners. Furthermore, cash surplus to immediate operating requirements was used, wherever possible, to reduce the loan payable and consequently the interest cost.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document. Both the partnerships are set-up for maturity/expiry in December 2021, on terms that the company believes are beneficial, and provide access to working capital to partially support, post termination of its agreements with CIBC and TD, shift in the business focus. Additional working capital in the form of debt and/or equity will be required to successfully transition existing merchant base to new merchant cash advance and marketing services and expand the product.

To continue its current operations and fund growth beyond March 31, 2019 the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity.

The company's future continuation of its business and success is dependent on retaining its existing relationships with new owner of Aeroplan, Accord and holders of 9% debentures and it believes it has their support.

Except for the leasing arrangements the company does not participate in off balance sheet financing arrangements.

The consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $5,751,607 and negative working capital of $821,323 as at March 31, 2019.

Since end February 2019 the company is pivoting its business model towards providing working capital and marketing services to merchants.

Due to the termination of its agreements with CIBC and TD there is uncertainty surrounding the company's ability to: retain the support of its financial partners, generate cash flow sufficient to meet operational needs including payments to its suppliers and payment of 9% debentures interest, meet the financial covenants connected to the 9% debentures and seek alternative sources of capital to support the continuation and growth of the company.

As a result, this may cast significant doubt on the validity of going concern assumption and the company's ability to continue as a going concern after March 31, 2019 and hence the ultimate use of accounting principles applicable to a going concern.

The company's future success is dependent on retaining its relationships with the existing financial partners and thereby being able to continue to access existing levels of debt and obtain additional capital to support the company; ability to transition shift in business focus from loyalty marketing plus working capital for merchants to marketing services and working capital for merchants; accommodation on softer payment terms from its suppliers; additional capital in the form of debt or equity; ensuring profitability; and generating positive cash flows from operations. The company's business plan includes retaining support of its financial partners; shift in business focus but continuing focus on new products offering marketing services and working capital to merchants; rightsizing its cost structure; accommodation on payment terms with suppliers; and ability to access additional capital which is required to ensure a successful transition of its business. While in the past the company has been successful in retaining support of its financial partners and been able restructure its product and organization there can be no assurance these initiatives will continue to be successful and there can be no assurance on its ability to secure additional capital.

The consolidated financial statements do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

Contractual Obligations

Contractual obligations as at March 31, 2019 were due as follow:

	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 8,096,307	$ 8,096,307	$ -	$ -
9% debentures	$ 5,559,000	$ -	$ 5,559,000	$ -
Operating leases	$ 298,939	$ 94,686	$ 204,253	$ -
	$ 13,954,246	**$ 8,190,993**	**$ 5,763,253**	**$ -**

In addition, 9% debenture interest of $1,521,776 is payable for the period December 16, 2018 to maturity on December 31, 2021 (interest is paid semi-annually, June 15 and December 15). The company also has a liability of restructuring bonus for $1,000,620 to the holders of the 9% debentures payable on December 31, 2021.

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

Furthermore, in August 2017 the company renewed its lease for the company's head office for five year term ending August 31, 2022. The commitment from April 2019 to August 2022 is $265,376.

Loan Payable

The loan payable is a line of credit facility with Accord Financial Inc. ("Accord") to acquire transaction credits, under its merchant cash advance products which include the APM product. As security, Accord has first charge to all amounts due from merchants funded from the loan payable.

The loan payable was established in December 2007. The current term of the loan payable is due to expire in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the renewal term commencing January 1, 2018 the interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05% (compared to prime rate plus 11.5% until December 31, 2017). Furthermore, during the renewal term the co-funding arrangement is amended to 90:10, whereby Accord funds 90% of each dollar of amounts funded to merchants. The company funds 10%. This compares to 85:15 arrangement until December 28, 2017.

The facility has a limit of $8.5 million. In May 2019 Accord increased the limit to $9.2 million for a 45 day period ending June 28, 2019 to ease the company's transition to new merchant cash advance product following wind-down of CIBC/TD program.

Interest is calculated daily on the amount outstanding and charged monthly.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The company had utilized $8.1 million of the facility at March 31, 2019 (at March 31, 2018 $4.7 million).

With the change in the loan payable terms effective January 1, 2018, the company and Accord did not renew the temporary overdraft facility of $100,000 which expired December 31, 2017.

12% Non-Convertible Debentures Payable and 9% Non-convertible Debentures Payable

On December 30, 2013, the company issued 12% non-convertible debentures ("12% debentures"), by way of a private placement, in the principal amount of $5,159,000. The 12% debentures were issued as units. Each unit comprised (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and with an initial maturity date of September 30, 2016, and (ii) 8,150 common shares in the capital of the company. The company issued 5,159 units and 42,045,850 common shares. The maturity date went through several extensions with the latest maturity date of December 31, 2017. The company was in breach of all its financial covenants since September 30, 2016, had not paid the interest since January 1, 2017 and was not in a position to re-pay the 12% debentures.

On December 22, 2017 the company announced it re-financed the new 12% debentures with the approval of existing holders of the 12% debentures. The terms of the refinancing are as follows:

19. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with maturity date of December 31, 2021;
20. The 9% debentures bear interest rate of 9% per annum payable semi-annually;
21. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
22. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
23. Restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021; and
24. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units comprising principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company, comprising:

9. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
10. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

Under the agreement, the proceeds of the 9% debentures are to be used for working capital purposes.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. In October 2018 the 9% debentures holders amended and re-set certain financial covenants for quarters ending December 31, 2018 to June 30, 2020. The significant financial covenants of the 9% debentures require the company to meet on a quarterly basis (i) commencing the quarter ended March 31, 2018 a defined level of designated current assets, and (ii) commencing June 30, 2019 a defined level of interest coverage. If the company were to breach a financial covenant or were unable to pay either interest or its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in compliance with financial covenants at March 31, 2018, June 30, 2018, September 30, 2018, December 31, 2018 and March 31, 2019.

Summary of Quarterly Results

In millions of dollars except per share amounts					
12 month period ended March 31, 2019					
	Q4 Fiscal 2018	Q1 Fiscal 2019	Q2 Fiscal 2019	Q3 Fiscal 2019	Total
	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	
Revenue	$ 1.9	$ 1.8	$ 1.8	$ 1.4	$ 6.9
Percent of annual revenue	27.5%	26.1%	26.1%	20.3%	100.0%
Net income/(loss)	$ (0.3)	$ -	$ -	$ (0.4)	$ (0.7)
Profit/(Loss) per share - Basic and Diluted	$ -	$ -	$ -	$ -	
12 month period ended March 31, 2018					
	Q4 Fiscal 2017	Q1 Fiscal 2018	Q2 Fiscal 2018	Q3 Fiscal 2018	Total
	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	
Revenue	$ 2.3	$ 2.0	$ 2.0	$ 1.7	$ 8.0
Percent of annual revenue	28.8%	25.0%	25.0%	21.2%	100.0%
Net income/(loss)	$ (0.4)	$ (0.2)	$ 1.8	$ (0.1)	$ 1.1
Profit/(Loss) per share - Basic and Diluted	$ -	$ -	$ 0.01	$ -	$ -
Q2 Fiscal 2018 net profit includes gain from debt restructuring of $1.8 million					

The fluctuations in the company's quarterly revenues from its Retail programs reflect seasonal consumer behavior at merchants participating in the Retail programs, as well as the other factors described under section Revenue in this document. The company's new merchant cash advance product is not subject to seasonality.

The fluctuations in the company's quarterly results reflect revenues and the costs to earn the revenues.

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the periods under review. The company secures lease arrangements for the bulk of equipment requirements. The financial commitments on existing leases is provided in the section Contractual Obligations in this document. The lease costs are reflected in expenses. The company is not contemplating material capital commitments during fiscal year ending June 30, 2019 and for twelve months ending March 31, 2020.

There are no material commitments for capital expenditures as of the date hereof.

Critical Accounting Estimates

The preparation of the company's consolidated financial statements, in accordance with IFRS, requires the company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim and annual consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The company's significant accounting policies are disclosed in note 4 to the audited consolidated financial statements for year ended June 30, 2018. The adoption of IFRS 9 and IFRS 15, applicable for the company's fiscal year which commenced July 1, 2018, had no material impact on the company's consolidated financial statements for the three and nine months ended March 31, 2019.

Contingent liabilities

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

Going concern

The company tests the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company's interim consolidated financial statements for the three and nine months ended March 31, 2019 carry a going concern note (note 2). The note is also carried in the Working Capital and Liquidity Management section in this document.

Financial instruments – fair value

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities, loan payable approximate their fair values due to the short-term maturity of these instruments.

A significant amount of estimation was applied in evaluation the fair value of the 9% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

The company has certain business risks linked to the collection of its transaction credits. Under its APM product the company acquired the rights to cash flow from future designated credit card transactions at a discount from participating merchants ("transaction credits"). Under its new merchant cash advance product the company acquires the rights to cash flow from future sales and receivable at a discount from participating merchants ("transaction credits").

The transaction credits are generally estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days. In the event of default, the company has set up escalating collection measures, and an allowance is determined on specifically identified transaction credit balances that are delinquent and amount of the specific provision is determined based on whether the account has been referred to collection agency, for legal action, whether the company's attempt to debit the merchant's bank account for payments due to the company has been rejected, the underlying reason for the rejections, and the company's historical experience on recoveries.

The maximum exposure to credit risk is the balance, net of provision for impaired accounts, of the transaction credits, and accounts receivable.

The accounts receivable, transaction credits, and the allowance is as follows:

	At March 31, 2019	At June 30, 2018
	$	$
Transaction credits	$ 9,352,812	$ 5,668,489
Accounts receivable	304,996	117,322
Allowance	(78,544)	(81,063)
Per statement of financial position	$ 9,579,264	$ 5,704,748
Maximum exposure to credit risk	$ 9,579,264	$ 5,704,748

The transaction credits that are considered impaired and the related allowance is as follows:

	At March 31, 2019	At June 30, 2018
	$	$
Impaired transaction credits	$ 27,422	$ 74,630
Allowance	(9,247)	(66,559)
Impaired transaction credits not allowed for	$ 18,175	$ 8,071
The company carries a general allowance towards transaction credits of	$ 40,000	$ 9,504

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable; the stock option price is to be fixed by the Board of Directors but may not be less than the regulations of the stock exchange on which the company's common shares are listed; the term of the stock options may not exceed five years, and payment for the optioned shares is required to be made in full on the exercise of the stock options. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediate to four years.

Movement during YTD Fiscal 2019 and YTD Fiscal 2018 is tabulated.

	YTD Fiscal 2019	YTD Fiscal 2018
	Number of options	
Outstanding at July 1 and September 30	-	1,490,000
Forfeited	-	(90,000)
Outstanding at December 31	-	1,400,000
Expired	-	(1,400,000)
Outstanding at March 31	-	-

The number of stock options available for future issuance at March 31, 2019 compared to March 31, 2018 is as follows:

	YTD Fiscal 2019	YTD Fiscal 2018
	Number of options	
Maximum number of shares reserved for issuance	16,688,546	16,688,546
Less: outstanding at end of period	-	-
Number of options available for future issuance	16,688,546	16,688,546

There was no stock based compensation expense during YTD Fiscal 2019 and YTD Fiscal 2018.

Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized, subject to approval by the shareholders of the company, the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The shareholders of the company approved the RSU Plan at the Annual and Special Meeting of the Shareholders held on February 28, 2018.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at March 31, 2019.

Outstanding Share Data

As of June 30, 2018, March 31, 2019 and the date hereof, the number of issued and outstanding common shares of the company is 782,299,614. The number of common shares is provided by the company's transfer agent AST Trust Company.

Potentially Dilutive Securities

As of date hereof, there are no potentially dilutive securities exercisable into common shares of the company.

Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued with 9% debentures and common shares on terms and conditions applicable to the other holders of 12% debentures. The 12% debentures were purchased by the related parties on terms and conditions applicable to the other subscribers.

The holdings of 9% debentures by related parties are tabulated.

	At March 31, 2019	At June 30, 2018
	$	$
Director, Chief Executive Officer - K. Ambrose	$ 500,000	$ 500,000
Director - W.Polley - Chairman of the Board of Directors	50,000	50,000
Director - M. Lavine	500,000	500,000
Chief Financial Officer - M.Sabharwal	115,000	115,000
	$ 1,165,000	**$ 1,165,000**

As at March 31, 2019 the related parties held 194,610,188 common shares of the company representing about 24% of the issued and outstanding common shares of the company.

Generation Portfolio Management Corp (ex-Trapeze Capital Corp. and Trapeze Asset Management Inc. ("Generation")

Generation may have been considered, at the time of the issuance of 9% debentures to be a related party of the company by virtue of their holding about 60% of the 12% debentures and about 15% of the common shares of the company, on behalf of their respective managed accounts. Generation may be considered as at March 31, 2019 to be a related party. Generation is the principal shareholder of the company (about 38% as of May 21, 2019) and the principal holder of the 9% debentures (just over 50% as of May 21, 2019), on behalf of their respective managed accounts.

Economic Dependence

A significant portion of the company's current revenue and gross profit is dependent upon its value-added loyalty program agreement with CIBC and TD under which consumer rewards are awarded to holders of designated CIBC and TD credit cards when they complete purchases at merchants participating in the company's CIBC/TD program.

Illustration of economic dependence on CIBC/TD program. Revenue and gross profit are tabulated.

	Fiscal 2018		Fiscal 2017	
	$	% of Company Total	$	% of Company Total
CIBC/TD program revenues	$ 6,332,854	83.5%	$ 7,607,604	83.1%
CIBC/TD program gross profit	$ 4,634,917	88.9%	$ 5,355,058	89.2%

The agreement with CIBC ended March 31, 2019. TD advised the company it would be terminating its agreement with the company effective June 15, 2019.

The company's interim consolidated financial statements for the three and nine months ended March 31, 2019 carry a going concern note (note 2). The note is also carried in the Working Capital and Liquidity Management section in this document.

General Risks and Uncertainties

As indicated in the Economic Dependence section of this document a significant portion of the company's current revenue is dependent on its value-added loyalty agreement with CIBC and TD. With the termination of the agreements with CIBC and TD the company is materially and adversely affected. The company's interim consolidated financial statements for the three and nine months ended March 31, 2019 carry a going concern note (note 2). The note is also carried in the Working Capital and Liquidity Management section in this document.

The company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable and 9% Non-Convertible Debentures Payable) in this document). Both the partnerships are set-up for maturity/expiry in December 2021. The company's relationship with the primary holder of the 9% debentures holders, and providers of loan payable span over a decade. To continue its current operations and fund growth, the company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity. The loan payable is a demand facility. The 9% debentures carry financial covenants. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay either interest or its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. Due to the termination of its agreements with CIBC and TD there is uncertainty surrounding the company's ability to retain the support of its financial partners, generate cash flow sufficient to meet operational needs including payment of 9% debentures interest, meet the financial covenants connected to the 9% debentures and have continued access to existing sources of debt and support the continuation and growth of the company.

Furthermore, general market conditions or the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet may eliminate or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company and impair its ability to continue as a going concern.

The company's future and success is dependent on retaining its relationships with the existing financial partners and thereby being able to continue to access existing levels of debt and obtain additional capital to support the company, and post termination of relationships with CIBC and TD its ability to transition its business model from loyalty marketing plus working capital i.e. its APM product for merchants to marketing services and working capital for merchants. While in the past the company has been successful in retaining support of its financial partners and been able restructure its product and organization there can be no assurance these initiatives will continue to be successful and there can be no assurance on its ability to secure additional capital required to complete a successful transition of its business model. If the company is not successful this could affect the company's liquidity and working capital position and its ability to continue as a going concern.

The company has certain business risks linked to the collection of its transaction credits across all its merchant cash advance products. Under the CIBC/TD program's APM product the company acquired the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are generally estimated to be fully extinguishable within 30 – 365 days of the funds being deployed with the merchant. With the company losing access to CIBC and TD cardholder spend the company has to reach agreements with merchants to establish revised collection methodology and collection time-table. There can be no assurance on the successful collection of transaction credits and the time-line of such collection.

While the company is not exposed to interest rate risk on account of 9% debentures due to the fixed interest rate its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05%, on loan payable. In the event the company is able to continue as a going concern, the company would have to either use derivative instruments to reduce its exposure to interest rate risk or absorb the adverse interest rate movement or pass on all or some of the adverse rate movement to its merchants. Had the interest rate, for the nine months ended March 31, 2019 been 10% higher the interest expense on loan payable would have been $568,635, an increase of $51,694.

The company's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While the company has entered into employment agreements with key management personnel and other employees, and each of these agreements includes confidentiality and non-competition clauses, the business prospects of the company could be adversely affected if any of these people were unable or unwilling to continue their employment with the company.

In addition to going concern, economic factors, factors noted in the Working Capital and Liquidity Management section, and those factors noted above in this section, the profitability of the company is also subject to a number of additional risk factors including: ability to transition its business focus; raise additional capital in the form of either debt or equity which is needed to meet immediate and future operational and expansion requirements; terms of the additional capital; ability to negotiate payment plans with its vendors; competition; changes in regulations - including taxation - affecting the company's activities.

In the ordinary course of business, the company is subject to ongoing audits by tax authorities. While the company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The company regularly reviews the potential for adverse outcomes in respect of tax matters and believes that any ultimate disposition of a reassessment will not have a material adverse impact on its liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the company's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief in the demand for its re-defined product line; expectation from its shift in business focus/new products and organization; belief it has support of its financial partners and Aeroplan and expectation of terms of their support; belief it provides attractive opportunity for potential lenders of growth capital; expectation of the period and pace of recovery of its operations and financial performance; expectation of future capital expenditures; belief the primary drivers of revenues are merchant drivers and transaction credits purchased by the company; belief higher amount of transaction credits will improve financial results and cash flows; ability to manage credit and collection risk; expectations of future delinquency expense; belief it has support of its staff; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things: continued support from its provider of loan payable and holders of 9% debentures on existing terms; ability to execute plan to transition its business model; demand for its new products; ability to access additional working capital in the form of debt and or equity to meet immediate operational needs during the period of transition and to support the growth of the company; ability to restructure its organization and adjust costs to expected revenues; continuation of Aeroplan program it currently operates; ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; the size of the market for marketing services and working capital for merchants; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; and the appropriateness of its tax filing position.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of the company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, those listed under “Working Capital and Liquidity Management”, “General Risks and Uncertainties” and “Economic Dependence” in this Management Discussion and Analysis.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

Management is responsible for external reporting. The company maintains appropriate processes to ensure that relevant and reliable financial information is produced.

Additional Information

Additional information relating to the company is available at www.sedar.com, and may also be obtained by request by telephone or facsimile or at the company's website at www.advantex.com.

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Schedule D

ADVANTEX MARKETING INTERNATIONAL INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual meeting of shareholders (the "**Meeting**") of ADVANTEX MARKETING INTERNATIONAL INC. (the "**Company**") will be held on December 21, 2018, at 10:00 am (Toronto time) at the office of the Company's general counsel Miller Thomson LLP, Scotia Plaza, 40 King Street West, Suite 5800, Toronto, Ontario, M5H 3S1.

The purpose of the Meeting is:

1. to present the annual report and audited financial statements of the Company for the fiscal year ended June 30, 2018;
2. to elect directors;
3. to appoint auditors; and
4. to transact such other business as may properly be brought before the Meeting.

As described in the notice and access notification mailed to shareholders of the Company, the Company has decided to deliver this information circular by posting it to the website (www.meetingdocuments.com/astca/ADX). The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's printing costs. This information circular will also be available on SEDAR at www.sedar.com. **Shareholders who wish to receive paper copies of the information circular may request copies (at no cost) by calling toll-free at 1-888-433-6443 or by emailing fulfilment@astfinancial.com prior to December 7, 2018.**

A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment thereof, in person are requested to date, sign and return the accompanying form of proxy or VIF for use at the Meeting or any adjournment thereof. To be effective, the enclosed form of proxy or VIF must be returned in the enclosed postage prepaid envelope. Registered holders can also deliver their proxy to the Company's registrar and transfer agent, AST Trust Company by mail to P.O. Box 721, Agincourt, ON, Canada, M1S 0A1, or by hand to 1 Toronto Street, Suite 1200, Toronto, Ontario, or by fax to 416-368-2502 / toll-free 1-866-781-3111 or by email at proxyvote@astfinancial.com, no later than 10:00 am (Toronto time) on Wednesday, December 19, 2018 where there is no adjournment or postponement of the Meeting.

DATED at Markham, Ontario

November 2, 2018

BY ORDER OF THE BOARD OF DIRECTORS

"Kelly E. Ambrose"

President and Chief Executive Officer

ADVANTEX MARKETING INTERNATIONAL INC.
600 Alden Road, Suite 606
Markham, Ontario, L3R 0E7
INFORMATION CIRCULAR
AS AT NOVEMBER 2, 2018

SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF ADVANTEX MARKETING INTERNATIONAL INC. (the "**Company**") of proxies to be used at the Annual Meeting of Shareholders of the Company (the "**Meeting**") to be held at the office of the Company's general counsel Miller Thomson LLP, Scotia Plaza, 40 King Street West, Suite 5800, Toronto, Ontario, M5H 3S1 on Friday, December 21, 2018, at 10:00 am (Toronto time) and at any adjournment or postponement thereof for the purposes set forth in the enclosed Notice of Meeting. Proxies will be solicited primarily by mail and may also be solicited personally or by telephone by the directors and/or officers of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

The Company may pay the reasonable costs incurred by persons who are the registered but not beneficial owners of voting shares of the Company (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of the Notice of Meeting, this Information Circular and the voting instruction form ("VIF") or form of proxy (collectively, the "**Meeting Materials**") to the beneficial owners of such shares. The Company will provide, without cost to such persons, upon request to the Secretary of the Company, additional copies of the foregoing documents required for this purpose.

MATTERS TO BE ACTED UPON

1. ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

The 2018 annual report of the Company, including the consolidated financial statements for the fiscal year ended June 30, 2018 and the report of the auditors thereon, will be submitted to the Meeting.

The consolidated financial statements and the report of the auditors is available under the Company's profile on www.sedar.com.

2. ELECTION OF DIRECTORS

The board of directors of the Company (the "**Board of Directors**" or "**Board**") currently can consist of a minimum of three (3) and a maximum of fifteen (15) directors. The number of directors to be elected at the Meeting has been fixed by the Board at three (3) and accordingly, three (3) directors are to be elected at the Meeting. The composition, responsibilities, and duties of the Board are described in its Charter, which is set out as Exhibit "A" hereto.

The following table and the notes thereto state the names of all the persons proposed to be nominated by management for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date hereof.

Name, Office and Jurisdiction of Residence(1)	Director Since	No. of Voting Securities Owned, Controlled or Directed as at November 2 , 2018(2)
Kelly E. Ambrose (3)(4)(5) President, Chief Executive Officer, Secretary and Director Ontario, Canada	January 26, 2006	88,778,000 common shares
William H. Polley (3)(4)(5) Director Ontario, Canada	November 21, 2002	5,846,450 common shares
Marc B. Lavine (3)(4)(5) Director Paris, France	December 18, 2013	66,769,000 common shares(6)

Notes:

(1) The principal occupations of each of the nominees during the last five (5) years are as set forth below:

Kelly E. Ambrose has been the President of the Company since October 19, 2005, Chief Executive Officer of the Company since December 5, 2006, and Secretary since September 24, 2009. Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan.

William H. Polley is the Chief Financial Officer of the Martini Group of Companies since 1998. Mr. Polley is a Chartered Accountant. CPA, CA.

Marc B. Lavine holds an Honours degree in Business Administration from the Richard Ivey School of Business at the University of Western Ontario (1991) where he received the gold medal for top student in his class. Mr. Lavine is Chairman, Chief Executive Officer and Director of Exclamation Investments Corporation which was founded by Mr. Lavine and is focused on entrepreneurial investment and business creation activities. Mr. Lavine is also co-founder of several businesses including: Points International Ltd., a global leader in loyalty currency management (NASDAQ:PTS); The Chrysalis Capital Group Inc., an entrepreneurial finance company focused on the public listings of corporations on the TSX Venture Exchange; Public Inc., a Toronto-based social purpose agency and innovation lab; LudWin, a leading sports betting operator in Africa and Common Cents, a social business and platform that partners cause marking and giving with e-commerce. Mr. Lavine created Exclamation Foundation (2007) in Canada and France in order to tackle key social issues in the arts and environment and also focus on impact investing.

(2) The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.

(3) Member of the Compensation and Governance Committee.

(4) Member of the Audit Committee.

(5) At date hereof, the following nominees held, controlled or directed control over 9% amended and restated non-convertible debenture ("Debenture") issued by the Company in December, 2017. The Debenture were issued as part of the restructuring the Company completed and announced on December 22, 2017. The significant terms of the Debenture are provided in the Company's filings which are available under the Company's profile on www.sedar.com.

Name	***Principal Amount 9% Amended and Restated Non-Convertible Debenture***
Kelly E. Ambrose	*$ 500,000*
William H. Polley	*$ 50,000*
Marc B. Lavine	*$ 500,000*

(6) Shares are owned by Exclamation Investments Corporation. Marc B. Lavine is CEO and a member of the Investment Committee of the corporation but does not otherwise exercise control and direction over the corporation.

The term of office of each director will be from the date of the Meeting at which he or she is elected until the next annual meeting; or until his or her successor is elected or appointed.

Corporate Cease Trade Orders or Bankruptcies

Other than Marc B. Lavine, who was a director and the Chief Executive Officer and Chief Financial Officer of Exclamation Investments Corporation on September 2, 2016, when the Ontario Securities Commission issued a cease trade order for failure to file financial statements, management's discussion and analysis and certification of filings as required by National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* for the interim period ended June 30, 2016, no proposed director of the Company or personal holding company of such person is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that,

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Corporate Bankruptcies

No proposed director of the Company is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

No proposed director of the Company or any personal holding company of such person has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

No proposed director of the Company or any personal holding company of such person has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS

SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. MANAGEMENT HAS NO REASON TO BELIEVE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR BUT, IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

3. APPOINTMENT OF AUDITORS

At the Meeting, shareholders will be asked to appoint BDO Canada LLP to hold office as the Company's auditors until the close of the next annual meeting of shareholders and to authorize the directors of the Company to fix the auditors remuneration. BDO Canada LLP are the current auditors of the Company. BDO Canada LLP was first appointed on July 4, 2013.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF BDO CANADA LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

As described in the notice and access notification mailed to shareholders of the Company, the Company has decided to deliver this information circular by posting it to the website (www.meetingdocuments.com/astca/ADX). The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's printing costs. This information circular will also be available on SEDAR at www.sedar.com. **Shareholders who wish to receive paper copies of the information circular may request copies (at no cost) by calling toll-free at 1-888-433-6443 or by emailing fulfilment@astfinancial.com.**

REMUNERATION OF DIRECTORS AND OFFICERS

Executive Compensation

Compensation Discussion and Analysis

As a part of its responsibilities the Compensation and Governance Committee was established for the purpose of reviewing, and recommending to the Board for approval, the compensation of executive officers. The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

During the fiscal year ended June 30, 2018 the Compensation and Governance Committee was composed of three independent directors from July 1, 2017 to February 27, 2018, consisting of Stephen Burns, Marc B. Lavine and William H. Polley. Stephen Burns did not stand for re-election at the annual and special meeting of the shareholders held on February 28, 2018. Since February 28, 2018 and to date hereof this committee is composed of a majority of independent directors and consists of Marc B. Lavine, William H. Polley and Kelly E. Ambrose.

The experience and skills of members of the Compensation and Governance Committee are set out in the section Election of Directors in this document.

The Compensation and Governance Committee conducts an annual review to consider and adjust executive compensation and relies upon the knowledge and experience of its members and other members of the Board of Directors regarding appropriate levels of salary and other compensation. The Compensation and Governance Committee assesses the performance of the President and Chief Executive Officer on an annual basis and establishes his base salary, bonus, stock option and restricted share units entitlement in the same way that the compensation of other executive officers is established, as outlined below.

The compensation of the executive officers of the Company is designed to reward performance and is determined on the basis of several factors, including the individual's experience, corporate responsibilities, the performance of the individual and the achievement of specified annual objectives determined by the Board of Directors and/or the President and Chief Executive Officer, as applicable. The current compensation package consists of salary, bonuses, stock options and restricted share units and emphasis is placed on salary; bonuses, cash and common shares of the Company - stock options; and restricted share units as described below. The executive officers of the Company are entitled to receive all benefits which are available to senior management generally.

The Company does not have a policy concerning whether or not Named Executive Officers or directors are permitted to purchase financial instruments such as forward contracts, swaps, collars etc. that are designed to hedge or offset a decrease in the market value of equity securities granted or held by the Named Executive Officer or director.

Base Salaries

The salaries and benefits paid to the Company's executive officers, including those paid to the President and Chief Executive Officer, were established at or below those generally paid to persons performing similar functions in comparable corporations within the marketing services industry. The Company currently has no adequate peer group and therefore does not benchmark its executive compensation. The compensation of the executive officers of the Company is guided by the following goals:

- The compensation package should be simple, transparent and easy to understand.
- The compensation package should be structured to attract and retain executive officers.
- The compensation package should recognize the contribution of the Company's executive officers to the overall success and growth of the Company.
- The compensation package should be commensurate with the time spent by executive officers in meeting their obligations.

Bonus Compensation

Bonuses paid to the executive officers are based upon objectives relating to each executive officer's corporate responsibility and to the Company's achievement of its overall corporate objectives. The bonuses paid are disclosed in the tabulation under Summary Compensation Table – 2018, 2017, & 2016.

Stock Option Plan

The Company has a Stock Option Plan (the "**Stock Option Plan**") which was approved by the shareholders at the Annual and Special Meeting of the Shareholders held on December 22, 2009. As part of the seamless transition of the listing of the Company's common shares to the Canadian Securities Exchange ("**CSE**") on March 15, 2011, the Board approved certain amendments to the Stock Option Plan to comply with CSE policies, and the CSE approved the Stock Option Plan.

As of date hereof the aggregate number of Common Shares issuable under the Stock Option Plan is 16,688,546. The foregoing number represents, as of the date hereof, 2.1% of the 782,299,614 issued and outstanding common shares of the Company. Any option granted under the Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan.

As of the date hereof, there are no stock options, to purchase common shares, outstanding pursuant to the Stock Option Plan.

The Company does not have any Long-Term Incentive Plan other than the Stock Option Plan and the Restricted Share Unit Plan.

The material terms of the Stock Option Plan, as amended, are as follows:

- The purpose of the Stock Option Plan is to encourage ownership of Common Shares by directors, senior officers, employees and consultants of the Company and its subsidiaries (the "**Eligible Persons**").

- Under the Stock Option Plan, options may be granted to Eligible Persons.

- As of date hereof the aggregate number of Common Shares issuable under the Stock Option Plan is 16,688,546. The foregoing number represents, as of the date hereof, 2.1% of the 782,299,614 issued and outstanding common shares of the Company. Any option granted under the Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan.

- The maximum number of Common Shares which may be reserved for issuance to any one person in any 12 month period (unless the Company has obtained disinterested Shareholder approval) under the Stock Option Plan is 5% of the Common Shares issued and outstanding at the time of the grant (calculated on a non-diluted basis) less the number of Common Shares reserved for issuance to such person under any option to purchase Common Shares granted as a compensation or incentive mechanism. The maximum number of Common Shares issuable to insiders of the Company, at any time, under all security based compensation arrangements of the Company, including the Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares. The maximum number of Common Shares issued to insiders of the Company, within any one year period, under all security based compensation arrangements of the Company, including the Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares.

- The option exercise price will be fixed by the Board or committee of the Board, but cannot be less than the greater of the closing price of the Common Shares on (i) the trading day immediately preceding the day upon which the option is granted, or (ii) the day the option is granted, provided that, in any event, the CSE does not typically allow options to be issued with exercise price less than $0.05.

- Options granted under the Stock Option Plan may be exercised during a period not exceeding five years, subject to earlier termination, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. If the termination date of an option falls during or within three trading days of a blackout period, during which a policy of the Company prevents certain persons from trading in the securities of the Company, the expiry date for the option will be extended for an additional period expiring on the tenth trading day following the end of the blackout period.

- Options are non-transferable without Board approval.

- The Board may also, in its discretion, subject to the limitations of the CSE and the Stock Option Plan, at the time of granting an option, determine that provisions relating to the vesting of such option be contained in the written agreement between the Company and the optionee.

- By its terms, the Stock Option Plan may be amended by the Board without the consent of the shareholders, to the extent that such amendments relate to: (a) complying with the requirements of any applicable regulatory authority; (b) complying with the rules, policies and notices of the CSE or of any stock exchange on which the Company's securities are listed; (c) determining, subject to all applicable regulatory requirements, that the provisions of the Stock Option Plan concerning the effect of termination of a participant's status as an Eligible Person under the Stock Option Plan shall not apply to a participant for any reason acceptable to the Board; (d) amending the definitions contained within the Stock Option Plan; (e) amending the categories of persons who are Eligible Persons and entitled to be granted options pursuant to the Stock Option Plan; (f) allowing the grant of short-term financial assistance to participants for the purpose of exercising options granted under the Stock Option Plan, subject to compliance with all applicable regulatory requirements; (g) authorizing the addition or modification of a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying securities from the Stock Option Plan reserve; (h) decreasing the maximum number of Common Shares issuable under the Stock Option Plan (with a corresponding decrease in the number of Common Shares reserved for issuance under the Stock Option Plan); and (i) amendments of a "clerical" nature, including, without limitation, amending the wording of any provisions of the Stock Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan.

Restricted Share Unit Plan

The Company has a Restricted Share Unit Plan (the "**RSU Plan**") which was approved by the shareholders at the Annual and Special Meeting of the Shareholders held on February 28, 2018, pursuant to which the Board may grant restricted share units (the "**RSUs**") to eligible persons. The RSUs are substantially like "phantom" shares, the implied value of which will rise and fall in value based on the value of the Company's common shares and are redeemable for common shares on the vesting dates determined by the Board when the RSUs are granted.

As of date hereof there have been no issuances of RSUs.

The key features of the RSU Plan are as follows:

the persons eligible (the "**Eligible Persons**") are directors, officers, employees and consultants of the Company designated by the Board;

RSUs shall consist of a grant of units, each of which represents the right of the Eligible Person to receive one common share of the Company;

the maximum number of common shares of the Company which may be made subject to issuance under RSUs granted under the RSU Plan shall:

not exceed 32,000,000 common shares;

in combination with the aggregate number of common shares which may be issuable under any and all of the Company's equity incentive plans in existence from time to time, including the Company's Stock Option Plan (as described above), not exceed 20% of the issued and outstanding common shares of the Company, or such greater number of common shares as shall have been duly approved by the Board and, if required by the CSE's policies, and by the shareholders of the Company; and

to any one Eligible Person within a 12 month period, not exceed 5% of the total number of issued and outstanding shares on a non-diluted basis;

the number of common shares which may be issuable under the RSU Plan and all of the Company's other previously established or proposed share compensation arrangements, within any one-year period:

to any one Eligible Person, shall not exceed 5% of the total number of issued and outstanding common shares on the Grant Date (as defined in the RSU Plan) on a non-diluted basis;

to Insiders (as defined in the CSE policies) as a group within a 12 month period shall not exceed 10% of the total number of issued and outstanding common shares on a non-diluted basis; and

to any one consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding common shares on the Grant Date on a non-diluted basis;

the Board has the discretion to determine the vesting date for each RSU or any other vesting requirements;

unless otherwise determined by the Board, in its sole discretion, or specified in the applicable RSU agreement:

if an Eligible Person ceases to be a director, officer, consultant or employee of the Company for any reason (excluding death), all of the Eligible Person's RSUs which have vested at the time of such cessation shall be redeemed for either cash at the Fair Market Value (as defined in the RSU Plan), an equal number of common shares or a combination of cash and common shares as may be determined by the Board and the remainder shall be cancelled;

the RSUs of a Director who is not re-elected at an annual or special meeting of shareholders shall be redeemed for either cash at the Fair Market Value of an RSU, an equal number of common shares or a combination of cash and common shares as may be determined by the Board;

all of the RSUs, whether vested or not, of an Eligible Person who dies shall immediately vest and be redeemed for either cash at the Fair Market Value of an RSU, an equal number of common shares or a combination of cash and common shares as may be determined by the Board;

rights respecting RSUs shall not be transferable or assignable other than by will or the laws of desent and distribution;

the Board reserves the right, in its sole discretion, to amend, suspend or terminate the RSU Plan or any portion thereof at any time, in accordance with applicable legislation, without obtaining the approval of shareholders. Notwithstanding the foregoing, the Company will be required to obtain approval from holders of common shares that are not Eligible Persons for any amendment related to:

the number or percentage of issued and outstanding common shares available for grant under the RSU Plan;

a change in the method of calculation of redemption of RSUs held by Eligible Persons; and

an extension to the term for redemption RSUs held by Eligible Persons;

unless an Eligible Person otherwise agrees, any amendment to the RSU Plan or units shall apply only in respect of RSUs granted on or after the date of such amendment;

subject to regulatory approval, if any change occurs in the outstanding common shares by reason of a reorganization, the Board, in its sole discretion, and without liability to any person, shall make such equitable changes or adjustments, if any, as it considers appropriate, in such manner as the Board may consider equitable, to reflect such change or event including, without limitation, adjusting the number of RSUs credited to Eligible Persons and outstanding under the RSU Plan, provided that any such adjustment will not otherwise extend the redemption date otherwise applicable;

the existence of outstanding RSUs shall not affect in any way the right or power and authority of the Company or its shareholders to make or authorize any alteration, recapitalization, reorganization or any other change in the Company's capital structure or its business or any merger or consolidation of the Company, any issue of bonds, debentures or preferred or preference shares (ranking ahead of the common shares or otherwise) or any right thereto, or the dissolution or liquidation of the Company, any sale or transfer of all or any part of its assets or business or any corporate act or proceeding whether of a similar character or otherwise; and

upon the occurrence of a Change of Control (as defined in the RSU Plan), the Corporation shall redeem 100% of the RSUs granted and outstanding at that time for either cash at the Fair Market Value of an RSU, an equal number of common shares or a combination of cash and common shares as may be determined by the Board.

Pension Plan Benefits

The Company does not have any defined benefits plans, defined contribution plans or deferred compensation plans.

Employment Contracts – as of June 30, 2018

Kelly E. Ambrose

The Company and Kelly E. Ambrose entered into an employment agreement dated September 26, 2007, pursuant to which Mr. Ambrose is employed as President and Chief Executive Officer at an annual salary of $350,000, subject to annual review, and a bonus of up to 100% of his salary based on performance and profitability of the Company. Mr. Ambrose's annual base salary has been through several revisions - initially to $330,000, effective February 1, 2015 to $297,000, effective November 1, 2015 to $282,150 and most recently in August 2017 to $225,720. Mr. Ambrose is also entitled to a monthly car allowance of $1,000 and an annual maximum health care spending allowance of $30,000. Mr. Ambrose's monthly car allowance (including travel subsidy) was revised effective February 1, 2015 to $975 and most recently effective August 2017 to $780. Per first amendment to the employment agreement effective March 29, 2018 the Company is entitled to terminate Mr. Ambrose's employment without cause (including after the effective date of a change of control) by paying him a lump sum payment in the amount of 20 months' of the annual salary of $350,000, plus the bonus paid to him in respect of the last fiscal year during which ended prior to the date of termination of his employment, plus an amount equal to one-twelfth (1/12) of the average of the bonuses paid to him in respect of the last two fiscal years which ended prior to the date of termination of his employment multiplied by the number of full months that have elapsed in the fiscal year during which his employment is terminated. In addition to the above payments, upon termination of his employment without cause, Mr. Ambrose would continue to receive the car allowance at the rate of $1,000 per month, benefits, (or payment in lieu) as well as the health care spending allowance for the duration of the notice period, and 100% of his stock options and restricted share units would vest immediately, and would be exercisable for a period of two years from the date of termination.

Mukesh Sabharwal

The Company and Mukesh Sabharwal entered into an employment agreement dated October 27, 2006, subsequently amended March 12, 2009, pursuant to which Mr. Sabharwal is employed as Vice President and Chief Financial Officer at an annual salary of $150,000 and is entitled to an annual bonus of up to 50% of his annual salary, subject to the Company achieving its objectives, and on the successful completion of his individual agreed upon objectives. Mr. Sabharwal's base salary has been through several revisions - initially to $200,000, effective February 1, 2015 to $183,610, November 1, 2015 to $171,000 and most recently in August 2017 to $136,800. Per second amendment to the employment effective March 29, 2018 the Company is entitled to terminate Mr. Sabharwal's employment without cause (including after the effective date of a change of control) by paying him a lump sum payment in the amount of 14 months' of the annual salary of $200,000. In addition to the above payment, upon termination of his employment without cause, 100% of his stock options and restricted share units would vest immediately, and would be exercisable for a period of two years from the date of termination.

General

All employment agreements described above also provide for:

1. Appropriate confidentiality, non-competition and non-solicitation covenants.
2. That the bonuses are subject to the approval of the Board of Directors.

3. An entitlement to participate in Health and Life insurance plans for which the Company pays the premiums.
4. A provision to protect the individuals in the event of change of control, which will be deemed to occur (a) if directors who have been approved by at least two-third of the existing directors cease to constitute a majority of the number of directors constituting the Board, (b) except in certain circumstances where the officer has an interest in the transaction, if a person or group of persons acting jointly or in concert acquire 35% or more of the issued and outstanding securities of the Company other than as a result of the issuance of securities by the Company and (b) upon a merger, amalgamation or other corporate reorganizations of the Company which results in the Company's shareholders owning less than 50% of the voting securities of the resulting entity.

Compensation Summary

COMPENSATION SUMMARY FOR YEAR ENDED June 30, 2018

The following tabulation covers compensation of Chief Executive Officer, Chief Financial Officer, and other executive officers whose "total compensation" exceeds $150,000 ("Named Executive Officers"), and all of whom are members of the senior management team.

Summary Compensation Table – 2018, 2017, & 2016

NEO (Name and Principal Position)	Year	Salary ($)	Share based awards [3] ($)	Option based awards [3] ($)	Non-equity incentive plan compensation - Annual ($)	Non-equity incentive plan compensation – Long Term ($)	Pension value ($)	All other compensation[2] ($)	Total compensation ($)
Kelly E. Ambrose President and Chief Executive Officer, and Secretary [1]	2018	232,774	Nil	Nil	Nil	Nil	Nil	39,654	272,428
	2017	282,366	Nil	Nil	Nil	Nil	Nil	41,702	324,068
	2016	287,100	Nil	Nil	Nil	Nil	Nil	41,702	328,802
Mukesh Sabharwal Vice-President and Chief Financial [1] [1]Officer	2018	141,075	Nil	Nil	Nil	Nil	Nil	1,083	142,158
	2017	171,000	Nil	Nil	Nil	Nil	Nil	3,610	174,610
	2016	174,000	Nil	Nil	Nil	Nil	Nil	3,610	177,610

Notes

(1) Additional details are available in the narrative under "Executive Compensation – Employment Contracts".

(2) "All other compensation" represents car and/or 407 ETR allowance. In case of Kelly E. Ambrose only, amounts paid towards health care spending allowance are also included, details of which are available under "Executive Compensation - Employment Contracts".

(3) *The Company did not give any share based awards/option based awards. There were no stock option and restricted share unit grants during fiscal year ended June 30, 2018.*

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The table sets forth the options to purchase securities of the Company granted up to June 30, 2018 to the Named Executive Officers in the employment of the Company as of June 30, 2018.

Name	Option-based Awards(1)(2)				Share-based Awards (1)(2)		
	Number of securities underlying unexercised options (#)	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options(2) ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**	**Market or payout value of vested share-based awards not paid out or distributed**
Kelly E. Ambrose	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mukesh Sabharwal	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) During fiscal year ended June 30, 2018 the stock options granted in prior years to Kelly E. Ambrose and Mukesh Sabharwal with option expiry date of March 19, 2018 were not exercised.

(2) No stock options and restricted share units were issued to Kelly E. Ambrose and Mukesh Sabharwal during the fiscal year ended June 30, 2018. No stock options and restricted share units were exercised during fiscal year ended June 30, 2018.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer the value that would have been realized if the options granted under the Stock Option Plan had been exercised on their vesting date and the value earned under non-equity incentives, all during the year ended June 30, 2018.

Name	**Options vested during the year[(1)]**	**Option-based awards - Value vested during the year[(1)] ($)**	**Share-based awards - Value vested during the year[(1)] ($)**	**Non-equity incentive plan compensation - Value earned during the year ($)**
Kelly E. Ambrose	Nil	Nil	Nil	Nil
Mukesh Sabharwal	Nil	Nil	Nil	Nil

Notes:

(1) *During fiscal year ended June 30, 2018 there was no stock option grants, and all stock options granted in previous fiscal years vested prior to fiscal year ended June 30, 2018. During fiscal year ended June 30, 2018 there were no share based awards.*

Termination and Change of Control Payments

Potential payments upon termination of employment as of date hereof for each Named Executive Officer in the employment of the Company as of date hereof.

	Severance in event of termination without cause[(1)(3)] ($)	**Severance in event of triggering change of control situation[(1)(3)] ($)**
Kelly E. Ambrose[(2)]	$583,333	$583,333
Mukesh Sabharwal	$233,333	$233,333

Notes:

(1) *Additionally, health and life insurance benefits would continue for the duration of the notice period.*

(2) *In addition, payments would include continuation of car allowance ($12,000), annual health care spending allowance of up-to $30,000.*

(3) *The severance amounts reflect the employment terms. See section Employment Contracts.*

Compensation of Directors

Directors Compensation Table

During the fiscal year ended June 30, 2018, each of the directors of the Company (excluding Kelly E. Ambrose who is also Chief Executive Officer of the Company, and does not receive additional compensation as a director of the Company) were entitled to an annual Director's fee as follows:

From July 1, 2018 to March 31, 2018

Each director other than the Chairman of the Board earned an annual fee of $15,000, and $800 per meeting attended;

1. The Chairman of the Board earned an annual fee of $42,000, and the same attendance fee as the other directors;
2. Chairman of the Compensation and Governance Committee earned an annual fee of $2,500, and each Committee member earned $500 per meeting attended;
3. Chairman of the Audit Committee earned an annual fee of $5,000 and each Committee member earned $500 per meeting attended.

From April 1, 2018 to June 30, 2018

Each director including the Chairman of the Board earned an annual fee of $32,500 covering membership fees of the Board, its Committees', and attendance of meetings of the Board and its Committees.

The Directors' compensation table for fiscal year ended June 30, 2018 is as follows:

Name	Fees earned ($)	Share-based awards (2) ($)	Option-based awards (2) ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
William H. Polley	$28,122	Nil	Nil	Nil	Nil	Nil	$28,122
Marc B. Lavine	$23,555	Nil	Nil	Nil	Nil	Nil	$23,555

Notes:

(1) Stephens Burns did not stand for re-election at the annual and special meeting of the shareholders held on February 28, 2018. His total compensation for the period, July 1, 2017 to February 27, 2018, he was a director during fiscal year ended June 30, 2018 was $32,323.

(2) There were no share based awards/option based awards during fiscal year ended June 30, 2018.

Outstanding Share-based and Option-based Awards

The following table sets forth the options to purchase securities of the Company granted up to the most recently completed fiscal year ended June 30, 2018, to the eligible Directors, as at June 30, 2018, of the Company.

Name	Option-based Awards(1) (2)				Share-based Awards(2)		
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options(2) ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed
William H. Polley	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) During the fiscal year ended June 30, 2018 stock options granted in prior years to William H. Polley with option expiry date of March 19, 2018 were not exercised.
(2) No stock option and restricted stock units were issued to William H. Polley during fiscal year ended June 30, 2018. No stock options and restricted stock units were exercised during fiscal year ended June 30, 2018.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each eligible Director of the Company the value that would have been realized if the options granted under the Stock Option Plan had been exercised on their vesting date and the value earned under non-equity incentives, all during the fiscal year ended June 30, 2018.

Name	Options vested during the year (1)	Option-based awards - Value vested during the year (1) ($)	Share-based awards - Value vested during the year (1) ($)	Non-equity incentive plan compensation - Value earned during the year ($)
William H. Polley	Nil	Nil	Nil	Nil

Notes:

(1) During fiscal year ended June 30, 2018 there was no stock option grants, and all stock options granted in previous fiscal years vested prior to fiscal year ended June 30, 2018. During fiscal year ended June 30, 2018 there was no share based award.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table sets out as of June 30, 2018, a summary of compensation plans of the Company under which securities of the Company are authorized for issuance, being the Stock Option Plan and Restricted Stock Unit Plan. In addition, the Company has a Warrant Plan (as defined below).

Plan Category	Number of securities to be issued upon exercise of outstanding options, restricted stock units, warrants and rights (#)	Weighted-average exercise price of outstanding options, restricted stock units, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) (#)
Equity compensation plans approved by security-holders	Nil	Nil	48,688,546
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	Nil	Nil	48,688,546

Retail/Sponsor Warrant Plan

On April 8, 2001, the Board created a warrant plan (the "**Warrant Plan**") allowing for the issuance of warrants (the "**Retailer/Sponsor Warrants**") to purchase Common Shares to certain sponsors and retailers of the loyalty and promotion programs of the Company and its affiliates (the "**Programs**"). The purpose of the Warrant Plan is to allow certain retailers who participate in the Programs (the "**Retailers**") and certain sponsors who sponsor the Programs (the "**Sponsors**") to receive Retailer/Sponsor Warrants. The Board of Directors believes that the Warrant Plan enables the Company to:

- encourage sponsors and retailers to participate in and promote the success and effectiveness of the Programs;
- better align the interests of such sponsors and retailers with the long-term interests of the Company;
- encourage the establishment and maintenance of long-term relationships with sponsors and retailers; and
- differentiate itself from its competition in attracting and retaining sponsor and retailer participation in the Programs.

Every Retailer or Sponsor participating in the Warrant Plan is required to enter into an agreement with the Company (the "**Warrant Agreement**") governing, among other things, the vesting and exercise of the Retailer/Sponsor Warrants granted thereunder. The number of Retailer/Sponsor Warrants to be granted to a Sponsor or Retailer will be based upon the relative contribution of such Sponsor or Retailer to the annual growth in the Company's revenues generated by the Programs. The granting of the Retailer/Sponsor Warrants are also governed by the policies of the CSE as applicable.

Under the Warrant Plan, no Retailer/Sponsor Warrants may be granted to insiders (as such term is defined in the *Securities Act* (Ontario)) of the Company. The number of Common Shares which may be reserved for issuance under the Warrant Plan is limited to 1,500,000 Common Shares, provided that the Board has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company. The number of Common Shares subject to issuance under the Warrant Plan represent, in the aggregate, approximately 0.2% of the issued and outstanding Common Shares as at the date hereof. The maximum number of Common Shares which may be reserved for issuance to any one person under the Warrant Plan is 5% of the Common Shares outstanding at the time of the grant (calculated on a non-diluted basis). Any shares reserved for issuance pursuant to a Retailer/Sponsor Warrant granted under the Warrant Plan which for any reason are cancelled or terminated prior to exercise will be available for a subsequent grant under the Warrant Plan. Retailer/Sponsor Warrants granted under the Warrant Plan may be exercised during a period not exceeding five years, subject to earlier termination upon the termination of the warrantholders' retailer or sponsor agreement with the Company, or upon the warrantholder ceasing to be a Retailer or Sponsor of the Company or its affiliates or as otherwise specified in the applicable Warrant Agreement. All Retailer/Sponsor Warrants are non-transferable. The Warrant Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Common Shares, a merger or other relevant changes in the Company's capitalization. The Board of Directors may from time to time amend or revise the terms of the Warrant Plan or may terminate the Warrant Plan at any time. The Warrant Plan does not contain any provision for financial assistance by the Company in respect of Retailer/Sponsor Warrants granted under the Warrant Plan.

As of the date hereof, there were no Retailer/Sponsor Warrants granted or outstanding pursuant to the Warrant Plan.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the Company's shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interests of its shareholders and contribute to effective and efficient decision making. The Company believes that its corporate governance practices ensure that the business and affairs of the Company are effectively managed so as to enhance shareholder value.

Audit Committee

Pursuant to National Instrument 52-110 – Audit Committees (the "National Instrument") the Company is disclosing herewith information concerning the Audit Committee of the Board (the" Audit Committee") and its relationship with its independent auditor. As a venture issuer, the Company is relying upon the exemption in section 6.1 of the NI 52-110.

The Charter of the Audit Committee *is attached as Exhibit "C" hereto*.

Composition of the Audit Committee.

The current members, as of date hereof, are Marc B. Lavine (Chair of the Audit Committee), William H. Polley (Chair of the Board), and Kelly E. Ambrose.

Each member of the Audit Committee is considered to be “financially literate” within the meaning of the National Instrument.

Messrs. Lavine and Polley are considered to be “independent” within the meaning of the National Instrument. Mr. Ambrose is not considered to be “independent” by virtue of his position of President and Chief Executive Officer of the Company. Although relationships exist between the Company and Messrs. Lavine and Polley, the Board is of the view that these relationships are not “material relationships” as defined under the National Instrument as they are not reasonably expected to interfere with the exercise of independent judgment by each of Messrs. Lavine and Polley. Further, Messrs. Lavine and Polley, do not accept, directly or indirectly, any consulting, advisory or other compensatory fees from the Company or any subsidiary of the Company, other than as remuneration for acting as a member of the Board or any committee of the Board.

Relevant Education and Experience

Mr. Polley is a Chartered Accountant (CPA, CA) and has no direct or indirect relationship with the Company aside from acting as a member of the Board since November 21, 2002.

Mr. Lavine holds an Honours degree in Business Administration from the Richard Ivey School of Business at the University of Western Ontario (1991) where he received the gold medal for top student in his class. He has no direct or indirect relationship with the Company aside from acting as a member of the Board since December 18, 2013.

Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan. Mr. Ambrose has been the President of the Company since October 19, 2005, Chief Operating Officer of the Company between October 19, 2005 and December 4, 2006, Chief Executive Officer of the Company since December 5, 2006, and Secretary since September 24, 2009.

Pre-Approval Policies and Procedures

In the event that the Company wishes to retain the services of the Company’s external auditors for tax compliance, tax advice, tax planning or other non-audit services, such services must be pre-approved by the Audit Committee.

Auditors Service Fees

The following chart summarizes the aggregate fees billed by the external auditors of the Company for professional services rendered to the Company during the fiscal years ended June 30, 2018 and June 30, 2017, for audit and non-audit related services:

Type of Work	Year Ended June 30, 2018	Year Ended June 30, 2017
Audit fees (1)	$ 88,100	$ 78,847
Audit-related fees (2)	$ 10,070	$ -
Tax advisory fees (3)	$ 1,855	$ 22,140
All other fees	$ -	$ 1,486

Total	$ 100,025	$ 102,473

Note:

(1) Aggregate fees billed for the Company's annual financial statements and services normally provided by the auditor in connection with the Company's statutory and regulatory filings.

(2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as "Audit Fees", including: assistance with aspects of tax accounting, attest services not required by state or regulation and consultation regarding financial accounting and reporting standards.

(3) Aggregate fees billed for tax compliance, tax advice and tax planning.

(2)

Disclosure of Corporate Governance Practices

The Company has reviewed its own corporate governance practices in light of the guidelines contained in National Policy 58-201 **-** *Corporate Governance Guidelines* ("**NP 58-201**"). The Company's practices comply generally with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore such guidelines have not been adopted. Set out below is a description of the Company's corporate governance practices as required by National Instrument 58-101 **-** *Disclosure of Corporate Governance Practices* ("**NI 58-101**").

Board of Directors

Pursuant to NI 58-101, a director is independent if the director has no direct or indirect relationship with the issuer which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Company. The Board is currently comprised of three (3) members, two (2) of whom the Board has determined are independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

William H. Polley, Marc B. Lavine are considered independent directors.

Kelly E. Ambrose is not considered to be an independent director as Mr. Ambrose is the President and Chief Executive Officer of the Company.

The majority of the directors of the Company are independent.

The Board believes that it functions independently of management. To enhance its ability to act independently of management, the Board meets in the absence of members of management and the relevant directors or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate. In light of the suggestions contained in NP 58-201, the Board has convened meetings of independent directors, at which non-independent directors and members of management are not in attendance, at least once annually and additionally, as may be deemed necessary.

William H. Polley is Chairman of the Board of Directors. Mr. Polley is considered to be an independent director. Currently, the Board is satisfied that it exercises its responsibilities for independent oversight of management. The ability to establish *ad hoc* committees comprised solely of independent directors provides the Board with the ability to meet independently of management whenever deemed necessary or appropriate and the chair of each such *ad hoc* committee provides the leadership for such committee.

Other Directorship

The following table sets out details of directorships held by each current director or nominee in other public issuers:

Name of Director	**Name of Issuer**
William H. Polley	Dynamic Venture Opportunity Fund
Marc B. Lavine	Exclamation Investments Incorporated ITS Group ITS

Orientation and Education

The Company does not currently have a formal orientation and education program for new Board members. New Board members receive an information package, tour the facilities and are provided with opportunities to interact with and request briefings from management in order to ensure that new directors are familiarized with the Company's business and the procedures of the Board.

Given the size of the Company and the in-depth experience of the current directors, there has been no formal continuing education program. Board members are entitled, at the Company's expense, to attend seminars that they determine necessary to keep themselves up-to-date with current issues relevant to their services as directors of the Company.

Ethical Business Conduct

The Company has implemented a corporate disclosure, confidentiality and insider trading policy to formalize the Company's policy regarding, among other things:

(a) disclosure of information in a timely, consistent and appropriate manner;
(b) the protection against, and prevention of, the improper use or disclosure of material and/or confidential information;
(c) the dissemination of material information in accordance with applicable legal requirements;
(d) the responsibilities of the Company's directors, officers and employees respecting the appropriate use and disclosure of material and/or confidential information;
(e) the process to be undertaken to determine whether or not information is material and when and how such information should be disclosed; and
(f) the establishment of procedures, guidelines and processes to be utilized to assist directors, officers and employees in complying with insider trading restrictions.

In circumstances where a director or executive officer has a material interest in a transaction or agreement which the Company is considering entering into, the individual is required to fully disclose his or her interest therein, an *ad hoc* committee of disinterested directors is appointed to review the same to confirm, among other things, that such transaction or agreement, as applicable, is being entered into on arm's length commercially reasonable terms. Such committee has the right to obtain advice from the Company's counsel and other professional advisors and/or appoint independent counsel and/or advisors.

The Company has implemented a Code of Business Conduct and Ethics (the "**Code**"). A copy of the Code is available under the Company's profile on SEDAR at www.sedar.com.

The Code provides that the Company's employees, officers and directors are required to act with honesty and integrity and to avoid any relationships or activities that might create, or appear to create, a conflict between personal interests and the interests of the Company. The Company is committed to providing a healthy and safe workplace in compliance with applicable laws, rules and regulations. The Code affirms the Company's commitment to foster a work environment in which all individuals are treated with respect and dignity.

The Code provides a process by which actual or potential violations of its provisions are to be reported and confirms that there will not be any reprisals against an individual who does so in good faith.

The Code also includes provisions to deal with conflicts of interest. All of the Company's employees, officers and directors are expected to comply with the Code.

The Company also operates a Workplace Ethics Hotline with an independent third party.

A shareholder or other interested party may obtain a copy of the abovementioned policies by contacting the Secretary of the Company at Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

Nomination of Directors

The Board has established a Compensation and Governance Committee with a mandate to conduct appropriate review and selection processes for new nominees as directors. The Committee as of date hereof is comprised of three directors and of whom two are considered independent. The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

Compensation

The Board of Directors reviews and approves annually the compensation of the executive officers of the Company, taking into consideration the recommendations of the Compensation and Governance Committee, a majority of which is comprised of independent directors, and the remuneration practices of similar companies.

The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

The Board of Directors reviews on an annual basis the adequacy and form of compensation of directors to ensure that the compensation of the Board reflects the responsibilities and risks involved in being an effective director. Compensation currently consists of directors' fees and stock option grants. See "*Executive Compensation – Compensation of Directors*".

Board Committees

The Board currently has two (2) standing committees: the Audit Committee, the Compensation and Governance Committee.

The Audit Committee, whose Chairman, as of date hereof, is Marc B. Lavine, was composed of three directors two of whom are independent. This has been the composition since the annual and special meeting of the shareholders held on February 28, 2018. The Board has approved, consistent with other venture issuers of similar stage and development, amendments to the charter of the Audit Committee that will allow the Audit Committee to consist of at least three members, the majority of whom shall be neither officers nor employees of the Company or any of its subsidiaries.

The Compensation and Governance Committee, whose Chairman, as of date hereof, is Marc Lavine was composed of three directors two of whom are independent. This has been the composition since the annual and special meeting of the shareholders held on February 28, 2018. The Committee was established for the purpose of:

1. reviewing, and recommending to the Board for approval, the compensation of executive officers.
2. reviewing the Company's corporate governance practices in light of the guidelines contained in NP 58-201, to review the Company's disclosure and securities compliance policies, including, without limiting the foregoing, its communications policies, and to conduct an appropriate review and selection process for new nominees as directors.

Assessments

The Board may eventually institute a formal annual assessment process of the effectiveness and contribution of the Board as a whole, its committees and individual directors.

Until this time, based upon the Company's size, its current state of development and the number of individuals on the Board, the Board has not considered a formal process for assessing regularly the effectiveness and contribution of the Board, as a whole, its committees or individual directors to be necessary. In light of the fact that the Board and its committees meet on numerous occasions during each year, each director has significant opportunity to assess other directors. The Board plans to continue evaluating its own effectiveness and the effectiveness and contribution of its committees and individual directors on an ad hoc basis until the formal assessment process is implemented.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer or employee of the Company or its subsidiaries, or former director, executive officer or employee of the Company or its subsidiaries, or proposed nominee for election as a director of the Company, nor any associate of any such director, executive officer, employee or proposed nominee is, as at the date of this Information Circular, or has been, at any time since the beginning of the most recently completed fiscal year, indebted to: (i) the Company or any subsidiary of the Company; or (ii) another entity, for which such indebtedness is, or at any time since the beginning of the most recently completed fiscal year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company purchases directors' and officers' liability insurance coverage in the amount of $5.0 million subject to a maximum $25,000 deductible in certain circumstances. The Company also purchases employment practices liability insurance coverage in the amount of $500,000 subject to a maximum deductible of $50,000. The annual total premium paid, by the Company, in respect of such insurance is $31,320.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in note 11, Related party transaction, to the audited consolidated financial statements for the fiscal year ended June 30, 2018, none of the informed persons of the Company, the proposed directors or any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed fiscal year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Company at any time since the beginning of its last completed fiscal year, no proposed director and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Information Circular.

MANAGEMENT CONTRACTS

There are no management functions of the Company or its subsidiaries which are to any substantial degree performed other than by the directors or executive officers of the Company or its subsidiaries.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ACCOMPANYING PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY**.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy represent management and directors of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON OR COMPANY, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT ON HIS BEHALF AT THE MEETING, OTHER THAN THE PERSONS OR COMPANY DESIGNATED IN THIS FORM OF PROXY. SUCH RIGHT MAY BE EXERCISED BY INSERTING THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED ON THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY.** A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his or her duly executed form of proxy with the Company's transfer agent and registrar, AST Trust Company using the provided envelope by mail to P.O. Box 721, Agincourt, ON, Canada, M1S 0A1, or by hand to 1 Toronto Street, Suite 1200, Toronto, ON, Canada, or by fax to 416-368-2502 / toll-free 1-866-781-3111, no later than 10:00 am (Toronto time) on Wednesday, December 19, 2018, where there is no adjournment or postponement of the Meeting.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of such Meeting or any adjournment thereof and thereupon the proxy is revoked.

A shareholder attending the Meeting has the right to vote in person and, if a shareholder does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by the proxy shall be voted accordingly. **WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS. THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE**. At the time of printing this Information Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

VOTING SECURITIES

The authorized capital of the Company consists of an unlimited number of Common Shares, 500,000 class A preference shares, an unlimited number of class B preference shares issuable in series, and 125,000 class C preference shares. At the date hereof, the Company has outstanding 782,299,614 Common Shares, 461,887 class A preference shares, and no class B preference and class C preference shares are outstanding. Each Common Share carries one vote.

Persons registered on the books of the Company at the close of business on November 5, 2018 (the "**Record Date**") are entitled to vote at the Meeting.

ADVICE TO NON-REGISTERED SHAREHOLDERS

Only registered holders of Common Shares or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary (an "**Intermediary**") with whom the Non-Registered Holder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs) and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators* ("**NI 54-101**"), the Company has elected to deliver this management information circular to shareholders by (i) distributing a notification of meeting along with the form of proxy to the clearing agencies and intermediaries (the “**Mailed Materials**”) for distribution to Non-Registered Shareholders; and (ii) posting this management information circular on the website www.meetingdocuments.com/astca/ADX. See “Notice and Access” on page 26 for further information. The Company does not intend to pay for Intermediaries to forward to objecting beneficial owners under NI 54-101 the Mailed Materials and Form 54-101F7 – Request for Voting Instructions Made by Intermediary, and that in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the Mailed Materials unless the objecting beneficial owner’s intermediary assumes the cost of delivery.

Applicable regulatory law and policy requires Intermediaries and clearing agencies to seek voting instructions from Non-Registered Holders. Without specific instructions from Non-Registered Holders, Intermediaries and clearing agencies are prohibited from voting the shares of the Non-Registered Holders. Accordingly, Intermediaries and clearing agencies are required to forward the Meeting Materials to Non-Registered Holders. Non-Registered Holders will be given, in substitution for the standard proxy otherwise contained in proxy-related materials, a request for voting instructions (the “**voting instructions form**”) which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow or less frequently a partially completed proxy.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the voting instructions form and a form of legal proxy will be sent to the Non-Registered Holder. Should a Non-Registered Holder who receives the partially completed proxy wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert their (or such other person’s) name in the blank space provided and return the partially completed proxy in accordance with the instructions contained therein.

In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the voting instructions form or partially completed proxy.

NOTICE AND ACCESS

In 2012, the Canadian Securities Administrators announced the adoption of regulatory amendments to securities laws governing the delivery of proxy-related materials by public companies. As a result, public companies are now permitted to advise their shareholders of the availability of this management information circular on an easily-accessible website, rather than mailing physical copies.

The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company’s carbon footprint and the Company’s printing costs. The Company therefore decided to deliver this management information circular to shareholders by posting it on the website www.meetingdocuments.com/astca/ADX. This information circular will also be available on SEDAR at www.sedar.com. All shareholders will also receive a notice document which will contain information on how to obtain electronic and paper copies of this management information circular in advance of the Meeting.

Shareholders who wish to receive paper copies of the management information circular may request copies by calling toll-free at 1-888-433-6443 or by emailing fulfilment@astfinancial.com.

Requests for paper copies must be received prior to December 7, 2018 in order to receive this management information circular in advance of the proxy deposit date and Meeting. This management information circular will be sent to such shareholders within three business days of their requests. Those shareholders with existing instructions on their account to receive a paper copy of meeting materials will receive a paper copy of this management information circular.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company, as at the date hereof:

1. there is one principal shareholder who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to any class of issued and outstanding voting securities of the Company. Subsequent to the re-financing in December 2013 and the refinancing of the Company's 12% Non-convertible Debenture on December 22, 2017, Trapeze Capital Corp. and Trapeze Asset Management Inc. (together "Trapeze"), as at October 31, 2018, on behalf of their managed accounts exercised control and direction over 302,087,087 common shares representing 38.6% of the Company's issued and outstanding common shares; and

2. Kelly E. Ambrose has 88,778,000 common shares of the Company (see tabulation under section Election of Directors in this document), representing 11.3% of the Company's issued and outstanding common shares.

ADDITIONAL INFORMATION

Additional information relating to the Company is available electronically at www.sedar.com. Financial information is provided in the Company's comparative audited financial statements and management's discussion and analysis for its most recently completed fiscal year. To obtain, free of charge, copies of the Company's financial statements, related management's discussion and analysis, and any other document incorporated by reference to these Meeting Materials please contact:

Mukesh Sabharwal
Vice President and Chief Financial Officer
Advantex Marketing International Inc.
600 Alden Road, Suite 606

Markham, Ontario, L3R 0E7.

GENERAL

Except where otherwise indicated, information contained herein is given as of November 2, 2018. All references to "$" are to Canadian dollars.

CERTIFICATE

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Company.

DATED this 2nd day of November, 2018.

/s/ "Kelly E. Ambrose"

Kelly E. Ambrose
President & Chief Executive Officer

ADVANTEX

EXHIBIT "A"

CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

The board of directors (the "**Board of Directors**") of Advantex Marketing International Inc. (the "**Corporation**") is responsible for the general supervision of the activities and management of the affairs of the Corporation and for acting in the best interests of the shareholders of the Corporation (the "**Shareholders**"). The Board of Directors will discharge its responsibilities directly and through its committees, currently consisting of the Audit Committee and the Compensation and Governance Committee.

The Board of Directors will seek to comply with *National Policy 58-201 - Corporate Governance Guidelines*, and will adopt governance 'best practices' as appropriate in the interests of ensuring the effective execution of the Board of Directors' overall stewardship role and the contribution the directors make, individually and collectively, to the long-term success of the Corporation. The Board of Directors will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter.

II. COMPOSITION

The Board of Directors shall consist of a minimum of three and a maximum of fifteen directors, a majority of whom shall be Independent Directors (as defined below) and a majority of whom shall be residents of Canada. Pursuant to *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, a director is considered to be an "**Independent Director**" if he or she has no direct or indirect "material relationship" with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Notwithstanding the foregoing, a director shall be considered to have a "material relationship" with the Corporation (and therefore shall be considered a "**Non-Independent Director**") if he or she falls in one of the categories listed in Charter Schedule "A" attached hereto.

The Board of Directors shall meet at least quarterly and as frequently as circumstances require.

Meetings of the Board of Directors (including any adjournments thereof) shall be called and held in accordance with the Corporation's By-laws and applicable law.

A schedule of regular meetings of the Board of Directors and its committees shall be circulated to each director and agreed upon by the Board of Directors prior to the commencement of a calendar year. Confirmation of the date, time and location of regular meetings will be sent to directors approximately one week in advance of regularly scheduled meetings. All meetings must be called on at least two days' notice (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) before the meeting is to take place. Special meetings may be called with 24 hours' notice.

A quorum at any meeting of the Board of Directors or its committees shall be two-fifths of the directors or members, as the case may be.

Independent Directors may serve on the Board of Directors for a period determined by the Compensation and Governance Committee from time to time. However, each director will be elected for a term of one year and may stand for re-election at the end of each term. The Compensation and Governance Committee shall be responsible for reviewing the candidacy of each nominee on an annual basis and confirming that each of the nominees meets the Corporation's expectations outlined in the Position Description for Directors and in this Charter.

III. RESPONSIBILITIES AND DUTIES

The mandate of the Board of Directors is the stewardship of the Corporation. To fulfill its responsibilities and duties, the Board of Directors shall:

1. Review, assess and update this Charter at least annually, as conditions dictate.

2. Adopt corporate governance policies and practices as recommended, from time to time, by the Compensation and Governance Committee, as appropriate.

3. Assign to the various committees of the Board of Directors the general responsibility for developing the Corporation's approach to: (i) the nomination of the directors; (ii) the enhancement of governance; (iii) matters relating to compensation of the members of the Board of Directors; (iv) matters relating to compensation of the officers and executive officers of the Corporation; and (v) matters relating to financial reporting and internal controls.

4. Satisfy itself, to the extent feasible:

    a. as to the integrity of the officers of the Corporation and of the Chief Executive Officer of the Corporation; and

    b. that the officers of the Corporation and the Chief Executive Officer of the Corporation create a culture of integrity throughout the organization.

5. With the assistance of the Compensation and Governance Committee:

    a. review the composition of the Board of Directors and ensure it reflects the independence criteria;

    b. assess, at least annually, the effectiveness of the Board of Directors, the committees of the Board of Directors and the contribution of individual directors, including, consideration of the appropriate number of the directors;

c. ensure that an appropriate review and selection process for new nominees as directors is in place;

d. ensure that an appropriate orientation and education program for new directors is in place; and

e. adopt disclosure and securities compliance policies, including, without limiting the foregoing, communications policies of the Corporation.

6. With the assistance of the Compensation and Governance Committee:

review the adequacy and form of each Director’s compensation to ensure it is adequate and competitive and that it realistically reflects the responsibilities and risks involved in being a director of the Corporation.

7. With the assistance of the Audit Committee:

a. ensure the integrity of the Corporation’s internal controls and management information systems;

b. ensure the Corporation’s ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Corporation’s own governing documents;

c. identify the principal risks of the Corporation’s business and ensure that appropriate systems are in place to manage these risks;

d. review and approve significant operational and financial matters and provide direction to management on these matters; and

e. approve the quarterly and annual financial statements and related management’s discussion and analysis.

8. Adopt a strategic planning process and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the business opportunities and business risks and monitor the performance of the Corporation against the strategic plan.

9. Monitor and review feedback provided by the Corporation’s various stakeholders.

10. Review major decisions which require the approval of the Board of Directors, including (without limitation), with respect to raising additional capital and issuing additional securities of the Corporation, and approve such decisions as they arise.

11. Perform such other functions as prescribed by law or assigned to the Board of Directors in the By-laws of the Corporation.

12. Approve, on at least an annual basis, the strategic plan of the Corporation that takes into account, among other things, business opportunities and business risks identified by the management of the Corporation, the directors and/or the Audit Committee and monitoring performance against such plan.

13. Approve the annual budget, including a marketing plan and a business plan, of the Corporation.

14. Review with the management of the Corporation, and approve, all material transactions and agreements to be entered into by the Corporation outside of the ordinary course of the business of the Corporation and all fundamental changes to the business of the Corporation.

15. Remove and replace members of, and fill vacancies on, the management of the Corporation and add members to the management (including training and monitoring senior management).

16. Develop written position descriptions for the Chair of the Board of Directors (the "**Chair**") and the chair of each committee of the Board of Directors.

17. Develop, together with the Chief Executive Officer, a written position description for the Chief Executive Officer.

18. Develop and approve the goals and objectives that the Chief Executive Officer is responsible for meeting.

The foregoing list is not exhaustive. The Board of Directors may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Each director shall forward all questions, comments and/or concerns regarding the business and affairs of the Corporation to the Board of Directors through the Chair. However, the chair of the Audit Committee shall be entitled and encouraged to speak directly with the Chief Financial Officer regarding all financial matters.

The Compensation and Governance Committee shall review the attendance of directors each year as part of the nomination process for the election of directors. Commencing July 1, 2008 directors are expected to attend and participate in at least 75% of the regularly scheduled meetings of the Board of Directors and each of its committees to which he or she is assigned, and at least 25% of such regularly scheduled meetings shall be attended in person, subject to the discretion of the Board of Directors. Any director who fails to meet such expectations shall tender a written resignation as a director to the Chair for acceptance or rejection by the Board of Directors.

IV. DIRECTORS' REMUNERATION

The remuneration of directors shall be reviewed on an annual basis by the Compensation Committee to ensure that directors are adequately and competitively compensated.

V. ORIENTATION OF NEW DIRECTORS

The Corporation shall provide an orientation program for new members of the Board of Directors. Each new director will be provided with a range of written materials, including those that outline the organization of the Board of Directors and its committees, position descriptions and this Charter, as well as be introduced to the members of management of the Corporation.

VI. CONTINUING EDUCATION FOR DIRECTORS

The Corporation shall provide ongoing business and director education sessions for members of the Board of Directors. Individual directors shall also be encouraged to participate in outside professional development programs approved by the Chair.

Schedule "A"
Meaning of "material relationship"

The following individuals are considered to have a "material relationship" with the Corporation:

a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

c) an individual who:

   A. is a partner of a firm that is the Corporation's internal or external auditor,

   B. is an employee of that firm, or

   C. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

   A. is a partner of a firm that is the Corporation's internal or external auditor,

   B. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

   C. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "material relationship" exists according to the above criteria, the term "Corporation" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the "Corporation" therein includes any subsidiary entity or the parent, if any, of Advantex Marketing International Inc.

For purpose of paragraphs (c) and (d) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (f) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (a) to (f) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" **-** (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" **-** a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

ADVANTEX

EXHIBIT "B"

CHARTER OF THE COMPENSATION AND GOVERNANCE COMMITTEE

I. PURPOSE

The compensation and governance committee (the "**Corporate Compensation and Governance Committee**") is a committee of the board of directors (the "**Board of Directors**") of Advantex Marketing International Inc. (the "**Corporation**"). The primary function of the Corporate Compensation and Governance Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the

1. fulfilling its responsibilities relating to the compensation of the members of the Board of Directors and its committees by:

2. enhancement of the Corporation's corporate governance practices and the nomination of directors by:

1. reviewing and recommending to the Board of Directors the compensation of the members of the Board of Directors including annual retainer, meeting fees, option grants and other benefits conferred upon the members of the Board of Directors;

2. dealing with the administration of the Corporation's compensation plans, including stock option plans, long term incentive plans, and such other compensation plans or structures as are adopted by the Corporation from time-to-time; and

3. establishing and periodically reviewing the Corporation's policies in the area of management benefits and perquisites.

4. The Compensation Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this Charter. The primary function of the Compensation Committee is to assist the Board of Directors in fulfilling its legal and fiduciary obligations and responsibilities.

5. developing and maintaining a review and selection process for new nominees as directors and proposing to the Board of Directors nominees for the election of directors at each annual meeting of shareholders of the Corporation (the "**Shareholders**");

6. developing and maintaining an orientation and education program for new directors and assisting in the orientation and education of new directors;

7. assessing the composition and effectiveness of the Board of Directors as a whole as well as discussing the contribution of individual members; and

8. developing the Corporation's corporate governance policies and practices and assessing and ensuring compliance with the Corporation's approach to corporate governance issues.

The Corporate Compensation and Governance Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this Charter. The primary function of the Compensation and Governance Committee is to assist the Board of Directors in fulfilling its legal and fiduciary obligations and responsibilities.

II. COMPOSITION AND MEETINGS

The Compensation and Governance Committee shall be comprised of such number of directors (but at least two) as determined by the Board of Directors, the majority of whom shall be Independent Directors (as defined below), but where there are only two (2) members, all shall be Independent Directors. Pursuant to *National Instrument 58-101 – Disclosure of Corporate Governance Practices* ("**NI 58-101**"), a director is considered to be an "**Independent Director**" if he or she has no direct or indirect "material relationship" with the Corporation, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a Director's independent judgment. Notwithstanding the foregoing, a director shall be considered to have a "material relationship" with the Corporation (and therefore shall be considered a "**Non-Independent Director**") if he or she falls in one of the categories listed in Schedule "A" attached hereto. Each member will have, to the satisfaction of the Board of Directors, sufficient skills and/or experience which are relevant and will be of contribution to the carrying out of the mandate of the Corporate Compensation and Committee.

The members of the Compensation and Governance Committee shall be appointed by the Board of Directors at the annual organizational meeting of the Board of Directors or until their successors are duly appointed and qualified. The Board of Directors may remove a member of the Corporate Compensation and Governance Committee at any time in its sole discretion by resolution of the Board of Directors. Unless a Chair is elected by the Board of Directors, the members of the Corporate Compensation and Governance Committee may designate a Chair by majority vote of the full membership of the Corporate Compensation and Governance Committee.

The Corporate Compensation and Governance Committee shall meet at least twice per annum and more frequently as circumstances require. The Corporate Compensation and Governance Committee may ask members of management or others to attend meetings or to provide information as necessary. In addition, the Corporate Compensation and Governance Committee or, at a minimum, the Chair of the Committee may meet with the Corporation's external counsel to discuss the Corporation's governance policies and practices. The Corporate Compensation and Governance Committee may retain the services of outside specialists to the extent required.

Quorum for the transaction of business at any meeting of the Corporate Compensation and Governance Committee shall be the presence in person or by telephone or other communication equipment of a majority of the number of members of the Corporate Compensation and Governance

Committee or such greater number as the Corporate Compensation and Governance Committee shall by resolution determine.

If within one hour of the time appointed for a meeting of the Corporate Compensation and Governance Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting shall consist of the members then present.

If and whenever a vacancy shall exist, the remaining members of the Corporate Compensation and Governance Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Corporate Compensation and Governance Committee shall be held from time to time and at such place as the Corporate Compensation and Governance Committee or the Chairman of the Corporate Compensation and Governance Committee shall determine, within or outside of Ontario, upon not less than two days (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) prior notice to each of the members. Meetings of the Corporate Compensation and Governance Committee may be held without such prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chair of the Corporate Compensation and Governance Committee, any member of the Corporate Compensation and Governance Committee or the Chair of the Board of Directors shall be entitled to request that the Chair of the Corporate Compensation and Governance Committee call a meeting. A notice of a meeting of the Corporate Compensation and Governance Committee must be given in accordance with the By-laws of the Corporation and applicable law.

The Corporate Compensation and Governance Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Corporate Compensation and Governance Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Corporate Compensation and Governance Committee will require the vote of a majority of its members present at a meeting at which a quorum is present. Actions of the Corporate Compensation and Governance Committee may be taken by an instrument or instruments in writing signed by all of the members of the Corporate Compensation and Governance Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Corporate Compensation and Governance Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. AUTHORITY OF THE CORPORATE COMPENSATION AND GOVERNANCE COMMITTEE

The Corporate Compensation and Governance Committee has the authority to engage and compensate any outside advisors that it determines to be necessary to permit it to carry out its duties.

The Corporate Compensation and Governance Committee also has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Corporate Compensation and Governance Committee may request any director or member of management of the Corporation, outside counsel of the Corporation or others, to attend a meeting of the Corporate Compensation and Governance Committee or to meet with members of, or advisors to, the Corporate Compensation and Governance Committee and to provide pertinent information as necessary.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Corporate Compensation and Governance Committee shall:

General Responsibilities

1. Review and assess this Charter at least annually, as conditions dictate, and submit any proposed revisions to the Board of Directors for approval.

2. Create an agenda for the ensuing fiscal year.

3. Report periodically to the Board of Directors.

Nominating Responsibilities

4. Establish competencies and skills that the Board of Directors should possess, recognizing that the particular competencies and skills required for the Corporation may not be the same as those required for other issuers in similar industries.

5. Assess competencies and skills of each of the existing directors as well as of the Board of Directors recognizing the personality and other qualities of each director.

6. Consider the appropriate size of the Board of Directors with a view to facilitating effective decision-making.

7. Establish procedures for identifying possible nominees who meet these criteria (and who are likely to bring the competencies and skills the Corporation needs as a whole).

8. Establish an appropriate review selection process for new nominees for election as directors.

9. Establish, approve and maintain appropriate orientation and education programs and procedures for new directors, as well as encourage and support directors participating in external professional development programs approved by the Chair of the Committee.

10. Analyze the needs of the Corporation when vacancies arise and identify and recommend nominees

who meet the needs of the Corporation for election as directors at annual meetings of Shareholders.

11. Establish procedures for filling in vacancies among the directors.

Corporate Governance Responsibilities

12. Ensure that there is an appropriate number of Independent Directors.

13. Facilitate the independent functioning and maintain an effective relationship between the Board of Directors and management of the Corporation.

14. Assess the effectiveness of the Chair’s agenda.

15. Annually review performance and qualification of existing directors in connection with their re-election.

16. Assess, at least annually, the composition and effectiveness of the Board of Directors as a whole, committees of the Board of Directors and the contribution of individual directors, including making recommendations where appropriate that sitting directors be removed or not re-appointed.

17. Keep up to date with regulatory requirements and other new developments in governance and develop and review the quality of the Corporation’s governance policies and practices and suggest changes to the Corporation’s governance policies and practices as determined appropriate by the Board of Directors.

18. Consider annually the appropriateness of the number of directors.

19. Ensure that disclosure and securities compliance policies, including communications policies, are in place and that such policies are reviewed annually.

20. Describe in each management information circular of the Corporation in which management solicits proxies for the purposes of electing directors to the Board of Directors, the disclosure required under Part 2 of NI 58-101.

The foregoing list is not exhaustive. The Compensation and Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Compensation Responsibilities

21. Review and recommend to the Board of Directors the compensation of the members of the Board of Directors including annual retainer, meeting fees, option grants and other benefits conferred upon the members of the Board of Directors.

22. Review and recommend to the Board of Directors the compensation of the officers and executive officers of the Corporation, including option grants and other benefits conferred upon such officers of the Corporation.

23. Review compensation disclosure relating to the Board of Directors and the executive compensation relating to the management of the Corporation before the Corporation publicly discloses this

information.

24. Describe in each management information circular of the Corporation in which management solicits proxies for the purposes of electing directors to the Board of Directors, the disclosure required in Form 51-102 F6.

The foregoing list is not exhaustive. The Compensation and Governance Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Schedule "A"
Meaning of "material relationship"

The following individuals are considered to have a "material relationship" with the Corporation:

1. an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

2. an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

3. an individual who:

    a. is a partner of a firm that is the Corporation's internal or external auditor,

    b. is an employee of that firm, or

    c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

4. an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

    a. is a partner of a firm that is the Corporation's internal or external auditor,

    b. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

    c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

5. an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

6. an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "material relationship" exists according to the above criteria, the term "Corporation" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the “Corporation” therein includes any subsidiary entity or the parent, if any, of the Corporation.

For purpose of paragraphs (3) and (4) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (6) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (1) to (6) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

“**executive officer**” of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

“**officer**” **-** (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

“**person**” **-** an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

“**subsidiary entity**” **-** a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other’s subsidiary entity.

ADVANTEX

EXHIBIT "C"

CHARTER OF THE AUDIT COMMITTEE

1. PURPOSE

1.1 The primary function of the Audit Committee of the Board of Directors is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

(a) the financial information that will be provided to the shareholders of the Company and others;

(b) the systems of internal controls, established by management of the Company and the Board; and

(c) all audit processes of the Company.

1.2 Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Company is vested in management of the Company and is overseen by the Board.

II. COMPOSITION AND OPERATIONS

Composition

2.1 The Audit Committee will consist of at least three members, the majority of whom are neither officers nor employees of the Company or any of its affiliates, and the majority of whom, as determined by the Board guided by applicable statutory or regulatory definitions, are "independent" and "financially literate". In the absence of such determination, as those terms are defined, as follows, based on the provisions of National Instrument 52-110 – Audit Committees as adopted by the Canadian Securities Administrators, as such Instrument is revised or replaced from time to time:

"financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

"independent" means having no direct or indirect material relationship (as defined in Schedule "A") with the Company.

2.2 Each member of the Audit Committee shall serve during the pleasure of the Board and, in any event, only so long as he or she shall meet the qualifications set out in Section 2.1.

2.3 One of the members of the Audit Committee shall be elected as its chairman by the Audit Committee or the Board of Directors of the Company.

Operation – General

2.4 The Company's auditors shall be advised of the names of the Audit Committee members from time to time.

2.5 The Audit Committee shall meet with the Company's external auditors as it deems appropriate to consider any matter that the Audit Committee or the external auditors determine should be brought to the attention of the Board or the shareholders of the Company.

2.6 The Audit Committee shall have access to the Company's senior management and any documentation as required to fulfill its duties and responsibilities and shall be provided with the resources necessary to carry out its duties and responsibilities.

2.7 The Audit Committee shall provide open avenues of communication among management, employees, and external and to the extent applicable, internal auditors of the Board of the Company.

2.8 The secretary to the Audit Committee shall be either the Secretary or his or her delegate.

2.9 The Board may fill vacancies in the Audit Committee by election from among the directors of the Company. If and whenever a vacancy shall exist in the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

2.10 The Company's external auditor will report directly to the Audit Committee and the Audit Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.

2.11 The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services referred to in Section 3.3 (g) provided that the pre-approval of non-audit services is presented to the Audit Committee at its first scheduled meeting following such pre-approval.

2.12 For the purposes of performing their duties, the members of the Audit Committee shall have the right, at all reasonable times, to inspect the books and financial records of the Company and its affiliates and to discuss with management such accounts, records and matters relating to the financial statements of the Company.

2.13 The Audit Committee may invite such officers, directors and employees of the Company as it may see fit, from time to time, to attend at meetings of the Audit Committee.

2.14 The Audit Committee has the authority to engage and compensate any outside advisors, including independent counsel, that it determines to be necessary to permit it to carry out its duties.

Operation – Meeting

2.15 The Company's auditors shall receive notice of and be invited to attend at the expense of the Company every meeting of the Audit Committee and to be heard at those meetings, or, if requested by a member of the Audit Committee, the auditor shall attend every meeting of the Audit Committee during the term of the officer of the auditors.

2.16 The Audit Committee shall meet at least four times each year in advance of approving the Company's interim or annual financial statements, as applicable.

2.17 A quorum for the transaction of business of the Audit Committee shall consist of two members of the Audit Committee.

2.18 The time and place for meetings of the Audit Committee shall be held, and procedures at such meetings shall be determined, from time to time, by the Audit Committee. The Secretary of the Company shall, upon the request of the Audit Committee Chairman, any member of the Audit Committee, the external auditors of the Company, the President and Chief Executive Officer of the Company or the Chief Financial Officer of the Company, call a meeting of the Audit Committee by letter, telephone, facsimile, telegram or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

2.19 Any matters to be determined by the Audit Committee shall be decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose or by an instrument or instruments in writing signed by all of the members of the Audit Committee.

2.20 Any member of the Audit Committee may participate in the meeting of the Audit Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

2.21 The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board.

2.22 The Audit Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Audit Committee will perform the following duties.

3.1 Financial Statements and Other Financial Information

The Audit Committee will review and recommend for approval to the board financial information that will be made publicly available. Without limiting the generality of the foregoing, the Audit Committee will:

(a) review and recommend to the Board for approval the Company's annual financial statements and the corresponding Management Discussion and Analysis ("MD&A") and report to the Board before such financial statements and corresponding MD&A are approved by the Board;

(b) review and approve for release the Company's interim financial statements and the corresponding interim MD&A;

(c) review and approve for release all annual and interim profit or loss press releases;

(d) review and recommend to the Board for approval, the financial content of the annual report and any reports required by applicable governmental or regulatory authorities;

(e) review, to the extent applicable, the Company's annual information form and any prospectus, information circulars or offering memorandum and any other similar public disclosure documents of the Company;

(f) review any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results of the Company) for consistency of disclosure with the financial statements themselves;

(g) review and discuss the appropriateness of accounting policies and financial reporting practices used by the Company and the financial impact thereof;

(h) review any major areas of management judgment and estimates that have a significant effect upon the financial statements;

(i) review and discuss any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company;

(j) review and discus any new or pending developments in accounting and reporting standards that may affect the Company;

(k) review and discuss management's key estimates and judgments that may be material to financial reporting of the Company; and

(l) review and discuss with management all significant variances between comparative reporting periods and any financial statements of the Company, including variances in forecasted financial information from actual results which may have been included been in any public documents of the Company.

As well, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from its financial statements, other than the disclosure referred to above, and to periodically assess the adequacy of such procedures

3.2 Risk Management, Internal Control and Information Systems

The Audit Committee will review and obtain reasonable assurance that the risk management, internal controls, information systems and financial reporting procedures of the Company are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

(a) review of the Company's risk management controls and policies;

(b) obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designated and effectively implemented through discussions with and reports from management, to the extent applicable, the internal auditor and the external auditor of the Company;

(c) review of management steps to implement and maintain appropriate internal control procedures including a review of policies;

(d) review of the adequacy of security of information, information systems and recovery plans;

(e) monitoring compliance with applicable statutory and regulatory obligations;

(f) review of the appointment of the Chief Financial Officer;

(g) review of the adequacy of accounting and finance resources;

(h) establish procedures to receive, retain and respond to complaints regarding accounting, internal controls and auditing and financial matters; and

(i) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

3.3 External Audit

The Audit Committee will oversee the work of the Company's external auditor and review the planning and results of external audit activities and the ongoing relationship with the external auditor of the Company. This includes:

(a) review and recommend to the board, for shareholder approval, engagement and compensation of the external auditor. If a change in external auditor is proposed, the Audit Committee shall enquire as to the reasons for the change, including the response of the incumbent auditor, and enquire as to the qualifications of the newly proposed auditor before making its recommendation to the Board;

(b) review the annual external audit plan, including but not limited to the following:

(i) engagement letter;

(ii) objectives and scope of the external audit work;

(iii) procedures for quarterly review of financial statements;

(iv) materiality limitations;

(v) areas of audit risk;

(vi) staffing;

(vii) timetable; and

(viii) proposed fees,

and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal controls;

(c) meet with the external auditor to discuss the Company's quarterly and annual financial statements and the auditor's report, including the appropriateness of accounting policies, the quality of accounting principles and underlying estimates;

(d) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

(i) any difficulties encountered, or restrictions imposed, by management, during the annual audit;

(ii) any significant accounting or financial reporting issue;

(iii) the auditor's evaluation of the Company's system of internal controls, procedures and documentation;

(iv) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;

(v) any other matters the external auditor brings to the Audit Committee's attention; and

(vi) assess the performance and consider the annual appointment of external auditors for recommendation to the Board.

(e) review the auditor's report on all material subsidiaries;

(f) review and receive assurances on the independence of the external auditors;

(g) except to the extent delegated under Section 2.11, review and approve the non-audit services to be provided by the external auditor or its affiliates (including estimated fees), and consider the impact on the independence of the external audit;

(h) meet periodically, and at least annually, with the external auditor without management present and ensure that the external auditor is accountable to the Board and the Audit Committee as representatives of the shareholders of the Company; and

(i) oversee the resolution of any disagreement between management and the external auditor regarding financial reporting.

3.4 Other

The Audit Committee will also:

(a) review insurance coverage of significant business risks and uncertainties;

(b) review with management, the external auditors and if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material adverse effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements;

(c) review policies and procedures for the review and approval of officers' expenses and perquisites;

(d) review the terms of the Audit Committee's Charter annually and make recommendations to the Board as required;

(e) approve the basis and amount of the external auditor's fees in light of the number and nature of reports issued by the auditor, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of support provided by the Company to the external auditor and approve all other non-audit fees of the auditor and other accounting firms;

(f) review and approve a corporate code of ethics for senior financial personnel and evaluate the effectiveness of such code on a periodic basis;

(g) approve the Company's hiring policies regarding partners employees and former partners and employees of the present and former external auditor of the Company; and

(h) conducting regular reviews, assessments and discussions with management and the Company's external auditor relating to, among other things, financial matters, internal controls, risk management matters, and the procedures in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements.

3.5 Accountability

The Audit Committee shall report its discussions to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting.

3.6 Amendments

The Board of Directors may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

Schedule "A" meaning of "material relationship"
Meaning of "material relationship"

The following individuals are considered to have a "material relationship" with the Corporation:

1) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

2) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

3) an individual who:

a. is a partner of a firm that is the Corporation's internal or external auditor,

b. is an employee of that firm, or

c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

4) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

a. is a partner of a firm that is the Corporation's internal or external auditor,

b. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

5) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

6) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "material relationship" exists according to the above criteria, the term "Corporation" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the "Corporation" therein includes any subsidiary entity or the parent, if any, of the Corporation.

For purpose of paragraphs (3) and (4) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (6) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (1) to (6) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" - (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.