FORM 2A

LISTING STATEMENT

ADVANTEX MARKETING INTERNATIONAL INC.

October 28, 2014

1. Table of Contents

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; and

- "CONFIRMATION OF BY-LAW A-2" section of the Information Circular dated November 17, 2013 (the "**IC**") attached hereto as Schedule "D".

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.

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, 2014 compared with the corresponding period in the previous year is disclosed in the Management Discussion and Analysis for the fiscal years ended June 30, 2014 and 2013 (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, 2014, the Company is committed to minimum payments with respect to existing leases for equipment and premises. Note 17 to the Consolidated Financial Statements for the year ended June 30, 2014 (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 "Economic Dependence", "General Risks and Uncertainties" and "Forward Looking Information" sections of the MD&A.

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, a description of contracts 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. There are no material restructuring transactions, and 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, 2014 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 8 ("Loan payable"), 9 ("14% Non-convertible debentures payable"), 10 ("12% Non-convertible debentures payable"), and 11 ("Share Capital") in the FS.

The Company reported a net loss of $715,245 for its fiscal year ended June 30, 2014 compared with a net income of $36,253 for fiscal year ended June 30, 2013.

The Company reported other comprehensive loss of $47,383 for its fiscal year ended June 30, 2014 ($nil for fiscal year ended June 30, 2013).

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, 2014 and June 30, 2013, and the financial performance and cash flows for the years ended June 30, 2014 and June 30, 2013, 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, as per their independent auditor's report (attached to the FS), opined that the FS present fairly, in all material respects, the financial position of the Company and its subsidiaries as at June 30, 2014, and their financial performance and its cash flows for the years ended June 30, 2014 in accordance with IFRS.

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, 2014, 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, 2014 in the section "Fourth Quarter of fiscal 2014 (Q4 F2014) vs. Fourth Quarter of fiscal 2013 (Q4 F013)". The interim financial statements for the three month period ended September 30, 2013, three and six month periods ended December 31, 2013, and three and nine month periods ended March 31, 2014, 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, 2014.

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, 2014.

6. Management's Discussion and Analysis

Annual MD&A

6.1 The MD&A is for the fiscal years ended June 30, 2014 and June 30, 2013 and is prepared based on information available to the Company as at October 27, 2014. The MD&A is for the most recently completed fiscal year ended June 30, 2014.

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", "14% Non-convertible Debentures Payable", and "12% 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 - 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 2014 (Q4 F2014) vs. Fourth Quarter of fiscal 2013 (Q4 F2013)".

6.12 Proposed Transactions – The Company does not expect any asset or business acquisitions or dispositions.

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

6.14 Financial Instruments and Other Instruments

As at June 30, 2014 the Company has two sources of debt capital, which are described in the MD&A under sections "Loan Payable", and 12% Non-Convertible Debentures Payable". The narrative in these sections and notes 8, and 10 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 "12% 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, 2014 and 2013, and was prepared based on information available to the Company as at May 28, 2014.

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 11 ("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, 2014 the Company reported net cash provided by operating activities of $4.0 million, and for year ended June 30, 2013 the Company reported net cash provided by operating activities of $1.5 million.

However, income / (loss) before non-cash expenses* is the Company's assessment of cash generated from / (used by) its operating activities prior to changes in working capital items. The loss before non–cash expenses* for year ended June 30, 2014 was $0.1 million and the income before non-cash expenses* for year ended June 30, 2013 was $1.3 million.

The significant change during year ended June 30, 2014:

1. Reduction in Transaction credits of $3.4 million. This is the primary reason for change in working capital;

2. Financing activities used up $3.6 million. In December 2013 the Company re-financed its two debentures – 14% non-convertible debentures payable (note 9 of FS) and 12% non-convertible debentures (note 10 of FS) – totalling $7.9 million into a single 12% non-convertible debentures payable for $5.2 million (note 10 of FS). The Company's utilization of its loan payable reduced $0.6 million to $6.5 million; and

3. The investment in purchase of property, plant and equipment, and intangible assets was $0.4 million.

The significant change during year ended June 30, 2013:

1. Change in working capital:

    a. Reduction in accounts receivable of $0.4 million. In January, 2013 the Company was advised by CRA that its objection was allowed and a notice of re-assessment in the amount of $824,430 was issued. The Company received the amount in February, 2013 and this is reflected as a reduction in accounts receivable. Additional details are provided under note 17 to the FS; and

    b. Decrease in accounts payable and accrued liabilities of $0.7 million.

2. The investment in purchase of property plant and equipment, and intangible assets was $0.8 million

* Income / (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 from / (used by) its operating activities prior to changes in working capital items. Income / (loss) before non-cash expenses is arrived at after adding back expenses not affecting cash – write-off of investment; depreciation of property, plant and equipment, and intangible assets; stock based compensation; accretion charge for debentures; and unrealized exchange rate gain/(loss) on subsidiary dues – to net income / (loss) for the year, which are disclosed in the FS under the section consolidated statements of cash flow.

Additional details are provided in the consolidated statements of cash flow 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**").

8. Consolidated Capitalization

8.1 The Company's share and loan capital is described in notes 8 ("Loan payable"), 9 ("14% Non-convertible debentures payable"), 10 ("12% Non-convertible debentures payable"), and 11 ("Share Capital") in the FS.

Since the Listing Statement dated October 28, 2013, up to June 30, 2014, the Company issued 42,045,850 Common Shares. These were issued as a part of the 12% Non-convertible debentures payable issued in December 2013. Details provided in notes 10 and 11 in the FS.

9. Options to Purchase Securities

9.1 Information concerning options to purchase securities of the Company as at June 30, 2014, is tabulated in the FS under note 12 ("Share-based payments"). Since the Listing Statement dated October 28, 2013, up to June 30, 2014:

(i) 3,444,400 common share purchase warrants attached to 14% debentures were not exercised and expired as of December 31, 2013, described in note 9 to FS;

(ii) 87,056,491 common share purchase warrants attached to 12% debentures were not exercised and expired as of December 31, 2014, described in note 10 to FS; and

(iii) Employee stock options - Cancelled on expiry 161,430, and forfeited 90,000 employee stock options.

No warrants or employee stock options were exercised during the fiscal year ended June 30, 2014.

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, 2014 the Company did not issue securities which are not issued or quoted in any market place, as described in the FS under note 12 “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 28, 2013. Source: Canadian Securities Exchange

Period	Price Range $		Volume
	Min	**Max**	
October, 2014 [1]	0.010	0.020	589,300
September, 2014	0.010	0.020	713,700
August, 2014	0.005	0.015	2,447,735
July, 2014	0.010	0.020	659,796
June, 2014	0.010	0.020	793,083
May, 2014	0.010	0.020	184,189
April, 2014	0.015	0.030	408,166
March, 2014	0.015	0.020	64,042
February, 2014	0.015	0.025	103,762
January, 2014	0.005	0.030	206,150
December, 2013	0.005	0.015	237,495
November, 2013	0.005	0.010	1,867,887

[1] Last updated close of trading on October 20, 2014

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 October 1, 2014 [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 The Company does not have a Principal Shareholder.

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 and their position. Except for Barry Wainstein, for the principal occupation of each director listed please

refer to the "ELECTION OF DIRECTORS" section of the **IC**. For principal occupation of Barry Wainstein please refer to the Company's news release dated March 17, 2014 which is available under the Company's profile on www.sedar.com. For the principal occupation of Chief Financial Officer please refer to the "DIRECTORS AND OFFICERS" section of the AIF.

NAME	**Position**	**Municipality**	**Since**
Kelly E. Ambrose	Chief Executive Officer, President, Secretary, and Director	Thornhill, Ontario	January 26, 2006 (Director) October 19, 2005 (Officer)
Stephen Burns	Chairman	Toronto, Ontario	February 19, 2004
William H. Polley	Director	Oakville, Ontario	November 21, 2002
Rob G.von der Porten	Director	Toronto, Ontario	December 18, 2013
Marc Lavine	Director	Paris, France	December 18, 2013
Barry Wainstein	Director	Toronto, Ontario	March 17, 2014
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 5,656,000 common shares (4.1% of all issued common shares);

(b) William H. Polley beneficially owns 434,250 common shares (0.3% of all issued common shares);

(c) Mukesh Sabharwal beneficially owns 998,978 common shares (0.7% of all issued common shares);

(d) Stephen Burns beneficially owns 607,500 common shares (0.4% of all issued common shares);

(e) Rob von der Porten beneficially owns 716,142 common shares (0.5% of all issued common shares);

(f) Marc Lavine beneficially owns 12,647,000 common shares (9.1% of all issued common shares);

(g) Barry Wainstein beneficially owns 203,750 common shares(0.1% 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 own 15.3% of the voting securities of the Company.

13.4 The directors' membership in:

Audit Committee – William Polley (Chairman of the Committee), Stephen Burns (Chairman of the Board of Directors) and Rob von der Porten; and

Compensation and Governance Committee – Stephen Burns, Marc Lavine and Barry Wainstein.

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

13.6 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.

13.7 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 13.7 (a) and (b), on April 27, 2012 the Ontario Securities Commission issued a new release announcing a settlement reached between the Staff and Trapeze Asset Management Inc.

On December 30, 2013 the Company issued a news release announcing it had sold, by way of private placement, 5,159 units (each a "Unit"), at $1,000 per Unit, comprised of (i) $1,000 face value secured non-convertible debentures of Advantex bearing interest at 12% per annum and maturing on September 30, 2016 and (ii) 8,150 common shares in the capital of the Company. The amount refinanced was $5.2 million. The Units were purchased by Trapeze Capital Corp. and Trapeze Asset Management Inc., (together "Trapeze") on behalf of their respective managed accounts, the Company's employees, executive officers and directors, and private investors.

Trapeze may have been considered, at the time of the purchase of above December 30, 2013 debentures, to be a related party of the Company by virtue of their holding, on behalf of their respective managed accounts, of $4,446,062 12% non-convertible debentures, $1,296,000 14% non-convertible debentures, and 65,475,823 common share purchase warrants, issued with 12% non-convertible debentures and 14% non-convertible debentures, of the Company. The 12% non-convertible debentures and 14% non-convertible debentures were due to mature on December 31, 2013 and were repaid by the Company on December 30, 2013. The common share warrants were not exercised and expired on December 31, 2013.

13.8 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.

13.9 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.

13.10 The following information provided, with respect to Tim Knowles, Kelly Lee Smith and Phil McGlynn who are Named Executive Officers (as that term is defined in applicable securities legislation, "**NEOs**") is extracted from the "Employment Contracts" section of the IC, and, unless indicated otherwise, has not changed since the Listing Statement dated October 28, 2013. CEO and CFO information is covered under section 15 in this document.

Tim Knowles

The Company and Tim Knowles entered into an employment agreement dated October 14, 2007, pursuant to which Mr. Knowles is employed, effective October 1, 2007, as Chief Information Officer, at an annual salary of $225,000, and is entitled to earn a 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. Knowles base salary has since been revised to $200,000. The Company is entitled to terminate Mr. Knowles's employment without cause upon providing six months' notice of termination or payment in lieu of notice for the first year of completed service, and an additional one month of notice or payment in lieu of notice for each additional year of completed services up to a maximum of 12 months. Mr. Knowles is also entitled to receive a monthly car allowance of $1,000.00. On November 12, 2009 the employment agreement was amended to cover severance payment of 12 months annual salary in the event of change of control triggered by specific circumstances.

Kelly Lee Smith

The Company and Kelly Lee Smith entered into an employment agreement dated October 2, 2007, pursuant to which Ms. Smith is employed as Vice-President, Database/Online Marketing at an annual salary of $175,000, subject to annual review, and is entitled to an annual bonus of up to 20% of her annual salary subject to the Company achieving its objectives, and on the successful completion of her individual agreed upon objectives. Ms. Smith's base salary has since been revised to $150,000.

The Company is entitled to terminate Ms. Smith's employment without cause upon providing her with two weeks' notice of termination, or payment in lieu of notice for each completed year of service, up to a maximum of ten months. Ms. Smith is also entitled to receive re-imbursement of car mileage up to $1,000.00 per month. On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances. In January 2014 the base salary was revised to $175,000.

Phil McGlynn

The Company and Phil McGlynn entered into an employment agreement dated June 25, 2008 pursuant to which Mr. McGlynn is employed, effective March 15, 2008, as Vice President Marketing, at an annual salary of $115,500. Mr. McGlynn's base salary has since been revised to $160,000 effective February 1, 2012. The Company is entitled to terminate Mr. McGlynn's employment without cause upon providing two weeks' notice of termination or payment in lieu of notice for each completed year of service, up to a maximum of ten months. Mr. McGlynn is also entitled to receive a monthly car allowance of $500.00. On November 12, 2009 the employment agreement was amended to cover severance payment of 12 months annual salary in the event of change of control triggered by specific circumstances.

14. Capitalization

14.1

Issued Capital	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float Total outstanding (A)	139,071,218	149,261,218		
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)	48,265,770	55,715,770	34.7%	37.3%
Total Public Float (A-B)	90,805,448	93,545,448	65.3%	62.7%
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		
Total Tradeable Float (A-C)	90,805,448	93,545,448	65.3%	62.7%

Note:

1. Re: A. As at June 30, 2014. Number of securities (non-diluted) is equivalent to issued and outstanding common shares per note 11 (c) of FS. Number of securities (fully diluted) is equivalent to fully diluted plus employee stock options outstanding per note 12 of FS.
2. Re: B. As at June 30, 2014. Represents the securities held by directors and officers per tabulation at 23.2 in this document and held by Trapeze on behalf of its managed accounts.

Public Securityholders (Registered)

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 holders	Total number of securities
1 – 99 securities	366	8,201
100 – 499 securities	451	111,856
500 – 999 securities	299	163,765
1,000 – 1,999 securities	181	202,230
2,000 – 2,999 securities	51	110,875
3,000 – 3,999 securities	18	54,600

4,000 – 4,999 securities	3	12,667
5,000 or more securities	89	90,141,254
Total		90,805,448 (section 14.1)
Unable to confirm		N/A

Note:

1. The above tabulation is compiled based on register of shareholders as at October 21, 2014, 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	101	3,884
100 – 499 securities	433	106,573
500 – 999 securities	364	214,945
1,000 – 1,999 securities	489	559,028
2,000 – 2,999 securities	228	483,920
3,000 – 3,999 securities	77	240,050
4,000 – 4,999 securities	59	245,914
5,000 or more securities	549	54,779,788

Unable to confirm		

Note:

1. The above tabulation is compiled based on NOBO list as at November 14, 2013 provided at the Company's request by the Company's transfer agent.
2. The Company issued 42,045,850 common shares in December 2013. Details provided in notes 10 and 11 of FS.

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	8	48,265,770 (section 14.1)

14.2 The details for any securities convertible or exchangeable into any class of listed securities, as at June 30, 2014, is provided in note 12 share-based payments in the FS.

14.3 Details of movement during the period from the Listing Statement dated October 28, 2013 to year ended June 30, 2014 are provided in section 9.1 of this Listing Statement.

15. Executive Compensation

Except for the update under the sub-section "Stock Option Plan" in this section of the Listing Statement, the information in this section of this Listing Statement is per the IC dated November 17, 2013.

Compensation Discussion and Analysis

The Company's Compensation and Governance Committee is responsible 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 Committee are described in its Charter, which is set out as Exhibit "C" hereto.

During the fiscal year ended June 30, 2014, the Compensation and Governance Committee was comprised of independent directors. As at the date hereof, the Compensation Committee is comprised of three independent directors: Stephen Burns, Marc Lavine and Barry Wainstein.

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 Committee assesses the performance of the President and Chief Executive Officer on an annual basis and establishes his base salary, bonus and stock option 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 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 and stock options and emphasis is placed on salary, bonuses and stock options as described below. The executive officers of the Company are entitled to receive all benefits which are available to senior management generally.

Base Salaries

The salaries and benefits paid to the Company's executive officers, including those paid to the President and Chief Executive Officer, were previously established at or below those generally paid to persons performing similar functions in comparable corporations within the marketing services industry. In March 2011, Pareto Corporation completed a going private transaction and no longer publicly discloses its executive compensation and, in September 2012, The Futura Loyalty Group Inc. filed for protection from its creditors under the Companies' Creditors Arrangement Act, consequently the Company currently has no adequate peer group to benchmark its executive compensation against. 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 to the Named Executives for fiscal year ended June 30, 2013 totaled $25,000.

Bonuses paid to the Named Executive Officers for fiscal year ended June 30, 2012 were $125,000.

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 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.

With the increase in the issued and outstanding common shares of the Company consequent to the private placement of the 12% Non-convertible debentures payable (notes 10 and note 11 of the FS), the Directors approved a resolution on March 9, 2014 increasing the number of employee stock options issuable per the Company's stock option plan from 11,643,044 to 16,688,546.

The foregoing number represents, as of the date hereof, 12% of the 139,071,218 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, options to purchase an aggregate of 10,190,000 common shares are outstanding pursuant to the Stock Option Plan. This represents 7.3% of the issued and outstanding common shares as at June 30, 2014.

The Company does not have any Long-Term Incentive Plan other than the Stock Option 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.

- The aggregate number of Common Shares issuable under the Stock Option Plan shall not exceed 16,688,546. The foregoing number represents, as of the date hereof, 12% of the 139,071,218 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.

- 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.

Pension Plan Benefits

The Company does not have any defined benefits plans, defined contribution plans or deferred compensation plans.

Employment Contracts

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 base salary has since been revised to $330,000. Mr. Ambrose is also entitled to a monthly car allowance of $1,000.00 and an annual maximum health care spending allowance of $10,000. The annual health care spending allowance was increased to $30,000 effective January 1, 2013. 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 12 months' then current salary, 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, benefits, (or payment in lieu) as well as the health care spending allowance for the duration of the notice period, and 100% of his options 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 since been revised to $200,000. The Company is entitled to terminate Mr. Sabharwal's employment without cause upon providing him with 12 weeks' notice of termination, or payment in lieu of notice for service provided by him up to March 12, 2009, and an additional two weeks, prorated monthly for each completed year of service, up to a maximum of ten months. On November 12, 2009 the employment agreement was amended to cover severance payment of 12 months annual salary in the event of change of control triggered by specific circumstances.

Tim Knowles

See 13.10 in this document

Kelly Lee Smith

See 13.10 in this document

Phil McGlynn

See 13.10 in this document

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.

Compensation Summary

COMPENSATION SUMMARY FOR YEAR ENDED June 30, 2013

The tabulation on the following page 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 – 2013, 2012, & 2011[1]

NEO (Name and Principal Position)	Year	Salary ($)	Share based awards[4] ($)	Option based awards[4] ($)	Non-equity incentive plan compensation - Annual[3] ($)	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	2013	330,000	Nil	3,275	12,500	Nil	Nil	33,003	378,778
	2012	330,000	Nil	9,044	62,500[5]	Nil	Nil	23,003	424,547[5]
	2011	335,000	Nil	39,424	21,304	Nil	Nil	23,003	418,731
Mukesh Sabharwal Vice-President and Chief Financial Officer	2013	200,000	Nil	2,027	5,000	Nil	Nil	4,010	211,037
	2012	200,000	Nil	5,426	25,000[5]	Nil	Nil	4,010	234,436[5]
	2011	179,167	Nil	10,614	7,500	Nil	Nil	4,010	201,291
Tim Knowles Chief Information Officer	2013	200,000	Nil	1,559	3,335	Nil	Nil	12,000	216,894
	2012	200,000	Nil	4,522	14,165[5]	Nil	Nil	12,000	230,687[5]
	2011	206,250	Nil	3,791	6,250	Nil	Nil	12,000	228,291
Kelly Lee Smith Vice-President, Database/Online Marketing	2013	150,000	Nil	780	1,665	Nil	Nil	18,016	170,461
	2012	150,000	Nil	4,522	10,835[5]	Nil	Nil	18,016	187,373[5]
	2011	156,250	Nil	2,654	5,000	Nil	Nil	18,016	181,920
Phil McGlynn Vice-President, Marketing	2013	160,000	Nil	780	2,500	Nil	Nil	8,005	171,285
	2012	148,333	Nil	4,522	12,500[5]	Nil	Nil	8,005	173,360[5]
	2011	142,500	Nil	2,654	5,000	Nil	Nil	8,005	158,159

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 Ambrose only, amounts paid towards health care spending allowance are also included, details of which are available under "Executive Compensation - Employment Contracts".

(3) Bonuses paid for fiscal years ended June 30, 2013, 2012, and 2011.

(4) The Company did not give any share based awards. The value assigned under "Option based awards" is calculated based on the Black -Scholes pricing model. For the grant in the fiscal year ended June 30, 2013, the assumptions used in the model were: (i)

expected life of stock option is 5 years; (ii) expected volatility of common share price, based on historical trends, is 121.0%;; (iii) risk-free rate of return is 1.6%; (iv) expected forfeiture rate, based on historical trends, is 5.5%; and (v) nil dividend.

(5) *Bonuses reserved for payment to the NEOs' for fiscal year ended June 30, 2012 were $150,000, and paid to NEOs' were $125,000. The balance of $25,000 is not payable. The previous year Information Circular dated November 16, 2012 disclosed bonus of $150,000. The bonus information in this Information Circular is amended to reflect paid amount of $125,000. The Total compensation is accordingly amended.*

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The following table sets forth the options to purchase securities of the Company granted up to June 30, 2013 to the Named Executive Officers. All awards were issued pursuant to the rules and regulations of the Company's Stock Option Plan.

Name	Option-based Awards(1)(7)(8)				Share-based Awards		
	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	2,600,000(4)	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	500,000(5)	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	525,000(6)	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Mukesh Sabharwal	700,000(4)	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	300,000(5)	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	325,000(6)	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Tim Knowles	250,000(4)	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	250,000(5)	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	250,000(6)	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Kelly Lee Smith	175,000(4)	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	250,000(5)	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	125,000(6)	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Phil McGlynn	84,500(3)	0.010	23 March, 2014	Nil	Nil	Nil	Nil
	175,000(4)	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	250,000(5)	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	125,000(6)	0.050	19 March, 2018	Nil	Nil	Nil	Nil

Notes:

(1) Includes all options awarded to Named Executive Officers under the Stock Option Plan, and outstanding as at June 30, 2013.

(2) The "Value of unexercised in-the-money options" figures reflect the aggregate dollar amount of in-the-money, based on price per common share at close of business on June 30, 2013, of unexercised options held at the end of the year ended June 30, 2013. The price per common share at the close of business on the CNSX on June 26, 2013, the latest date prior to June 30, 2013 on which the Company's shares were traded, was $0.005.

(3) These options granted pursuant to the Company's Stock Option Plan had vested by July 1, 2010.

(4) These options vested on the date of the grant, March 16, 2011.

(5) These options vested on date of the grant, February 3, 2012.

(6) These options vested on date of the grant, March 19, 2013.

(7) No options based awards were exercised during the fiscal year ended June 30, 2013.

(8) During year ended June 30, 2013, stock options totaling 809,820 issued on March 17, 2008 to the Named Executive Officers expired on March 17, 2013.

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, 2013.

Name	Options vested during the year(1)	Option-based awards - Value vested during the year(2) ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year(3) ($)
Kelly E. Ambrose	525,000	Nil	Nil	12,500
Mukesh Sabharwal	325,000	Nil	Nil	5,000
Tim Knowles	250,000	Nil	Nil	3,335
Kelly Lee Smith	125,000	Nil	Nil	1,665
Phil McGlynn	125,000	Nil	Nil	2,500

Notes:

(1) Options were granted on March 19, 2013. They vested 100% on March 19, 2013.

(2) The exercise price of the options granted during the year (tabulated above under "Options vested during the year") was $0.050. The closing share price on March 19 and March 20, 2013 was $0.010.

(3) Figures represent bonus paid for fiscal year ended June 30, 2013.

Termination and Change of Control Payments

Potential payments upon termination of employment as of date hereof for each named Executive Officer.

	Severance in event of termination without cause[1] **($)**	**Severance in event of triggering change of control situation[1]** **($)**
Mr. Kelly E. Ambrose[2]	$355,000	$355,000
Mr. Mukesh Sabharwal	$82,000	$200,000
Mr. Tim Knowles	$183,333	$200,000
Ms. Kelly Lee Smith	$40,385	$150,000
Mr. Phil McGlynn	$30,769	$160,000

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 $30,000.

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Compensation of Directors

Directors Compensation Table

During the fiscal year ended June 30, 2013, each of the directors of the Company (excluding Kelly 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:

Each director other than the Chairman of the Board earned an annual fee of $15,000, and $800 per meeting attended or $400 per meeting attended by telephone conference;

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 Committee earned an annual fee of $2,500, and each Committee member earned $500 per meeting attended or $250 per meeting attended by telephone conference;

3. Chairman of the Governance and Nominating Committee earned an annual fee of $2,500, and each Committee member earned $500 per meeting attended or $250 per meeting attended by telephone conference;

4. Chairman of the Audit Committee earned an annual fee of $5,000 and each Committee member earned $500 per meeting attended or $250 per meeting attended by telephone conference.

The Directors' compensation table for fiscal year ended June 30, 2013 is as follows:

Name	Fees earned ($)	Share-based awards ($)	Option-based awards(2) ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Stephen Burns(1)	54,200	Nil	1,247	Nil	Nil	Nil	55,447
William H. Polley	27,200	Nil	1,247	Nil	Nil	Nil	28,447

Notes:

(1) Chairman of the Board of Directors.
(2) The Company did not give any share based awards. The value assigned under "Option based awards" is calculated based on the Black – Scholes pricing model. For the grant in the fiscal year ended June 30, 2013, the assumptions used in the model were: (i) expected life of stock option is 5 years; (ii) expected volatility of common share price, based on historical trends, is 121.0%; (iii) risk-free rate of return is 1.6%; (iv) expected forfeiture rate, based on historical trends, is 5.5%; and (v) nil dividend.

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, 2013, to the eligible Directors of the Company.

Name	Option-based Awards(1) (6)				Share-based Awards		
	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
Stephen Burns	300,000(3)	0.020	March 16, 2016	Nil	Nil	Nil	Nil
	750,000(4)	0.025	February 3, 2017	Nil	Nil	Nil	Nil
	200,000(5)	0.050	March 19, 2018	Nil	Nil	Nil	Nil

William H. Polley	300,000[3]	0.020	March 16, 2016	Nil	Nil	Nil	Nil
	750,000[4]	0.025	February 3, 2017	Nil	Nil	Nil	Nil
	200,000[5]	0.050	March 19, 2018	Nil	Nil	Nil	Nil

Notes
(1) Includes all options awarded to Directors under the Stock Option Plan outstanding as at June 30, 2013.
(2) The "Value of unexercised in-the-money options" figures reflect the aggregate dollar amount of in-the-money, based on price per common share at close of business on June 30, 2013, unexercised options held at the end of the fiscal year ended June 30, 2012. The price per common share at the close of business on the CNSX on June 26, 2013, the latest date prior to June 30, 2012 on which the Company's shares were traded, was $0.005.
(3) Vested as at day of grant, March 16, 2011.
(4) Vested on date of grant, February 3, 2012.
(5) Vested on date of grant, March 19, 2013.
(6) No options based awards were exercised during the fiscal year ended June 30, 2013.

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, 2013.

Name	**Options vested during the year**[1]	**Option-based awards - Value vested during the year**[2] **($)**	**Share-based awards - Value vested during the year** **($)**	**Non-equity incentive plan compensation - Value earned during the year** **($)**
Stephen Burns	200,000	Nil	Nil	Nil
William H. Polley	200,000	Nil	Nil	Nil

Notes

(1) Options were granted on March 19 2013. They vested 100% on March 19, 2013.

(2) The exercise price of the options granted during the year (tabulated above under "Options vested during the year") was $0.050. The closing share price on March 19 and March 20, 2013 was $0.010.

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, 2014 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.

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 There are no legal proceedings material to the Company to which the Company or a subsidiary of the Company is a party or of which any of their respective property is the subject matter and nor are such proceedings known to the Company to be contemplated.

19.2 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, 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. The Company announced change of auditor from PricewaterhouseCoopers LLP, Chartered Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada, M5J 0B2 to BDO Canada LLP on July 5, 2013.

21.2 The Company's transfer agent and registrar is CST Trust Company, 320 Bay Street, 3rd Floor, Toronto, Ontario, L5H 4A6.

22. Material Contracts

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

Canadian Imperial Bank of Commerce
The Toronto Dominion Bank
Caesars Entertainment Corporation
Aeroplan (Canada) Inc.
Accord Financial Inc. (providers of loan payable)
Holders of 12% 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, 2014.**
Kelly E. Ambrose	5,656,000 common shares in the capital of the Company. $500,000 12% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A) 2,600,000 employee stock options granted March 16, 2011, exercisable at $0.02, and expiring March 16, 2016 500,000 employee stock options granted February 3, 2012, exercisable at $0.025, and expiring February 3, 2017 525,000 employee stock options granted March 19, 2013, exercisable at $0.05, and expiring March 19, 2018
Stephen Burns	607,500 common shares in the capital of the Company $50,000 12% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A) 300,000 employee stock options granted March 16, 2011, exercisable at $0.02, and expiring March 16, 2016 750,000 employee stock options granted February 3, 2012 exercisable at $0.025, and expiring February 3, 2017 200,000 employee stock options granted March 19, 2013, exercisable at $0.05, and expiring March 19, 2018

William H. Polley	434,250 common shares in the capital of the Company $50,000 12% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A) 300,000 employee stock options granted March 16, 2011, exercisable at $0.02, and expiring March 16, 2016 750,000 employee stock options granted February 3, 2012 exercisable at $0.025, and expiring February 3, 2017 200,000 employee stock options granted March 19, 2013, exercisable at $0.05, and expiring March 19, 2018
Marc Lavine	12,647,000 common shares in the capital of the Company $500,000 12% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
Rob von der Porten	716,142 common shares in the capital of the Company $50,000 12% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
Barry Wainstein	203,750 common shares in the capital of the Company $25,000 12% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
Mukesh Sabharwal	998,978 common shares in the capital of the Company $115,000 12% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A) 700,000 employee stock options granted March 16, 2011 exercisable

	at $0.02, and expiring March 16, 2016 300,000 employee stock options granted February 3, 2012, exercisable at $0.025, and expiring February 3, 2017 325,000 employee stock options granted March 19, 2013, exercisable at $0.05, and expiring March 19, 2018

23.3 For the purposes of the above table, only those individuals who hold more than one per cent of the Company's securities are listed.

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, 2014 and 2013 is attached as Schedule "A", the Consolidated Financial Statements for the years ended June 30, 2014 and June 30, 2013 is attached as Schedule "B", the interim MD&A for the three month period ended September 30, 2013 and 2012; the interim MD&A for the three and six month periods ended December 31, 2013 and 2012; the interim MD&A for the three and nine month periods ended March 31, 2014 and 2013 are attached as Schedule "C", the Information Circular dated November 17, 2013 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 28 day of October, 2014.

"*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"	*"William Polley"*
Kelly E. Ambrose Director	William Polley Director

Schedule A

The MD&A for the fiscal years ended June 30, 2014 and 2013

ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the fiscal years ended June 30, 2014 and 2013

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") as at October 28, 2014. 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, 2014, compared to the twelve months ended June 30, 2013. 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, 2014, 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. All dollar amounts have been rounded and do not tie directly to the 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") 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 Aeroplan members (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 more than five million Canadian consumers, with above-average personal and household income. The Company's merchant partner base currently consists of about 1,700 merchants operating across Canada 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; book and newspaper stores; health and beauty centres; dry cleaners; gift stores; home décor; automotive dealers, service centers; and tire dealerships, 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 (effective June 16, 2014) 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's common shares are traded on the Canadian Securities Exchange ("CSE") under the symbol ADX.

Summary

The past year has been a challenging one for our Company. But we have responded vigorously to the challenges, and believe we are now well placed to reap the fruits of our efforts.

We have renewed almost every major component of our business, strengthened existing partnerships and forged valuable new ones. We have reorganized our internal structure to focus more sharply on each of our three main business groups -- CIBC/TD, Aeroplan and Caesars Entertainment. And we have acted decisively to put our balance sheet on a secure footing that reflects the current realities of our business.

The Company's financial performance in the fiscal year ended June 30, 2014 fell in the period when CIBC, TD, and Aimia formed a tripartite arrangement that became effective January 2014, and under which CIBC sold about 50% of its credit card portfolio carrying the aeroplan miles reward feature ("Aero portfolio") to TD. In the aftermath of CIBC's decision, the credit card space witnessed intense competition amongst Canadian banks. The outcome for the Company was a twofold hurt. First, merchant perception of the attractiveness of the program operated by the Company suffered and this was reflected in declining merchant participation level (section Revenue in this document). Second, CIBC acknowledged some erosion in its credit card business over the past year. This inevitably took a toll on Advantex too, requiring us to provide more generous consumer rewards in the first half of the fiscal year to encourage merchant enrollment and as a retention tool.

Many of our merchants participating in the CIBC/TD program experienced difficult business conditions over the past year. The result was a higher delinquency rate than expected on our Advance Purchase Marketing program, under which Advantex buys merchants' future credit card receivables at a discount to face value. Expense for bad debts rose by 39.1% in fiscal 2014 to $1.27 million.

Company revenues slipped to $16.5 million from $16.9 million in the previous year. The decline was mostly due to an 11.3% drop in revenues from the CIBC/TD program, reflecting the slowdown in CIBC-related sales and the erosion of our merchant base. By contrast, revenues from the Aeroplan program more than doubled from $1.1 million to $2.5 million.

The adverse developments on the CIBC/TD program were a drag on our overall financial performance. Advantex reported a net loss of $715,000 for the 12 months ended June 30, 2014, compared with net income of $36,000 in the previous fiscal year.

While these results are disappointing, there were significant achievements during the year ended June 30, 2014 to build on in the future:

- A refinancing in December 2013 brought several benefits. We consolidated two tranches of debentures, totaling $7.9 million, with 90.5 million common-share warrants into a single facility of $5.2 million. In this way, we lightened our debt burden, lowered our interest costs and reduced the number of fully-diluted common shares outstanding by almost a quarter to 149.3 million shares.

- In June 2014, we signed a two-year agreement with TD under which TD Aeroplan credit cardholders can now earn extra miles whenever they buy goods and services from merchants enrolled with Advantex. Since the Company's revenues were significantly dependent on its program which it had operated with CIBC since 1995 (section Economic Dependence in this document), the agreement with TD led to a refreshed program, the CIBC/TD program, which the Company believes has greater marketability and reduces the Company's dependence on one partner.

The Company has taken steps to broaden its Affinity partner relationships and prepare a platform for improving its financial performance as explained in the sections below.

Developments

These are included here to provide a context for the Outlook section contained in this document.

The successful conclusion of the agreement with TD has the potential to stabilize and / or improve the value proposition to existing and prospective merchants. The Company's goal is to leverage this foundation, in order to rebuild merchant populations to the levels of 2012; by the end of calendar year 2015. CIBC, on its part, has launched an aggressive media campaign to promote the advantages of its Aventura cards. We see the efforts by CIBC to consolidate its smaller credit card portfolio as a long-term positive for our CIBC/TD program.

In January 2014, the Company and Aimia extended the term of their agreement to March 31, 2014, to allow them to continue under their current agreement while continuing their discussions about the potential terms of a new agreement for Advantex to operate Aimia's Aeroplan loyalty program in the independent business segment. The agreement was extended for a fourth term since, and is currently extended to October 31, 2014. The Company and Aimia are in advanced stages of getting to a multi-year agreement. While no assurance can be given on either the outcome of current discussions or the period covered by a potential multi-year agreement, the Company is now Aimia's preferred partner in developing the Aeroplan loyalty program in the small independent merchant space. The Company believes there is potential for growth in revenues and profitability from this activity.

In late March 2014, the Company successfully completed a pilot merchant based loyalty program ("Caesars program") for Caesars Entertainment Corporation's ("Caesars") Total Rewards loyalty program. On August 21, 2014, Caesars and the Company announced a partnership to launch a full program from January 2015, with a gradual roll out across five large cities in the United Sates. The Company believes the US is an untapped market for its product offerings and its services would be in demand. The Company earned modest revenue from the pilot Caesars program during the fiscal year ended June 30, 2014.

Highlights of financial performance for the fiscal year ended June 30, 2014

The highlights of the financial performance for the fiscal year ended June 30, 2014 compared to the fiscal year ended June 30, 2013 is tabulated on the following page

	Fiscal 2014	Fiscal 2013
	$	$
REVENUES		
CIBC/TD program	14,025,000	15,818,000
Aeroplan program	2,505,000	1,067,000
Caesars	5,000	-
Retail Programs	**16,535,000**	**16,885,000**
Interest Income	-	25,000
Total Revenue	**16,535,000**	**16,910,000**
Direct Expenses	6,325,000	5,550,000
Gross Profit	**10,210,000**	**11,360,000**
Earnings from operations before depreciation, amortization, and interest ("EBITDA" *)	**1,851,000**	**3,323,000**
Net Income / (Loss)	**(715,000)**	**36,000**

* EBITDA 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. In case of the Company, for the above tabulated periods, per audited consolidated financial statements for the fiscal year ended June 30, 2014, earnings from operations before depreciation, amortization and interest is the nearest equivalent to EBITDA.

Income Statement – Fiscal Year 2014 compared to Fiscal Year 2013

The difficult operational environment explained under the *Summary* in this section is reflected via the slow-down in selling, and a retention challenge in the lower merchant participation in the Company's CIBC/TD program during current year and consequently the decline in the CIBC/TD program revenues. The combined CIBC/TD program and Aeroplan program (together "Retail programs") revenues are only modestly lower than prior fiscal year due to the contributions of the Aeroplan program. During fiscal year 2014, Aimia provided the Company with the business of a re-seller which filed for bankruptcy, and revenues reflect this incremental business.

Direct expenses for the CIBC/TD program during fiscal year 2014 declined but not as much as revenues reflecting an increasing use of higher consumer rewards to incentivize new merchant sign ups and as a retention tool, during the first half of the fiscal year. This measure was necessitated to partially mitigate the difficult selling and retention cycles. The Company met the annual program goals determined in consultation with CIBC, and CIBC's support payments are reflected in fiscal year 2014 and fiscal year 2013. The expense for delinquent accounts respecting merchants participating in the CIBC/TD program's Advance Purchase Marketing ("APM") model (details on APM provided in the Revenue section in this document) is higher than previous fiscal year, largely due to: 1) a more conservative estimate employed in the assessment of net realizable value for active collection cases relating to merchant establishments which have become non-operational, and 2) an extraordinary write-down of a large doubtful account. (Details on Bad debt are provided in Direct Expenses section of this document). The higher level of merchant delinquencies reflects difficult economic times for independent merchants. The Company continues to scale back its APM model in those business segments which have had a higher historical incidence of delinquencies, and the Company believes this step along-with its existing credit and collection processes are adequate to mitigate the impact of future merchant delinquencies on its operational performance.

Company gross profit for the current year, consequently, is lower compared to the previous year. The Aeroplan program helped to offset some of the decline in the gross profit from the CIBC/TD program.

During fiscal 2014, the CIBC/TD program's selling expenses declined compared with fiscal 2013. The decline was 8.8% compared with 11.3% decline in revenues. This reflected a lower headcount in advance of the low revenue period of January – March. From Q4 of Fiscal 2014, additional resources have begun to be added to develop the CIBC/TD program, based on the now announced agreement with TD, consistent with our goal of rebuilding to 2012 merchant populations, by the end of calendar year 2015. Fiscal 2014 Aeroplan program selling expenses increased over fiscal 2013 (122.2%) to support the growth in fiscal 2014 program revenues (134.8%)

Current year's General and Administrative expenses ("G&A") reflect expenditures to launch the pilot Caesars program in a test market in the USA.

During fiscal 2014, interest expense was lower compared to previous year. The cash interest was lower reflecting the refinancing described below under *Balance Sheet – current year compared to previous year*. Savings in non-cash interest expense reflect nil accretion expenses during three months ended December 31, 2013 and lower accretion expense during Q3 and Q4 of fiscal 2014, which reflects the structure of the refinancing. The Company's two debentures were extended from September 30, 2013 to December 31, 2013 and there were no accretion charges during the extension period.

The above factors resulted in a lower net income for fiscal 2014 compared to fiscal 2013.

Balance Sheet – current periods compared to previous periods

On December 30, 2013, the Company completed a refinancing by way of a private placement of 12% non-convertible debentures payable ("new 12% debentures") in the principal amount of $5,159,000.

The Company used the proceeds of the new 12% debentures plus cash on hand to repay its 14% non-convertible debentures payable ("14% debentures") and 12% non-convertible debentures payable ("old 12% debentures") (14% debentures and old 12% debentures together, the "Debentures"). The Company repaid $7,896,000 in aggregate principal amount of the Debentures plus accrued interest thereon. The common share purchase warrants issued with the Debentures were not exercised and expired as of December 31, 2013.

The new 12% debentures were issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the Company bearing interest at 12% per annum, payable semi-annually, and maturing September 30, 2016, and (ii) 8,150 common shares in the capital of the Company. The Company issued 5,159 units that included 42,045,850 common shares.

The refinancing has the following benefits for shareholders:

1. significantly improved the capital structure by reducing the fully diluted common shares;

Fully Diluted share position at June 30, 2014 compared with June 30, 2013		
	June 30, 2014	June 30, 2013
Common shares	139,071,218	97,025,368
Employee stock options	10,190,000	10,441,430
Common share purchase warrants	-	90,500,491
	149,261,218	197,967,289

2. future savings in cash interest by reducing the amount refinanced;
3. the structure of the new 12% debentures results in substantially lower non-cash expense (accretion charges). This will improve the income statement, and showcase the Company's operational performance; and
4. provides financial stability. This is important for potential new partners (*Summary* in this section).

A detailed look at the results for fiscal year 2014 compared to fiscal year 2013 is set out in the following sections

Results of Operations

	Fiscal 2014	Fiscal 2013
	$	$
REVENUES		
Retail Programs	16,535,000	16,885,000
Interest Income	-	25,000
Total Revenue	**16,535,000**	**16,910,000**
Direct Expenses	6,325,000	5,550,000
Gross Profit	**10,210,000**	**11,360,000**
Earnings from operations before depreciation, amortization, and interest	**1,851,000**	**3,323,000**
Cash Interest expense on loan payable and debentures	1,884,000	2,048,000
Earnings from operations before depreciation, amortization and accretion charges	**(33,000)**	**1,275,000**
Write-off of Investment	-	100,000
Depreciation and Amortization	474,000	541,000
Non-cash interest expense on debentures (accretion charges)	208,000	598,000
Net Income / (Loss)	**(715,000)**	**36,000**
Other Comprehensive income / (loss)	**(47,000)**	**-**
Income / (Loss) and Comprehensive Income / (Loss)	**(762,000)**	**36,000**
Basic Earnings per share	-	-
Diluted Earnings per Share	N/A	-

Extract from the Statement of Financial Position

	At June 30, 2014	At June 30, 2013	(Decrease) / Increase
	$	$	$
Current Assets	13,174,000	16,419,000	(3,245,000)
Total Assets	13,941,000	17,258,000	(3,317,000)
Shareholders' Deficit	(1,395,000)	(1,053,000)	342,000

The change in current assets and total assets reflects:

1. utilization of cash at hand together with proceeds of the new 12% debentures of $5,159,000 to repay its 14% debentures and old 12% debentures. The Company repaid $7,896,000 in aggregate principal amount of the 14% debentures and old 12% debentures plus accrued interest thereon (sections Overall Performance and 12% Non-convertible Debentures Payable in this document);

2. increase in cash in hand as at June 30, 2014 reflecting: a) a temporary working capital funding of $200,000 provided by Accord Financial Inc. ("Accord") and b) deferring of semi – annual interest of $285,000 due on June 15, 2014 to non-convertible debenture-holders (see sections Loan Payable and 12% Non-Convertible Debentures Payable), in order to offset the temporary decline in revenues and liquidity for the period June 16 to launch of the TD program.

   As at June 30, 2013 the cash balances also include an element of cash that the Company intended to use to re-pay the 14% debentures and old 12% debentures.

3. reduction in transaction credits –amounts due from merchants participating in the CIBC/TD program's APM model – reflecting the decline in merchant participation (sections Overall Performance, Revenue, and Working Capital and Liquidity Management in this document) and increase in provision for impaired transaction credits; and

4. increase in accounts receivable reflecting increase in the revenues from the Aeroplan program.

The change in shareholders' deficit reflects the net loss for the fiscal year ended June 30, 2014 and the increase in share capital on issuance of common shares as part of the debenture refinancing.

Extracts from the Statement of Cash Flow

	For the fiscal year ended	
	June 30, 2014	June 30, 2013
	$	$
Net cash provided by (used in) operating activities		
: Net income / (loss) after adjustments for non-cash expenses	(81,000)	1,290,000
: Changes in items of working capital	4,088,000	228,000
	4,007,000	1,518,000
Net cash (used in) investing activities	(402,000)	(828,000)
Net cash (used in) financing activities	(3,563,000)	(1,000)
(Decrease) Increase in cash and cash equivalents	42,000	689,000
Cash and cash equivalents at start of period	1,774,000	1,085,000
Cash and cash equivalents at end of period	1,816,000	1,774,000

During the fiscal year ended June 30, 2014, the changes in working capital reflect primarily a significant decline in transaction credits, an increase in accounts receivable, and as the Company moved to conserve cash, an increase in accounts payable and accrued liabilities. Further, cash used in financing activities was significant, relating to reduction of debentures. Fiscal year ended June 30, 2013 reflects mainly a decrease in accounts receivable following the Canada Revenue Agency advising that the Company's objection was allowed and the re-assessment was reversed (additional details provided in note 17 to the audited consolidated financial statements for year ended June 30, 2014), and also a decrease in accounts payable and accrued expenses. During the fiscal year ended June 30, 2014 the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks combined to create a compressed market for the Company's CIBC/TD program, and consequently a decline in the number of participating merchants. The change in transaction credits reflects partially the change in the number of merchants participating in the CIBC/TD program APM model, as well as the amount of transaction credits deployed with existing merchants participating in the APM model.

The net cash used in investing activities consists of expenditures for property, plant, and equipment and computer software. This is discussed in the section Capital Resources of this document.

The debenture refinancing and the repayment of 14% debentures and old 12% debentures is reflected in the net cash used in financing activities during fiscal year ended June 30, 2014. Fiscal year ended June 30, 2013 reflects the partial early repayment of the 14% debentures and old 12% debentures. Additional details are provided in the sections 14% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable in this document.

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 statement for the fiscal year ended June 30, 2014, 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 and the Aeroplan program.

The Retail programs have three business models. APM, Marketing Only and Re-seller which are described later in this section.

The CIBC/TD program operates the APM, and Marketing Only business models. A significant portion – over 50% - of the CIBC/TD program revenues during current periods and previous periods were earned from the APM model.

The Aeroplan program operates the Re-seller model. As a result of the acquisition of certain assets of Futura Loyalty Group Inc. announced February 1, 2013, and the Company's agreement with Aimia, the Company increased the portfolio of merchants participating in its Re-seller model.

(1) **Advance Purchase Marketing**: The Company acquires the rights to cash flow from future 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 any card from CIBC portfolio of credit cards and TD aeroplan 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 that the merchant owes.

(2) **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 Advance Purchase Marketing) at participating merchants.

(3) **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. Certain agreements with merchants carry a commitment for merchants to issue a minimum number of aeroplan miles during the term of their agreement with the Company.

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

1. number of participating merchants;
2. market penetration of the CIBC/TD credit cards. This is a significant factor since start of fiscal 2014 (*Summary* under section Overall Performance in this document);
3. economic environment. The uncertain economy is affecting consumer spending habits;
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 model is higher compared to Marketing Only.

The revenues from the Re-seller model reflect the number of participating merchants, and the level of engagement of participating merchants in the program.

The revenue trends are provided in the tabulation.

	Fiscal 2014	Fiscal 2013	Inc./ (Dec)
Avg. # of merchants participating during the period			
CIBC/TD program	1,126	1,269	-11.3%
Aeroplan program	743	325	128.6%
	1,869	1,594	
	$	$	%
Revenues			
CIBC/TD program	14,025,000	15,818,000	-11.3%
Aeroplan program	2,505,000	1,067,000	134.8%
Caesars	5,000	-	
Retail programs	**16,535,000**	**16,885,000**	**-2.1%**
Interest income	-	25,000	
Total Revenues	**16,535,000**	**16,910,000**	**-2.2%**

With CIBC selling, effective January 2014, about 50% of its credit card portfolio featuring aeroplan mile rewards to TD, the program had a lower attractiveness resulting in longer selling and shorter retention cycles. During the fiscal year ended June 30, 2014 the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks combined to create a compressed market for the Company's CIBC/TD program, and consequently a decline in the number of participating merchants during fiscal 2014 compared to the previous year.

The decline in merchant participation is reflected in lower fiscal 2014 CIBC/TD program revenues compared to the previous year. An additional contributory factor to the decline in revenues during fiscal 2014 is the effect of changing consumer preferences connected to usage of credit cards and a decline in purchases completed using CIBC credit cards at participating merchants.

We reported in fiscal 2014 Q1, Q2 and Q3 MD&As on our efforts to increase participating merchants' engagement with the Aeroplan program, and for merchants to leverage their ability to issue aeroplan miles as a powerful marketing tool. This is a positive for the participating merchant's business and for the Company's revenues. The typical participating merchant is a mid-sized business with multiple locations compared to

small independents in the CIBC/TD program, and while it is a longer selling cycle it is expected to have higher merchant retention rate. During Q3 fiscal 2014, Aimia provided to the Company the business of a re-seller which filed for bankruptcy, and fiscal 2014 revenues reflect this incremental business. During Q4, a chain-location account did not renew their agreement which created a significant effect on the Aeroplan reseller population, but a proportionately modest impact on revenues.

Direct Expenses

In the CIBC/TD program, direct expenses include costs of consumer rewards which the Company purchases from its Affinity partner, the cost of marketing and advertising on behalf of merchants, cost of sales related to the sale of aeronotes, 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 its Affinity partner.

`	Fiscal 2014	Fiscal 2013	Inc./ (Dec)
	$	$	%
Revenues			
CIBC/TD program	14,025,000	15,818,000	-11.3%
Aeroplan program	2,505,000	1,067,000	134.8%
Caesars	5,000	-	NA
Direct expenses			
CIBC/TD program	4,897,000	5,074,000	-3.5%
Aeroplan program	1,426,000	476,000	199.6%
Caesars	2,000	-	NA

As a percent of revenues, the components of the fiscal 2014 direct expenses respecting the CIBC/TD program generally tracked fiscal 2013 trends with the following exceptions: 1) the higher use of customer incentives as a measure to incent merchant sign ups and retention, and 2) Bad debt expense. As cited earlier in the section Overall Performance, a higher level of merchant delinquencies reflects difficult economic times for independent merchants and the company has employed a more conservative estimate in the assessment of net realizable value for a segment of impaired receivables, specifically a lowered recovery estimated for closed merchant establishments as well as the extraordinary write down of a large doubtful account as shown below:

	F2014	F2013	H/(L)	%
Bad Debt Expense	$ 1,266,000	$ 910,000	$ 356,000	39.1%
Causals:				
Provision rate change from 46% to 69% for closed establishments			$ 160,000	17.6%
Increase provision to 100% write-off of Players Group			$ 107,000	11.8%
Other Activity			$ 89,000	9.8%

Further, Aeroplan program margins declined since the incremental business Aimia assigned to the Company (section Revenue in this document) was of lower profitability.

To support the Company's efforts its Affinity partners have reduced the cost to the Company of certain categories of consumer rewards from the January – June 2014 period.

Gross Profit

Company gross profit was lower in fiscal 2014 compared to the previous year reflecting a decline in CIBC/TD program gross profit, which was partially offset by the Aeroplan program.

	Fiscal 2014	Fiscal 2013	Inc./ (Dec)
	$	$	$
CIBC/TD program	9,128,000	10,744,000	(1,616,000)
Aeroplan program	1,079,000	591,000	488,000
Caesars	3,000	-	3,000
Interest income	-	25,000	(25,000)
	10,210,000	**11,360,000**	**(1,150,000)**

The CIBC/TD program gross margin fiscal 2014 at 65.1% is comparable to 67.9% for the previous fiscal year other than items noted in the section on Direct Expenses, above. Reductions in Gross Margin in the Aeroplan program relate to growth driven by large volume clients at lower margins compared with fiscal 2013.

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities.

	Fiscal 2014	Fiscal 2013	Inc./ (Dec)
	$	$	%
Revenues			
CIBC/TD program	14,025,000	15,818,000	-11.3%
Aeroplan program	2,505,000	1,067,000	134.8%
Caesars	5,000	-	
Selling expenses			
CIBC/TD program	3,234,000	3,546,000	-8.8%
Aeroplan program	500,000	225,000	122.2%
Caesars	69,000	-	

Overall, the Company has tracked its selling expenses to its revenues. The decline in CIBC/TD program selling expenses reflects a lower headcount that the Company did not replace in advance of the low revenue period of January – March. The Company has started to re-build its headcount to increase sales momentum, and will continue to build this headcount subsequent to the agreement with TD.

The Aeroplan program increased its volume reflecting the acquisition of merchant portfolio announced February 1, 2013, and the Company has developed the selling organization to operate and develop its growth. Upon renewal of the existing agreement with Aimia, additional resources will be added to capitalize on the growth opportunities.

The Caesars selling expenses reflect the sales expenses in preparation for the full program launch.

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 2014	Fiscal 2013	Inc./ (Dec)
	$	$	
Change in Retail program revenues			**-2.1%**
G&A			
Compensation for non-sales staff	3,541,000	3,291,000	
Less: software development costs capitalized (details provided under section Capital Expenditures in this document)	(285,000)	(201,000)	
	3,256,000	3,090,000	
Expenses connected to pilot Caesars program	90,000	-	
All other G&A expenses	1,209,000	1,176,000	
	4,555,000	**4,266,000**	**6.8%**

Compensation

Fiscal 2014 compensation reflects an increase in headcount to support the operation of the CIBC/TD and Aeroplan programs.

Fiscal 2013 reflects a lay-off initiated at the end of November, 2012 which included staff that are part of G&A. This was done in advance of the historical low revenue period between January – March.

Both periods reflect an increase in the remuneration of certain staff.

Other Expenses

Fiscal 2013 reflects write-back of provisions no longer required. In other respects, fiscal 2014 is comparable to the previous fiscal year.

Interest Expense

The interest expense is tabulated:

	Fiscal 2014	Fiscal 2013	Inc./ (Dec)
	$	$	
Stated interest expense			
➢ Loan payable	1,074,000	1,065,000	
➢ 14% debentures	123,000	244,000	
➢ old 12% debentures	370,000	739,000	
➢ new 12% debentures	317,000	-	
➢ Total stated interest	**1,884,000**	**2,048,000**	**-8.0%**
Non cash interest on 14% debentures, old 12% debentures, and new 12% debentures (accretion charges)	208,000	598,000	
Total interest expense	**2,092,000**	**2,646,000**	**-20.9%**

The Company deployed the funds available to it under loan payable, and 14% debentures with merchants activated under its CIBC/TD program's APM model. The funds available under the old 12% debentures were used for working capital purposes as well as being deployed with merchants activated under the APM model. The funds available under the new 12% debentures are used for working capital purposes as well as being deployed with merchants activated under the APM model. The funds deployed are reflected as transaction credits on the consolidated statement of financial position.

Stated interest expense on loan payable reflects the utilization of funds under this line of credit facility.

Refer to sections 14% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable for the refinancing completed by the Company and the repayment of 14%, and old 12% debentures. The effect of the refinancing is reflected in the lower stated interest expense and non-cash interest. Fiscal 2014 total interest expense is $554,000 lower compared to the previous year (*Summary* under section Overall Performance in this document).

Net Income/(Loss)

Highlights of fiscal 2014 compared to the previous year are tabulated:

	Fiscal 2014	**Fiscal 2013**	**Inc./(Dec)**
Revenues	16,535,000	16,910,000	(375,000)
Gross Profit	10,210,000	11,360,000	(1,150,000)
Earnings from operations before depreciation, amortization and interest	1,851,000	3,323,000	(1,472,000)
Net Income / (loss)	(715,000)	36,000	(751,000)
Basic earnings per share	-	-	
Fully Diluted earnings per share	N/A	-	

A significant portion of the Company's revenues are from the CIBC/TD program. The decline in merchant participation in the CIBC/TD program during fiscal 2014 compared to the previous year was the result of a compressed market for the Company's program due to the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks. This is discussed in the sections Overall Performance and Revenue in this document.

Fiscal 2014 revenues were $375,000 lower compared to fiscal 2013, and direct costs increased $775,000 during the year, leading to a decline in gross profit of $1,150,000.

Fiscal 2014 selling expenses, and G&A expenses were $322,000 higher compared to fiscal 2013.

Earnings from operations before depreciation, amortization and interest for fiscal 2014 compared to fiscal 2013 represented a decline of $1,472,000.

Interest cost for fiscal 2014 was $2,092,000, a reduction of $554,000 compared to fiscal 2013. Non-cash interest representing accretion charges on the 14% debentures, old 12% debentures, and new 12% debentures accounted for $390,000 of the decrease over fiscal 2013. Additional details provided in *Income Statement* under section Overall Performance in this document.

The above changes are explained in the respective sections earlier in this document.

Working Capital and Liquidity Management

The utilization of liquidity during fiscal 2014 compared to fiscal 2013 is illustrated in the tabulation:

	Fiscal 2014	Fiscal 2013
	$	$
FUNDS AVAILABLE TO EXPAND THE CIBC/TD PROGRAM'S APM MODEL (Transaction credits) AND MEET WORKING CAPITAL REQUIREMENTS		
1. Net income / (loss)	(715,000)	36,000
Add back non-cash expenses	634,000	1,254,000
Income/(Loss) before non-cash expenses *	(81,000)	1,290,000
2. Cash balances at start of the period	1,774,000	1,085,000
3. (Decrease) / Increase in utilization of loan payable to increase merchants participating in the APM model	(645,000)	384,000
4. Accounts payable and accrued liabilities	800,000	-
Funds Available	**1,848,000**	**2,759,000**
UTILIZATION		
1. (Decrease) / Increase in transactions credits under APM model	(3,354,000)	(463,000)
2. Cash balances at end of period	1,816,000	1,774,000
3. Change in working capital items		
- Other current assets	66,000	(472,000)
- Accounts payable and accrued liabilities		708,000
4. Capital expenditures	402,000	828,000
5. Partial early prepayment of 14% debentures and old 12% debentures		375,000
6. Debentures early prepayment / renewal – additional transaction costs		9,000
7. Repayment of 14% and old 12% debentures	7,896,000	-
8. Proceeds from refinancing of new 12% debentures net of costs to close the transaction	(4,978,000)	-
Utilization	**1,848,000**	**2,759,000**

* Income/(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 the income is the Company's assessment of the cash generated from its operating activities prior to changes in working capital items. Income/(Loss) before non-cash expenses is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment; amortization of intangible assets; accretion charge for debentures; write-off of investment; stock based compensation; and unrealized exchange rate gain/(loss) on subsidiary dues – to net income/(loss) for the twelve months, which are disclosed in the audited consolidated financial statements for the year ended June 30, 2014 under the section consolidated statements of cash flow.

The Company believes that increasing the amount of the transaction credits deployed with merchants under the CIBC/TD program's APM model 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 model, as well as the amount of transaction credits deployed with its existing merchants. During the twelve months ended June 30, 2014 the change in the CIBC credit card portfolio, a weak economy, and the increased market activity in the credit card space by Canadian banks created a compressed market for the Company's CIBC/TD program, and consequently a decline in the number of participating merchants during fiscal 2014 compared to the previous year. The Company believes that the APM business addresses the marketing and working capital needs of small independent merchants, a segment ignored by financial institutions, and there is potential for future revenue growth.

Income/(Loss) before non-cash expenses (* see explanatory note earlier in this section) and cash received from financing activities related to draw against loan payable is used to fund merchants participating in the APM model. The Income before non-cash expenses* is also utilized to meet the Company's other working capital and capital expenditure requirements.

The Company deploys the funds available to it under its loan payable, and debentures with merchants activated under its APM model. The funds available under the old 12% debentures were used for working capital purposes including being deployed with merchants activated under the APM model. The funds available under the new 12% debentures are fully utilized in the business and are used for working capital purposes including being deployed with merchants under the APM model. At present, the need for capital to expand the APM model is satisfied by the loan payable, however there are limitations including; a credit limit of $8.5 million (utilization at June 30, 2014 was $6.5 million compared to $7.1 million at June 30, 2013); it is a demand facility; and it requires the Company to co-fund a certain portion of the transaction credits deployed with merchants under the APM model.

The Company generally carries minimal cash balances as it attempts to maximize the funds deployed with merchants (transaction credits on the consolidated statement of financial position) participating in the APM model. While, generally the cash balances at the end of a quarter / year reflect the timing difference between the Company's ongoing collection of transaction credits from merchants participating in its programs, and deploying advances to existing and new merchants:

(i) as at June 30, 2014 they reflect: a) temporary working capital funding of $200,000 provided by Accord and b) deferring of semi – annual interest of $285,000 due on June 15, 2014 to non-convertible debenture-holders (see sections Loan Payable and 12% Non-Convertible Debentures Payable), in order to offset the temporary decline in revenues and liquidity for the period June 16 to launch of the TD program; and

(ii) as at June 30, 2013 the cash balances also include an element of cash that the Company intended to use to re-pay the 14% debentures and old 12% debentures.

Capital expenditures are discussed under the section Capital Resources in this document. Capital expenditures for fiscal 2014 related to the updating of the Company's infrastructure and software development, and were lower compared to the fiscal year ended June 30, 2013. The expenditures are needed to support the Company's products, growing expectations of merchants participating in its programs, and the expanding requirements, especially connected to security of data, provided by Affinity partners, which the Company uses to operate its programs. Fiscal 2013 capital expenditures include intangible assets acquired for $122,000 from Futura Loyalty Group Inc. consisting of (i) channel program agreement with Aeroplan; (ii)

agreements with merchants covering about 700 locations, and (iii) inventory of point of purchase and marketing material.

In July, 2012, pursuant to a debt prepayment agreement, the Company prepaid $310,000 in the aggregate principal amount of old 12% debentures plus accrued interest thereon, and pursuant to a second debt prepayment agreement prepaid $66,000 in the aggregate principal amount of 14% debentures plus accrued interest thereon.

The Company's operations are funded by debt. To continue its current operations and fund growth during fiscal 2014, the Company requires continued access to its existing levels of debt. The Company has secured a one year renewal of the loan payable agreement. The agreement now expires in December 2015. On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000. The Company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures. The Company repaid $7,896,000 in aggregate principal amount of the old 12% debentures and 14% debentures plus accrued interest thereon. The new 12% debentures mature September 30, 2016.

Additional capital in the form of debt and/or equity will be required to fund the continued expansion of the Company's business expansion goals as described under the section General Risks and Uncertainties in this document.

The Company does not participate in off balance sheet financing arrangements.

Contractual Obligations

Contractual obligations as at June 30, 2014 were due as follow. (In millions of dollars)

		Payments Due by Period		
		Less than	1 to 3	4 to 5
Contractual obligation	Total	1 Year	Years	Years
	$M	$M	$M	$M
Loan Payable	$ 6.5	$ 6.5	$ -	$ -
New 12% debentures	$ 5.2	$ -	$ 5.2	$ -
Operating Leases	$ 0.4	$ 0.1	$ 0.2	$ 0.1

Other contractual obligations

The Company had an annual commitment to purchase minimum aeroplan miles as part of its three year agreement with Aimia to operate their Aeroplan loyalty program in the independent merchant business segment. The Company met its year one purchase annual commitment. Years two and three commitments were re-set by Aimia to equal the purchase volume achieved by the Company. Commitments for and beyond calendar year 2014 will be dependent on terms of the pending agreement with Aimia which has currently been extended to October 31, 2014.

In February, 2012 the Company signed an agreement with a service provider to purchase software over a three year term. Reflecting a subsequent understanding, the annual purchase commitment was applicable only from August 1, 2013 and it is $192,000. The Company sells this software to merchants participating in its programs.

Loan Payable

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

The facility was established in December 2007. In October, 2013 the Company and Accord extended the term of the facility for an additional one year period ending in December, 2014. On October 2, 2014, the company announced that this agreement has now been extended to December 2015.

The facility has a limit of $8.5 million. The Company is paying an interest rate on the entire facility equivalent to prime rate of a certain Canadian bank plus 11.5% per annum.

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

As at June 30, 2014, the Company had utilized $6.5 million of the facility (as at June 30, 2013 $7.1 million).

14% Non-Convertible Debentures Payable

The 14% debentures, issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $1,744,000 had an initial maturity date of September 30, 2013. The 3,444,400 common share purchase warrants of the Company (each a "warrant") issued with the 14% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the Company and the holders of the 14% debentures agreed to extend the term of the 14% debenture and warrants to December 31, 2013.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000 (section 12% Non-Convertible Debentures Payable in this document).

As of December 31, 2013 the Company used the proceeds of the new 12% debentures plus cash on hand to repay the 14% debentures and the old 12% debentures (section 12% Non-Convertible Debentures Payable in this document). The Company repaid $1,744,000 in aggregate principal amount of the 14% debentures plus accrued interest thereon. The 3,444,400 warrants were not exercised and expired as of December 31, 2013.

12% Non-Convertible Debentures Payable

The old 12% debentures, issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $6,151,967 had an initial maturity date of September 30, 2013. The 87,056,491 common share purchase warrants of the Company (each a "warrant") issued with the old 12% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the Company and the holders of the old 12% debentures agreed to extend the term of the old 12% debenture and warrants to December 31, 2013.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000.

As of December 31, 2013 the Company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures (section 14% Non-Convertible Debentures Payable in this document). The Company repaid $6,151,967 in aggregate principal amount of the old 12% debentures plus accrued interest thereon. The 87,056,491 warrants were not exercised and expired as of December 31, 2013.

The new 12% debentures were issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the Company bearing interest at 12% per annum, payable semi-annually, and maturing 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.

Under the new 12% debentures agreement, the proceeds of the new 12% debentures are to be used for working capital purposes. The new 12% debentures are secured by a general security interest over the assets of the Company and its subsidiaries. The significant financial covenants of the new 12% debentures require the Company to meet (i) commencing the quarter ended December 31, 2013, on a quarterly basis a defined level of designated current assets, and interest coverage, and (ii) commencing January 31, 2014, on a monthly basis a

defined level of credit card spend, on which the Company earns its revenue, at merchants participating in its loyalty programs.

In June 2014, the debenture holders agreed to a) re-set the financial covenants and b) defer the semi-annual interest due June 15, 2014 and is now payable in two equal instalments due October 15, 2014 and November 14, 2014. The Company agreed to pay a fee of $65,000 to the debenture holders for the above changes to the new 12% debentures and $6,500 is expensed in year ended June 30, 2014. The Company met the revised financial covenants as at June 30, 2014. The Company met its quarterly financial covenants as at June 30, 2014.

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 new 12% debentures agreement and, as a result, the new 12% debentures holders would have the right to waive the event of default, demand immediate payment of the new 12% debentures in full or modify the terms and conditions of the new 12% debentures including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the new 12% debentures, the new 12% debentures holders would have the right to realize upon a part or all of the security held by them.

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, 2014, June 30, 2013, and June 30, 2012.

(in millions of dollars, except per share amounts)			
	F 2014	**F 2013**	**F 2012**
Revenue	16.5	16.9	15.9
Net Income / (Loss) for the year	(0.7)	0.0	0.2
Basic Earnings / (Loss) per Common Share	-	-	-
Diluted Earnings / (Loss) per Common Share	-	-	-
Total Assets	13.9	17.3	17.3
Current Liabilities	10.7	18.3	10.8
Long-term Liabilities	4.7	-	7.6
No cash Dividends declared per common share			

Working capital represented by current assets less loan payable, and accounts payable and accrued liabilities (including those of discontinued operations), and bank indebtedness as at June 30 for the past three fiscal years was:

(in millions of dollars)	F 2014	F 2013	F 2012
	$ 2.5	$ 5.9	$ 5.8

Composition of total assets is tabulated:

	F 2014	**F 2013**	**F 2012**
Cash and cash equivalents	$1,816,000	$1,774,000	$1,085,000
Accounts receivable	809,000	599,000	966,000
Transaction credits	10,279,000	13,633,000	14,096,000
Inventory	91,000	140,000	204,000
Prepaid expenses and sundry assets	179,000	273,000	315,000
Investment	-	-	100,000
Property, plant and equipment	237,000	300,000	222,000
Intangibles	530,000	540,000	330,000
Total Assets	$13,941,000	$17,259,000	$17,318,000

Transaction credits, and cash and cash equivalents account for the significant share of total assets, representing 87%, 89% and 88% respectively for year-end fiscal 2014, 2013, and 2012. The change in transaction credits primarily reflects the change in the number of merchants participating in the Company's APM program, as well as the average amount of transaction credits deployed with its existing merchants, in the respective years. The Company believes that on a go-forward basis, after the merchant count decline in fiscal 2014 partly due to the transition from CIBC to TD, growth in merchant count will drive the amount of transaction credits under its APM program, and will result in higher revenue and, consequently improve the Company's results and cash flows.

The Company generally carries minimal cash balances as it attempts to maximize the funds deployed with merchants (transaction credits on consolidated statement of financial position) participating in its APM program. The cash balances at the end of a quarter / year generally reflect the timing difference between the Company's ongoing collection of transaction credits from merchants participating in its programs and deploying advances to existing and new merchants. Fiscal 2014 and fiscal 2013 also reflect:

a) as at June 30, 2014 they reflect a) temporary working capital funding of $200,000 provided by Accord and b) deferring of semi – annual interest of $285,000 due on June 15, 2014 to new 12% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable), in order to offset the temporary decline in revenues and liquidity for the period June 16 to launch of the TD program; and
b) as at June 30, 2013 the cash balances also include an element of cash that the Company intended to use to re-pay the 14% debentures and old 12% debentures.

The Company's transaction credits are primarily funded by its loan payable, 14% debentures, and old 12% debentures (fiscal 2012, fiscal 2013 and end of December 2013), and new 12% debentures (since January 2014). Loan payable, and 14% debentures carry a first charge against the merchant transaction credits funded by their respective proceeds. The old 12% debentures had and new 12% 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 2014 and fiscal 2013.

The results for fiscal 2013 and fiscal 2012 were:

	(In millions of dollars)	
	F 2013	**F 2012**
Net Income / (Loss)	$ 0.0	$ 0.2

Highlights of fiscal 2013 compared to fiscal 2012:

1. Increase in revenues – fiscal 2013 $16.9 million compared to $15.9 million from continuing operations for fiscal 2012.
2. Operational Highlights.

	Revenue	Gross Profit	SG&A	Earnings from Operations before amortization and interest	Stated and Non-cash Interest	Net Income / (Loss)
F 2013	$ 16.9	$ 11.4	$ 8.1	$ 3.3	$ 2.0	$ -
F 2012	$ 15.9	$ 11.5	$ 8.3	$ 3.2	$ 2.6	$ 0.2
Better / (worse)	$ 1.0	$ (0.1)	$ (0.2)	$ 0.1	$ 0.6	$ (0.2)

3. The success of fiscal 2013 was a record year in terms of revenue and the Company maintained a positive net income for the second consecutive year after the disappointment of a net loss for fiscal 2011. During fiscal 2013 the average number of participating merchants was 1,269 compared to 1,101 during fiscal 2012, an increase of 15.3%. The growth in participating merchants was the driver for increase in fiscal 2013 revenues vs. fiscal 2012.
4. Fiscal 2013 gross profit was modestly lower vs. fiscal 2012, reflecting increase in revenues, but lower gross margin (fiscal 2013 at 67.2% vs. 72.1% for fiscal 2012).
5. Fiscal 2013 selling, general and administrative expenses were flat vs. fiscal 2012.
6. Working capital was $5.9 million as at June 30, 2013 compared to $5.8 million as at June 30, 2012. The movement of cash and cash equivalents, and working capital is provided in below noted tabulation. (in millions of dollars)

	Cash	Working Capital **
	$ millions	$ millions
As at July 1, 2012	**$ 1.1**	**$ 5.8**
Income before non-cash expenses *	1.3	0
Changes from non-cash working capital items, including those of discontinued operations	0.2	(0.2)
Financing activities - loan payable	0.4	(0.4)
Financing activities - 14% debentures and old 12% debentures	(0.4)	-
Purchase of property , plant and equipment	(0.8)	-
Changes in cash balances	-	0.7
Movement during the twelve months	$ 0.7	$ 0.1
As at June 30, 2013	**$ 1.8**	**$ 5.9**

* 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 2013 and fiscal 2012 is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment, and intangible assets; stock based compensation; accretion charge for debentures; and write-off of investment – to net income for the year, which are disclosed in the audited consolidated financial statements for year ended June 30, 2013 and June 30, 2012 under the section consolidated statements of cash flow.

** Working capital represented by current assets less loan payable, and accounts payable and accrued liabilities (including those of discontinued operations), and bank indebtedness.

Some numbers may not add due to rounding.

Summary of Quarterly Results

12 month period ended June 30, 2014					
	Q1	Q2	Q3	Q4	
(in millions of dollars, except per share amounts)	Sept 30 2013	Dec 31 2013	Mar 31 2014	June 30 2014	Total
Revenue	$4.5	$4.6	$3.6	$3.8	$16.5
Percentage of Annual Revenue	27%	28%	22%	23%	100%
Net Income/(Loss)	$0.0	$0.1	-$0.4	-$0.4	-$0.7
Basic and Diluted Earnings Per Common Share	$0.00	$0.00	$0.00	$0.00	$0.00

12 month period ended June 30, 2013					
	Q1	Q2	Q3	Q4	
(in millions of dollars, except per share amounts)	Sept 30 2012	Dec 31 2012	Mar 31 2013	June 30 2013	Total
Revenue	$4.4	$4.4	$3.6	$4.5	$16.9
Percentage of Annual Revenue	26%	26%	21%	27%	100%
Net Income/(Loss)	$0.3	$0.1	-$0.6	$0.2	$0.0
Basic and Diluted Earnings Per Common Share	$0.00	$0.00	$0.00	$0.00	$0.00

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.

Fourth Quarter of fiscal 2014 (Q4 F2014) vs. Fourth Quarter of fiscal 2013 (Q4 F2013)

Overview

The average number of merchants participating in the CIBC/TD program during Q4 F2014 was 1,095, compared to 1,264 during Q4 F2013.

The Q4 F2014 CIBC/TD program revenues saw a 20% compression reflecting lower merchant populations, lower consumer spending at participating merchants, and mix of merchants with lower overall sales. The decline in revenues from CIBC/TD program was marginally offset by revenue from the Aeroplan program.

The Q4 F2014 direct expenses for the CIBC/TD program increased by 3.9% compared to Q4 F2013. Bad Debt costs increased to $551,000 in Q4 F2014 from $285,000 in Q4 F2013. This increase was largely mitigated by reductions in loyalty reward costs and marketing activities on lower merchant populations.

Q4 F2014 selling expenses in the CIBC/TD program and Aeroplan program were flat compared with Q4 F2013. G&A expenses for Q4 F2014 were flat vs. Q4 F2013.

Analysis of Q4 F2014 compared to Q4 F2013

	Q4 F2014	Q4 F2013	Inc./(Dec)
Average number of merchants participating in Bank program	1,095	1,264	-13.4%
	$	$	
Revenues			
CIBC/TD program	3,124,000	3,896,000	
Aeroplan program	624,000	589,000	
Caesars	5,000	-	
	3,753,000	**4,485,000**	-16.3%
Direct Expenses			
CIBC/TD program	1,226,000	1,180,000	
Aeroplan program	368,000	267,000	
Caesars	2,000	-	
	1,596,000	**1,447,000**	10.3%
Gross Profit	**2,157,000**	**3,038,000**	-29.0%
Earnings from Operations before depreciation, amortization and interest	**92,000**	**1,026,000**	(934,000)
Stated interest	421,000	514,000	
Non-cash interest	52,000	153,000	
Depreciation	69,000	153,000	
Net income / (loss)	**(450,000)**	**206,000**	(656,000)

Capital Resources

Expenditures for property, plant and equipment for fiscal 2014 were $402,000 compared to $828,000 for fiscal 2013. The fiscal 2014 expenditures included $54,000 for computer hardware and $340,000 for computer software (fiscal 2013 $114,000 and $517,000 respectively). The capital expenditures for fiscal 2014 relate to updating the Company's infrastructure and software, and are lower compared to the fiscal year ended June 30, 2013.

For the fiscal year ending June 30, 2015, the Company expects capital expenditures to be more than fiscal 2014. The expected increase would be to support the expanding requirements, particularly those connected to security of data, provided by Affinity partners, which the Company uses to operate its programs and to launch programs with other potential Affinity partners (*Developments* under section Overall Performance in this document).

Fiscal 2014 includes capitalization of $285,000 of internal costs expended on software development connected to ensuring operability of the Company's merchant based programs sponsored by CIBC and Aimia compared to $201,000 for the previous year. The costs are being amortized over the shorter of useful life of the software and term of Affinity partner agreement.

Fiscal 2013 capital expenditures include intangibles assets acquired for $122,000 from Futura Loyalty Group Inc. consisting of (i) channel program agreement with Aeroplan; (ii) agreements with merchants covering about 700 locations, and (iii) inventory of point of purchase and marketing material.

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 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, 2014.

Contingent liabilities

A significant amount of estimation is applied in evaluating the company's uncertain tax provision with the Canada Revenue Agency (CRA), as described in note 17 to the audited consolidated financial statements for year ended June 30, 2014, and in the final paragraph in the General Risks and Uncertainties section of this document, and whether a tax provision is required.

Going concern

The Company tests the going concern assumption on a quarterly basis. The Company determines this from its financial forecasts that are prepared on its expectation regarding continuation of its agreement with CIBC and TD, continued access to existing sources of debt, ability to access additional sources of debt, growth of its existing business, and development of new lines of business.

Financial instruments – fair value

The Company calculates the fair value of certain financial instruments using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures. The new 12% debentures were issued as units. Each unit comprises secured non-convertible debentures of the Company, and common shares. The fair value of each common share has been determined based on the closing price of the Company's common share on December 31, 2013 which is the date the transaction was completed. Further details are available under section 12% Non-Convertible Debentures Payable in this document.

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The stated value of the loan payable, and non-convertible debenture payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Credit risk

The Company has certain business risks linked to the collection of its transaction credits. Under the regular APM model 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 – 120 days. Management has implemented additional 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. With the introduction, during the fourth quarter of fiscal year ended June 30, 2011, of a modified APM model targeted towards smaller merchants where the transaction credits are estimated to be fully extinguishable within 180 – 210 days, in the initial stages the Company leveraged its experience from operating the regular APM model to design processes to manage risk connected to the modified APM model. 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 a) 120 days respecting the regular APM model, and b) 180 – 210 days respecting the modified APM model. 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 for legal collection, 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 net balance of the transaction credits, and accounts receivable.

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

	June 30, 2014 $	June 30, 2013 $
Transaction credits	11,361,000	14,116,000
Accounts receivable	809,000	599,000
Allowance	(1,083,000)	(484,000)
Per statement of financial position	11,087,000	14,231,000
Maximum exposure to credit risk	11,087,000	14,231,000

	June 30, 2014 $	June 30, 2013 $
Impaired transaction credits	2,167,000	1,844,000
Allowance	(1,083,000)	(484,000)
Impaired transaction credits not allowed for	1,084,000	1,360,000

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.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan ("2009 stock option plan") which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis) at the time the plan was adopted, and accordingly the maximum

aggregate number of common shares issuable under the 2009 stock option plan was 11,643,044. In December 2013, the directors of the Company approved continuation of the 2009 stock option plan to date of the annual meeting of shareholders in 2014. With the increase in the issued and outstanding common shares of the Company consequent to the private placement of the new 12% debentures (section 12% Non-Convertible Debentures Payable, and Outstanding Share Data in this document), the directors approved a resolution on March 9, 2014 increasing the number of employee stock options issuable per the Company's stock option plan from 11,643,044 to 16,688,546.

Movement during fiscal 2014 and fiscal 2013 is tabulated.

	Fiscal 2014	**Fiscal 2013**
	Number of Options	
Outstanding at start of year	10,441,430	11,027,790
Expired	(161,430)	(2,836,360)
Forfeited	(90,000)	(150,000)
Granted	-	2,400,000
Outstanding at end of June 30	10,190,000	10,441,430

The number of stock options available for future issuance as at June 30, 2014 compared to June 30, 2013 is as follows:

	Fiscal 2014	**Fiscal 2013**
Maximum number reserved for issuance	16,688,546	11,643,044
Less: Outstanding at end of period	(10,190,000)	(10,441,430)
Number of options available for future issuance	6,498,546	1,201,614

There was no stock based compensation expense during fiscal 2014 (the expense in fiscal 2013 was $15,000).

Outstanding Share Data

Outstanding common shares

As of the date hereof, the number of issued and outstanding common shares of the Company is 139,071,218. The position as at June 30, 2013 and the movement to June 30, 2014 is tabulated. The number of common shares is provided by the Company's transfer agent CST Trust Company.

	Number of shares
Balance as at June 30, 2013	**97,025,368**
Issued as part of the debenture refinancing (12% Non-Convertible Debentures Payable in this document)	42,045,850
Balance as at June 30, 2014	**139,071,218**

Fully Diluted share position at June 30, 2014 compared with June 30, 2013		
	June 30, 2014	June 30, 2013
Common shares	139,071,218	97,025,368
Employee stock options	10,190,000	10,441,430
Common share purchase warrants	-	90,500,491
	149,261,218	197,967,289

As of date hereof, the Company was committed to issuing 10,190,000 additional common shares pursuant to the 2009 stock option plan.

During the twelve month period ended June 30, 2014, the following common share purchase warrants totaling 90,500,491 expired:

(i) 3,444,400 common share purchase warrants attached to 14% debentures were not exercised and expired as of December 31, 2013; and
(ii) 87,056,491 common share purchase warrants attached to old 12% debentures were not exercised and expired as of December 31, 2013.

Related party transactions

Directors and Officers

In December 2013 the following related parties purchased new 12% debentures, on terms and conditions applicable to the other subscribers (section 12% Non-Convertible Debentures Payable in this document). The holdings of debentures are tabulated:

	June 30, 2014	**June 30, 2013**	
	new 12% debentures	Old 12% debentures	14% debentures
Director and Chief Executive officer – Kelly Ambrose	$500,000	$100,000	$nil
Director and Chairman of the Board of Directors – Stephen Burns	$ 50,000	$nil	$nil
Director - Marc Lavine (first term; elected director December 18, 2013)	$500,000	$500,000	$nil
Director – Rob von der Porten (first term; elected director December 18, 2013)	$ 50,000	$ 40,000	$nil
Director – William Polley	$ 50,000	$nil	$nil
Director – Barry Wainstein (first term – appointed director March 17, 2014)	$ 25,000	$nil	$nil
Chief Financial Officer – Mukesh Sabharwal	$115,000	$ 30,000	$10,000

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

Trapeze may have been considered, at the time of the purchase of new 12% debentures, to be a related party of the Company by virtue of their holding of $4,446,062 old 12% debentures, $1,296,000 14% debentures, and 65,475,823 common share purchase warrants, issued with old 12% debentures and 14% debentures, and of the Company on behalf of their respective managed accounts.

Outlook

The Company believes that its long term prospects are positive and expects to improve its financial performance. This is based on its proven business model, its existing Affinity partnerships, and the Affinity partnerships in the offing. It is the medium term - next twelve to eighteen months - which is expected to be financially turbulent.

As noted in section Overall Performance, the Company has announced its two-year agreement with TD and they have taken over the processing of the credit card portfolio purchased from CIBC effective June 16, 2014. Systems implementation for this transition was successfully completed and further sales resources are expected to generate growth in this business segment. In addition, the announcement of a partnership with Caesars Entertainment gives the Company a promising business opportunity in the U.S. market

During the twelve months ended June 30, 2014, we saw the outcome of the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks reflected in our results for fiscal 2014. The good news is that the Company has adjusted to the changing circumstances, has minimized the financial impact, and is now positioned to capitalize on what it views as exciting opportunities.

The positives are the same as identified at June 30, 2013 and in the past three quarters MD&As. The Company provides unique marketing services to highly visible partners, and has a coalition of about 1,700 merchants which forms a diverse revenue base. CIBC has shown faith in Advantex and signed a multi-year renewal. The successful outcome of the two-year TD agreement results in a program that has the potential to offset the financial impact of the above noted challenges. The Company expects a positive outcome from its negotiations with Aimia for a multi-year renewal. Caesars offers an opportunity to expand its programs in the United States.

The initiatives outlined above have laid the groundwork for sustainable long-term growth. The renewal of existing partnerships on favourable terms and the addition of new ones have opened the way for an expansion of our merchant base both in Canada and the US. We envisage that this will be a gradual process, given that it will take time to ramp up new programs and integrate them into existing operations.

The combination of a growing merchant base, a rising volume of transactions and wider geographical coverage should translate into sustainable growth in revenues in the year ahead. 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 our proprietary technology and its outstanding partners.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its value-added loyalty program agreement with CIBC under which consumer rewards are awarded to holders of certain CIBC credit cards when they complete purchases at merchants participating in Advantex' CIBC/TD program. The significance to the Company of the CIBC agreement can best be assessed by comparing its revenues from its relationship with CIBC with that of other programs as tabulated at the end of this section. The Company has an eighteen year partnership with CIBC. In September, 2013 the Company renewed its existing arrangement with CIBC, and signed a new agreement ("new agreement"). The initial term of the new agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. The new agreement grants the Company conditional exclusivity rights to market its programs within certain business segments including Dining (restaurants; golf courses; independent inns, resorts and selected hotels; spas). The new agreement can be terminated by CIBC at any time by providing at least six months prior written notice to the Company.

In September 2013, CIBC, TD, and Aimia announced they had come to a tripartite arrangement effective January 2014, and under which CIBC sold a significant part of its Aero portfolio to TD. In June 2014, the Company entered into an agreement with TD. The agreement with TD has an initial term of two years and expires in June 2016. The agreement renews automatically for additional one year terms unless TD provides notice not to renew. The agreement can be terminated by TD at any time by providing at least four months prior written notice to the Company. With the consummation of the TD agreement, indications are that total credit card volumes, and hence revenue per merchant appear to be similar to levels prior to sale by CIBC of a part of its Aero portfolio to TD. The Company is now poised to reclaim and grow its merchant populations, after fiscal 2014 declines.

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 CIBC and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of 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.

Recognizing the risks of overdependence on an Affinity partner and/or a business segment from the perspective of business continuity, and limitation on future revenues and profitability, the Company sought out and signed an agreement with Aimia Canada Inc. (subsidiary of Aimia). The agreement was signed in March, 2010 for a term through August 31, 2013, with an option to extend for one additional period of two years by mutual consent of the parties, and could be terminated by Aimia under certain conditions prior to August 31, 2013. In 2013, Advantex and Aimia re-structured the agreement, and extended its term to December 31,, 2013. In January 2014 the Company and Aimia extended the term of the agreement to March 31, 2014. This was followed by successive extensions, to April 30, 2014, June 30, 2014, September 30, 2014, and is currently extended to October 31 2014, to allow the Company and Aimia to continue under their current agreement while continuing their discussions about the potential terms of a new agreement. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings in certain business segments including men's and ladies fashion, footwear and accessories business segment ("Fashion retail"), and automotive sector. The exclusivity in favour of the Company is conditional upon the Company meeting certain targets on an annual basis. Under certain conditions the Company can expand its product offering outside permitted business segments, with Aimia holding the right of first refusal. The Company launched this program on September 1, 2010.

Illustration of economic dependence on CIBC/TD program

Revenue	Fiscal 2014		Fiscal 2013	
	$ M	%	$ M	%
CIBC / TD program. Program was operated solely in partnership with CIBC during Fiscal 2013 and for most of fiscal 2014 (the period July 2013 to mid June 2014). From June 16, 2014 the program is operated in partnership with CIBC and TD	14.0	84.8%	15.8	93.5%
Program operated in partnership with Aimia ("Aeroplan program")	2.5	15.2%	1.1	6.5%
Total	16.5	100.0%	16.9	100.0%

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. The Company's relationship with CIBC has been in place for about eighteen years and has been through several multi-year renewal terms. The agreement was renewed effective September 30, 2013. The initial term of the agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. If CIBC exercises its right to either terminate the agreement upon at least six months prior notice or retain a third party service provider to operate a competing program, the Company could be materially and adversely affected. The Company believes that it has begun to limit its economic dependence on CIBC by developing its partnership with TD and Aimia.

In September 2013, CIBC, TD, and Aimia announced they had come to a tripartite arrangement effective January 2014, and under which CIBC sold a significant part of its Aero portfolio to TD. In June 2014, the Company entered into an agreement with TD. The agreement with TD has an initial term of two years and

expires in June 2016. The agreement renews automatically for additional one year terms unless TD provides notice not to renew. The agreement can be terminated by TD at any time by providing at least four months prior written notice to the Company. With the consummation of the TD agreement, indications are that total credit card volumes, and hence revenue per merchant appear to be similar to levels prior to sale by CIBC of a part of its Aero portfolio to TD.

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 CIBC and TD aeroplan credit cards at participating merchants. The dollar spending by holders of CIBC and TD aeroplan credit cards is dependent upon the banks credit card portfolio and the economic environment.

The Company's working capital needs are currently entirely provided by debt in the form of new 12% debentures, and loan payable. While the Company utilizes the funds generated from its operations to expand its APM model - under which it acquires the rights to future designated credit card transactions at a discount from the face value from merchants participating in the CIBC/TD program, in addition to providing the merchants with loyalty marketing services – to be able to advance its business the Company needs to be able to access the room available under the loan payable facility. The Company's relationship with the new 12% debentures holders, and providers of loan payable facility span about 10+ and 7 years respectively. The new 12% debentures carry financial covenants and the new 12% 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 new 12% debentures agreement and, as a result, the new 12% debentures holders would have the right to waive the event of default, demand immediate payment of the new 12% debentures in full or modify the terms and conditions of the new 12% debentures including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the new 12% debentures, the new 12% debentures holders would have the right to realize upon a part or all of the security held by them. The loan payable is a demand facility, and the term of the loan payable per the announcement on October 2, 2014, expires in December 2015. 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 model will result in higher revenue and, consequently, improve the Company's financial results and cash flows. The Company requires additional debt financing to scale its ability in this area. If the Company is not successful in raising additional debt financing, 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 new 12% debentures holders.

The Company has certain business risks linked to the collection of its transaction credits. Under the CIBC/TD program's APM model 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 – 210 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 210 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 for legal collection, 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 new 12% 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 new 12% 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 11.5%, 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 year ended June 30, 2014, the Company incurred interest expense of $1,074,000 on utilization of loan payable. Had the interest rate, for the year ended June 30, 2014, been 10% higher the interest expense on loan payable would have been $1,181,000, an increase of $107,000.

During the past seven years, the Company has added additional sources of debt, and continues to explore avenues to secure debt at better terms.

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 financial and security difficulties being experienced by the airline industry overall, 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 Advantex's revenue. In addition, there are additional loyalty program operators in Canada, targeting the same merchant base as Advantex. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

In addition to economic factors, 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; competition; changes in regulations - including taxation - affecting the Company's activities; consumer spending behavior; continued demand for the Company's programs by merchants; and the ability to meet the commitments (described in detail under section Contractual Obligations in this document).

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 that it has the platform and the ability to improve its future financial performance; belief that the CIBC/TD program has greater marketability allowing it to rebuild merchant population within a defined timeline; expectations from impact of TD agreement on its revenues; expectations from the effect of TD agreement on our value proposition; expectations of positive impact on its revenues from CIBC's attempts to consolidate its credit card portfolio; expectation of the results from the negotiation with Aimia and the possible effect on revenue and profitability; expectation from the launch of a full program in partnership with Caesars; timing of Caesars program launch; expectations of growth in its revenues and profitability from the Aeroplan program; expectation of future savings in cash interest; belief that merchants participating in the Aeroplan program have a higher retention rate; expectations from effect of our efforts to increase participating merchant's engagement; ability to add selling resources to develop its programs; expectation of the amount and nature of capital expenditures for the fiscal year ending June 30, 2015; belief that increasing the amount of transaction credits deployed with merchants under the CIBC/TD program's APM model improves revenues, financial results and cash flows; belief in its ability to manage merchant delinquency risk; belief that securing and developing multiple affinity partnerships lessens economic dependence on any single affinity partnership; expectation that its current working capital needs are provided by loan payable and new 12% debentures; belief in its ability to pass on a significant portion of any interest rate increase to participating merchants; belief in its ability to compete effectively and respond to new competition; expectations of its long term prospects and future financial performance; expectation of the duration of the medium term and the extent of financial turbulence; expectation of opportunities in the US market; expectation of the size of the loyalty market in North America and belief in its ability to gain a wider share of the market 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 new 12% debentures; 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; its ability to access future financing to expand the CIBC/TD program's APM model, and for general working capital needs; ongoing and future Affinity partnerships and revenue sources; future business levels and the cost structure 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 "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.

Schedule B

Audited Consolidated Financial Statements for the years ended June 30, 2014 and June 30, 2013

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2014, and June 30, 2013

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, 2014.

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 members are non-management Directors, 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 Ambrose"	(Signed) - "Mukesh Sabharwal"
Kelly E. Ambrose President and Chief Executive Officer	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

Independent Auditor's Report

To the Shareholders of
Advantex Marketing International Inc.

We have audited the accompanying consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries, which comprise the statements of financial position as at June 30, 2014 and 2013, and the consolidated statements of income and comprehensive income, changes in deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Advantex Marketing International Inc. and its subsidiaries as at June 30, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
October 28, 2014

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

	June 30, 2014	June 30, 2013
Assets		
Current assets		
Cash and cash equivalents	1,815,805	1,773,672
Accounts receivable (note 14)	809,189	599,339
Transaction credits (note 14)	10,278,706	13,632,654
Inventory (note 5)	90,425	139,985
Prepaid expenses and sundry assets	179,412	273,519
	$13,173,537	**$16,419,169**
Non-current assets		
Property, plant and equipment (note 7a)	237,420	299,528
Intangible assets (note 7b)	529,892	539,545
	767,312	**839,073**
Total assets	**$13,940,849**	**$17,258,242**
Liabilities		
Current liabilities		
Loan payable (note 8)	6,454,174	7,099,371
Accounts payable and accrued liabilities	4,219,904	3,420,130
14% Non-convertible debentures payable (note 9)	-	1,736,298
12% Non-convertible debentures payable (note 10)	-	6,055,336
	$10,674,078	**$18,311,135**
Non-current liabilities		
12% Non-convertible debentures payable (note 10)	4,661,833	-
	$ 4,661,833	**$ -**
Total Liabilities	**$15,335,911**	**$18,311,135**
Shareholders' deficiency		
Share capital (note 11)	24,530,555	24,110,096
Contributed surplus (note 12)	4,090,382	808,167
Equity portion of debentures (note 10/12)	-	2,114,341
Warrants (note 9/10/12)	-	1,167,874
Accumulated other comprehensive income	(47,383)	-
Deficit	(29,968,616)	(29,253,371)
Total deficiency	**$(1,395,062)**	**$(1,052,893)**
Total liabilities and deficiency	**$13,940,849**	**$17,258,242**

Economic and Financial dependence (note 2), Commitments and contingencies (note 17)

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

Approved by the Board:

Director: Signed "William Polley"
William Polley

Director: Signed "Kelly Ambrose"
Kelly E. Ambrose

Advantex Marketing International Inc.
Consolidated Statements of Income and Comprehensive Income
For the years ended June 30, 2014 and 2013
(expressed in Canadian dollars)

	2014	2013
	$	$
Consolidated Statements of Income		
Revenues	16,535,124	16,909,808
Direct expenses	6,325,467	5,549,977
	10,209,657	11,359,831
Operating Expenses		
Selling and marketing	3,803,278	3,770,393
General and administrative	4,555,426	4,266,296
Earnings from operations before depreciation, amortization and interest	1,850,953	3,323,142
Interest expense:		
Stated interest expense – loan payable, and debentures	1,884,080	2,047,785
Non-cash interest expense on debentures	208,139	597,665
	(241,266)	677,692
Write-off of investment (note 6)	-	100,000
Depreciation of property, plant and equipment, and amortization of intangible assets	473,979	541,439
Net income/(loss)	**(715,245)**	**36,253**
Earnings per share:		
Basic and Diluted (note 19)	**0.00**	**0.00**
Consolidated Statements of Comprehensive Income		
Net income / (loss)	(715,245)	36,253
Other comprehensive income / (loss)		
Translation adjustment	(47,383)	-
Comprehensive income / (loss)	**(762,628)**	**36,253**

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Deficiency
For the years ended June 30, 2014 and June 30, 2013
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Equity portion of debentures	Warrants	Deficit	Accumulated Other comprehensive income / (loss)	Total
	$	$	$	$	$	$		
Balance – July 1, 2012	**3,815**	**24,106,281**	**793,198**	**2,114,341**	**1,196,013**	**(29,289,624)**	**-**	**(1,075,976)**
Net income and comprehensive income for the year						36,253	-	36,253
Stock based compensation								
Value of services recognized			14,969					14,969
Partial repayment of debentures (notes 9 and 10)					(28,139)			(28,139)
Balance – June 30, 2013	**3,815**	**24,106,281**	**808,167**	**2,114,341**	**1,167,874**	**(29,253,371)**	**-**	**(1,052,893)**
Balance – July 1, 2013	**3,815**	**24,106,281**	**808,167**	**2,114,341**	**1,167,874**	**(29,253,371)**	**-**	**(1,052,893)**
Net loss and comprehensive loss for the year						(715,245)	(47,383)	(762,628)
Transfer to Contributed surplus (notes 9,10, and 12)			3,282,215	(2,114,341)	(1,167,874)			
Issue of common shares as part of refinancing of debentures (notes 10 and 11)		420,459						420,459
Balance – June 30, 2014	**3,815**	**24,526,740**	**4,090,382**	**-**	**-**	**(29,968,616)**	**(47,383)**	**(1,395,062)**

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, 2014 and 2013
(expressed in Canadian dollars)

	2014	2013
Cash flow provided by / (used in) Operating activities		
Net income / (loss) for the year	$(715,245)	$36,253
Adjustments for:		
Write-off of investment	-	100,000
Depreciation of property, plant and equipment, and amortization of intangible assets	473,979	541,439
Unrealized foreign exchange gain	(47,701)	-
Stock-based compensation		14,969
Accretion charge for debentures	208,139	597,665
	(80,828)	1,290,326
Changes in items of working capital		
Accounts receivable	(209,529)	367,098
Transaction credits	3,353,948	462,719
Inventory	49,560	64,370
Prepaid expenses and sundry assets	94,107	41,935
Accounts payable and accrued liabilities	799,635	(708,134)
	4,087,721	227,988
Net cash provided by / (used in) operating activities	**4,006,893**	**1,518,314**
Investing activities		
Purchase of property, plant and equipment, and intangible assets	(402,218)	(828,362)
Net cash (used in) investing activities	**(402,218)**	**(828,362)**
Financing activities		
Proceeds from loan payable	(645,197)	383,680
Payments on maturity / retirement of debentures (notes 9 and 10)	(7,895,967)	-
Proceeds from refinancing debentures (note 10)	5,159,000	-
Partial repayment of debentures	-	(376,033)
Transaction costs, debenture: refinancing (note 10), partial early repayment	(180,514)	(8,700)
Net cash generated from / (used in) financing activities	**(3,562,678)**	**(1,053)**
Effect of exchange rate changes on cash and cash equivalents	**136**	**-**
Increase (decrease) in cash and cash equivalents during the year	$42,133	$688,899
- From continuing operations	184,787	877,514
- From discontinued operations (note 16)	(142,654)	(188,615)
Increase in cash and cash equivalents	$42,133	$688,899
Cash and cash equivalents – Beginning of year	1,773,672	1,084,773
Cash and cash equivalents – End of year	1,815,805	1,773,672
Additional Information		
Interest paid	$1,781,502	$2,058,694
For purposes of the cash flow statement, cash comprises:		
Cash	$1,810,805	$1,768,672
Term deposits	$ 5,000	$ 5,000
	$1,815,805	$1,773,672

The accompanying notes are an integral part of these 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). Advantex operates in the marketing services industry. The company develops and manages loyalty programs for a financial institution and other major organizations through which their customers earn frequent flyer miles or points on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing and customer incentives. At its sole discretion the company pre-purchases merchants' future sales through its Advance Purchase Marketing (APM) program. 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 Economic and Financial Dependence

Economic Dependence

During year ended June 30, 2014 about 85% (2013 96%) of the company's revenues was generated by a merchant based loyalty program operated in partnership with Canadian Imperial Bank of Commerce ("CIBC"). Until mid-August 2014 this program was entirely dependent upon the company's agreement with CIBC. In June 2014, the company entered into an agreement with The Toronto-Dominion Bank ("TD"). The two agreements enable the company to develop and manage merchant based loyalty program ("CIBC/TD program") (note 21) under which the company markets participating merchants to the entire portfolio of designated CIBC and TD aeroplan credit cards. On behalf of participating merchants the company awards incremental rewards - over and above those issued by CIBC and TD – to holders of designated credit cards when they complete purchases at their establishments. The company earns its revenue when CIBC and TD aeroplan credit cards holders complete purchases at participating merchants.

The company has a two decade relationship with CIBC. In September, 2013 the company renewed its existing arrangement with CIBC, and signed a new agreement ("new agreement") for an initial term through September 30, 2016. CIBC may, at its option, renew, on the same terms and conditions for up to two additional one year periods. The new agreement can be terminated by CIBC under certain conditions during the initial and renewal terms.

The agreement with TD has an initial term of two years and expires in June 2016. The agreement renews automatically for additional one year terms unless TD provides notice not to renew. The agreement can be terminated by TD under certain conditions during the initial and renewal terms.

The company's revenue from the CIBC/TD program is dependent on the number of merchants participating in the program, dollar spending by holders of CIBC and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of 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.

During year ended June 30, 2014 the company earned 15% (2013 – 6%) of its revenues from the Aeroplan program (note 21). This segment is dependent on the company's agreement with Aimia Canada Inc. ("Aimia"). The company operates Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. The company and Aimia are negotiating a multi- year renewal of the existing agreement expiring October 31, 2014.

The company successfully completed, during nine months ended March 31, 2014, a pilot merchant based loyalty program, in a test market in the USA, for Caesars Entertainment Corporation ("Caesars"). The company and Caesars signed a multi-year agreement to launch a full program on a graduated basis across the US. The agreement expires December 31, 2017.

Financial Dependence

The company is funded by debt. The sources of debt are a line of credit facility, and a non-convertible debentures.

The company has access to a line of credit facility under its loan payable (note 8). The loan payable is used exclusively to expand the company's APM program ("transaction credits" on consolidated statements of financial position). In October 2014 the term of the loan payable was renewed for a one year term expiring in December 2015. The relationship was established in 2007.

On December 30, 2013, the company re-financed its two debentures – 14% non-convertible debentures payable (note 9) and 12% non-convertible debentures payable (note 10) – totalling $7.9 million into a single 12% non-convertible debentures payable ("new 12% debentures") (note 10) for $5.2 million. The new 12% debentures mature September 30, 2016. The new 12% debentures are used to meet working capital requirements.

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 October 28, 2014.

Accounting standards issued but not yet applied

The IASB has issued the following applicable standards, which have not yet been adopted by the company. Each of the new standards is effective for annual periods beginning on or after either January 1, 2015 (IFRS 9) or July 1, 2014, with early adoption permitted. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated interim financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standards:

IFRS 9 - Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015;

IFRS 2 – Share based Payment. The standard clarifies vesting conditions. Mandatory adoption for periods beginning on or after July, 2014;

IFRS 8 – Operating segments. The standard requires additional disclosures regarding management's judgements when operating segments have been reported in determining reportable segments. Mandatory adoption for periods beginning on or after July, 2014;

IFRS 13 – Fair Value Measurement connected to short-term receivables and payables and the portfolio exception applicable to all contracts within scope of IAS 39 or IFRS 9 if it has been early adopted. Mandatory adoption for periods beginning on or after July, 2014; and

IFRS 24 – Related Party disclosures. Mandatory adoption for periods beginning on or after July, 2014.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements and are not expected to have an effect on the Company's future results and financial position:

IFRS 3 – Business Combinations
IFRS 10 – Investment Entities Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interest in Other Entities
IAS 16 – Property, Plant and Equipment
IAS 19 – Employee Benefits
IAS 27 - Separate Financial Statements
IAS 28 - Investments in Associates and Joint Ventures
IAS 32 - Offsetting Financial Assets and Financial Liabilities
IAS 36 – Impairment of Assets
IAS 38 – Intangible Assets
IAS 40 – Investment Property

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, except for the revaluation of certain financial assets to fair value. The financial assets carried at fair value include accounts receivable, and transaction credits.

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 two operating segments (note 21).

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 going concern, the recoverability of transaction credits, the assumptions used in the accounting for stock-based compensation, valuation of warrants, and the disclosure of contingent liabilities at the date of the consolidated financial statements, which are described hereunder.

Going concern
The company tests the going concern assumption on a quarterly basis. The company determines this from its financial forecasts that are prepared on its expectation regarding continuation of its agreement with CIBC and TD, continued access to existing sources of debt, ability to access additional sources of debt, growth of its existing business, and development of new lines of business.

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 doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The trigger for an account to be classified as impaired is rejection of the company's attempt to debit the customer's bank account for payments due to the company, and the underlying reason for the rejections.

The allowance is determined on specifically identified transaction credit balances that are impaired and the amount of the specific provision is determined based on whether a) customer is (i) bankrupt, (ii) ceased operations, (iii) is in business, b) the account has been referred for legal collection, and c) the company's historical experience on recoveries.

The net realizable amount of transaction credits is disclosed in note 14.

Stock options
Significant estimates and assumptions relating to the option plan are disclosed in note 12. 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. A significant assumption is that historical volatility is an indicator of expected volatility which is an input in the Black-Scholes pricing model.

Warrants
Valuation of warrants requires management to make estimates regarding the inputs for option pricing models, such as expected share price volatility. The company uses the Black-Scholes option pricing model to determine the fair value of warrants.

Contingent liabilities
A significant amount of estimation is applied in evaluating the company's uncertain tax provision with the Canada Revenue Agency (CRA) as described in note 17, and whether a tax provision is required.

Basis of consolidation
The financial statements of the company consolidate the accounts of Advantex and its wholly owned subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The consolidated financial statements include the accounts of Advantex Dining Corporation, Advantex Marketing Corporation, Advantex Marketing International Inc. (US), Advantex Marketing (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership, and Advantex GP Inc.

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 Advantex's functional currency. The foreign currency gain for year ended June 30, 2014 is $38,587 (June 30, 2013 loss of $9,396).

(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.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of ninety days or less.

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.

At initial recognition, the company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables are comprised of transaction credits, accounts receivable and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, loan payable, 14% non-convertible debentures payable and 12% non-convertible debentures payable. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Loan payable and both 14% and 12% non-convertible debentures are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

At each reporting date, the company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the company recognizes an impairment loss as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of profit.

Transaction credits

The company purchases the rights to receive future cash flows associated with designated credit card purchases at a discount 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. Inventory includes all costs to bring it to a saleable condition. Net realizable value is the estimated selling price less applicable selling expenses.

Inventory includes the following assets:

a) Aeronotes. The cost of the aeronotes includes direct expenses and printing costs.
b) Digital display units. Cost is the purchase price paid by the company.
c) Processing terminals. 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 statement of income 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 statement of income.

Stock option plan
The company has a stock option plan which is described in note 12. 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.

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 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. The assets acquired 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 purchase price will be 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 statements of income and comprehensive income 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

Non-convertible debentures are classified separately on the statements of financial position as a liability and as equity on initial recognition in accordance with IAS 32, Financial Instruments: Presentation. The value of the debt component is determined by discounting the redemption amount at the discount rate for a comparable liability without the conversion feature. The equity component representing the difference between the total proceeds received and the liability component is recorded as a component in equity. Over the term of the instrument, the debt component is accreted to the face value by recording additional interest expense using the effective interest method.

To the extent there are changes to the terms of the outstanding non-convertible 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.

Warrants

Valuation of warrants requires management to make estimates regarding the inputs for option pricing models, such as expected share price volatility. The company uses the Black-Scholes option pricing model to determine the fair value of warrants. Actual results could differ from those estimates. The estimates are considered for each new grant of warrants.

For warrants issued for services, the company determines the fair value of the warrants as the fair value of services received, unless the fair value of services received cannot be determined, in which case the warrants are valued using the Black-Scholes option pricing model.

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 more likely than not 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 statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income 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 balance sheet 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
Under all its programs, Advantex provides marketing services to participating establishments and provides awards to designated customers who make purchases at participating establishments.

There are three types of agreements with participating establishments:

(i) Under its APM program the company provides marketing and loyalty services, and also pre-purchases an establishment's future designated credit card sales. In this program the company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments. The spread between the future credit card transactions and the costs to acquire the rights (cost of transaction credits) represents the revenue that Advantex will ultimately earn. The revenue is recognized, on a pro-rata basis, at the time a consumer makes a designated credit card purchase from a participating establishment enrolled in this program.

(ii) Under its Marketing Only program, the company provides marketing and loyalty services to participating establishments and records as revenue the fee charged for services. The fee is a percentage of designated credit card consumer purchases made at participating establishments enrolled in this program, and is recognized as revenue at the time of consumer purchase.

(iii) Re-seller of Loyalty Rewards. As a result of the acquisition (note 7 b) announced on February 1, 2013 and its agreement with Aimia, the company sells aeroplan miles to small and mid-sized retailers and service providers. Revenue is recognized when the participating merchant issues aeroplan miles to an Aeroplan member completing a qualifying transaction at the merchant.

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 11 to these consolidated financial statements.

Earnings per share
Basic earnings per share ("EPS") is calculated by dividing the net income for the period attributable to equity owners of Advantex 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. Advantex's potentially dilutive common shares comprise stock options granted to employees, and warrants.

5 Inventory

Inventory comprises

	June 30, 2014	June 30, 2013
Aeronotes	$ -	$38,825
Digital display units	88,300	96,060
Processing terminals	2,125	5,100
Total	**$90,425**	**$139,985**

Aeronotes
The company utilizes aeroplan miles to incentivize merchants to join its programs and to execute initiatives, as part of its overall marketing plan, for participating merchants. The company keeps inventory on hand to meet immediate requirements.

For the year ended June 30, 2014 $119,232 was recognized as an expense (2013, $27,093).

Digital display units
The company sells these units to merchants participating in its merchant based loyalty programs.

The units are carried at the lower of cost and net realizable value. Cost is the purchase price paid by the company.

For the year ended June 30, 2014 $4,360 of inventory was recognized as an expense (2013, $91,420).

6 Investment

The company had a small minority interest in Class B common shares of GaggleUp, an Ontario corporation in the couponing business. The investment of $100,000 was classified as available-for-sale and measured at fair value.

In December, 2012, the company was advised that GaggleUp was ceasing operations. The company did not expect to recover its investment, and it was written-off in the interim consolidated financial statements for the three and six months ended December 31, 2012.

7 Property, plant and equipment and intangible assets

(a) Property, plant and equipment

	Computer equipment	**Furniture and equipment**	**Leasehold Improvements**	**Total**
	$	$	$	$
Year ended June 30, 2013				
Opening net book value	184,893	13,865	23,374	222,132
Additions	114,135	74,794	-	188,929
Depreciation for the year	92,354	12,804	6,375	111,533
Closing net book value	206,674	75,855	16,999	299,528

At June 30, 2013				
Cost	**340,322**	**152,221**	**31,874**	**524,417**
Accumulated depreciation	**133,648**	**76,366**	**14,875**	**224,889**
Year ended June 30, 2014				
Opening net book value	206,674	75,855	16,999	299,528
Additions	54,637	7,868	-	62,505
Depreciation for the year	97,958	20,280	6,375	124,613
Closing net book value	163,353	63,443	10,624	237,420
At June 30, 2014				
Cost	**394,959**	**160,089**	**31,874**	**586,922**
Accumulated depreciation	**231,606**	**96,646**	**21,250**	**349,502**

(b) Intangible assets

	Computer Software	**Other Assets**	**Total**
	$	$	$
Year ended June 30, 2013			
Opening net book value	330,018	-	330,018
Additions	517,611	121,822	639,433
Amortization for the year	416,946	12,960	429,906
Closing net book value	430,683	108,862	539,545
At June 30, 2013			
Cost	**2,010,832**	**121,822**	**2,132,654**
Accumulated amortization	**1,580,149**	**12,960**	**1,593,109**
Year ended June 30, 2014			
Opening net book value	430,683	108,862	539,545
Additions	339,713	-	339,713
Amortization for the year	318,262	31,104	349,366
Closing net book value	452,134	77,758	529,892
At June 30, 2014			
Cost	**2,350,545**	**121,822**	**2,472,367**
Accumulated amortization	**1,898,411**	**44,064**	**1,942,475**

On January 31, 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 for $121,822. The assets acquired 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.

8 Loan payable

	June 30, 2014	June 30, 2013
Opening balance	**$7,099,371**	**$6,715,691**
(Decline) / Additional borrowing	(645,197)	383,680
Closing balance	**$6,454,174**	**$7,099,371**

This line of credit facility ("facility") is provided by Accord Financial Inc. ("Accord"), and was established in December, 2007. The facility limit is $8.5 million. The company is paying interest rate on the entire facility equivalent to prime rate of a certain Canadian bank plus 11.5% per annum.

The facility is used by the company exclusively to acquire transaction credits, under its APM program, from establishments that are in business segments available to the company under its agreements with CIBC, TD and Aimia.

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

In October 2014 the company and Accord extended the term of the facility for an additional one year period ending in December 2015.

The interest cost during the year ended June 30, 2014 was $1,073,903 (2013 - $1,065,218).

9 14% Non-convertible debentures payable

The 14% non-convertible debentures payable ("14% debentures"), issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $1,744,000 had an initial maturity date of September 30, 2013. The 3,444,400 common share purchase warrants of the company (each a "warrant") issued with the 14% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the company and the holders of the 14% debentures agreed to extend the term of the 14% debentures and warrants to December 31, 2013.

On December 30, 2013, the company completed a refinancing by way of a private placement of 12% non-convertible debentures ("new 12% debentures") – note 10 - in the principal amount of $5,159,000.

As of December 31, 2013 the company used the proceeds of the new 12% debentures plus cash on hand to repay the 14% debentures and the old 12% debentures (note 10). The company repaid $1,744,000 in aggregate principal amount of the 14% debentures plus accrued interest thereon. The 3,444,400 warrants were not exercised and expired as of December 31, 2013.

Movement on the 14% debentures:

	Debt Portion	Warrant portion
Balance at June 30, 2013	**$1,736,298**	**$30,140**
Accretion charge for the period	7,702	-
Principal amount repaid	$(1,744,000)	-
Transfer to contributed surplus (note 12)	-	$(30,140)
Balance at June 30, 2014	**$ nil**	**$ nil**

Stated interest charges and accretion charges with respect to the 14% debentures are as follows:

Year ended June 30, 2014		Year ended June 30, 2013	
Stated Interest	Accretion charges	Stated Interest	Accretion charges
$123,084	$7,702	$244,128	$33,011

10 12% Non-convertible debentures payable

The 12% non-convertible debentures payable ("old 12% debentures"), issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $6,151,967 had an initial maturity date of September 30, 2013. The 87,056,491 common share purchase warrants of the company (each a "warrant") issued with the old 12% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the company and the holders of the old 12% debentures agreed to extend the term of the old 12% debentures and warrants to December 31, 2013.

On December 30, 2013, the company completed a refinancing by way of a private placement of 12% non-convertible debentures ("new 12% debentures") in the principal amount of $5,159,000.

As of December 31, 2013 the company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures (note 9). The company repaid $6,151,967 in aggregate principal amount of the old 12% debentures plus accrued interest thereon. The 87,056,491 warrants were not exercised and expired as of December 31, 2013.

The new 12% debentures are issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and maturing 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.

Under the agreement, the proceeds of the new 12% debentures are to be used for working capital purposes. The new 12% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The significant financial covenants of the new 12% debentures require the company to meet (i) commencing the quarter ended December 31, 2013, on a quarterly basis a defined level of designated current assets, and interest coverage, and (ii) commencing January 31, 2014, on a monthly basis a defined level of credit card spend, on which the company earns its revenue, at merchants participating in its loyalty programs. In June 2014, the debenture holders agreed to a) re-set the financial covenants and b) defer the semi-annual interest due June 15, 2014 and is now payable in two equal instalments due October 15, 2014 and November 14, 2014. The company agreed to pay a fee of $65,000 to the debenture holders for the above changes to the new 12% debentures and $6,500 is expensed in year ended June 30, 2014. The company met the revised financial covenants as at June 30, 2014.

In accordance with IAS 32, the fair value of the new 12% debentures has been bifurcated into debt and equity portions using the residual value method. The fair value of each common share has been determined at $0.01 and is based on the closing price of the company's common share on December 31, 2013 which is the date the transaction was completed. Charges relating to closing the new 12% debentures transaction are being amortized using the effective rate method over the term of the debentures.

Movement on the old 12% debentures

	Debt portion	Equity portion	Warrant portion
Balance at June 30, 2013	**$6,055,336**	**$2,114,341**	**$952,990**
Accretion charge for the period	96,631	-	-
Principal amount repaid	(6,151,967)	-	-
Transfer to contributed surplus (note 12)	-	$(2,114,341)	$(952,990)
Balance at June 30, 2014	**$ nil**	**$ nil**	**$ nil**

Movement on the new 12% debentures

	Debt portion	Share capital (note 11 (d))
At issuance	**$4,738,541**	**$420,459**
Transaction costs	(180,514)	-
Accretion charge for the period	103,806	-
Balance at June 30, 2014	**$4,661,833**	**$420,459**

Stated interest charges and accretion charges with respect to the debentures are as follows:

	Year ended June 30, 2014		Year ended June 30, 2013	
	Stated Interest	Accretion charges	Stated Interest	Accretion charges
old 12% debentures	$370,205	$ 96,631	$738,439	$564,654
new 12% debentures	$310,388	$103,806	$ -	$ -
new 12% debentures fees	$ 6,500	$ -	$ -	$ -
	$687,093	$200,437	$738,439	$564,654

11 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

	2014	2013	2014	2013
	Number of shares		$	$
No par value	459,781	459,781	$ 3,815	$ 3,815

(c) Issued common shares

	2014	2013	2014	2013
			$	$
	Number of shares			
No par value	139,071,218	97,025,368	$ 24,526,740	$ 24,106,281

The number of issued class A preference shares and common shares is provided by the company's transfer agent, CST Trust Company.

(d) Movement of issued share capital

Class A preference shares

Balance as at June 30, 2013 and June 30, 2014	**459,781**	**$3,815**

Common shares

Balance as at June 30, 2013	**97,025,368**	**$24,106,281**
Issued as part of the debenture refinancing (note 10)	42,045,850	420,459
Balance as at June 30, 2014	**139,071,218**	**$24,526,740**
Total issued share capital at June 30, 2013		**$24,110,096**
Total issued share capital at June 30, 2014		**$24,530,555**

12 Share-based payments

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.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the company received approval from the shareholders to implement a stock option plan ("2009 stock option plan") which is a fixed maximum number of common shares issuable based on 12% of issued and outstanding common shares (calculated on a non-diluted basis). With the increase in the issued and outstanding common shares of the company consequent to the private placement of the new 12% debentures (note 10 and note

11), the directors approved a resolution on March 9, 2014 increasing the number of employee stock options issuable per the company's stock option plan from 11,643,044 to 16,688,546.

The Board has approved the continuation of the 2009 stock option plan to the date of the next Annual meeting of the Shareholders in 2014.

	Number of employee stock options	Weighted average exercise price $
Outstanding at July 1, 2012	**11,027,790**	**0.03**
Granted	2,400,000	0.05
Forfeited	(150,000)	0.03
Expired	(2,836,360)	0.045
Outstanding at June 30, 2013	**10,441,430**	**0.03**
Granted	-	0.00
Forfeited	(90,000)	0.04
Expired	(161,430)	0.01
Outstanding at June 30, 2014	**10,190,000**	**0.03**
Exercisable at June 30, 2013	**10,441,430**	**0.03**
Exercisable at June 30, 2014	**10,190,000**	**0.03**

The outstanding and exercisable employee stock options at June 30, 2014 were issued at exercise prices ranging between $0.02 and $0.05, and have a weighted average remaining contractual life of 2.5 years.

The number of employee stock options available for future issuance as at June 30 is as follows:

	2014	2013
Maximum number reserved for issuance	16,688,546	11,643,044
Less: Outstanding at end of period	(10,190,000)	(10,441,430)
Number of options available for future issuance	**6,498,546**	**1,201,614**

The company has recorded $ nil of stock-based compensation expense during year ended June 30, 2014 (2013 - $14,969).

Shareholders' rights plan

At the Annual and Special Meeting of the Shareholders held on December 22, 2010 the company received approval to renew the Shareholders' rights plan ("Plan"). The Plan expired the earliest of the (i) termination time as defined in the Plan; and (ii) the termination of the Annual General Meeting of the company for the year ended 2013. The Plan was not renewed.

Potentially Dilutive Securities

As at June 30, 2014, the company was committed to issuing 10,190,000 additional common shares:

Employee stock options Maximum number issuable under the existing employee stock option plan is 16,688,546	10,190,000	Ranging between $0.02 and $0.05. Weighted average exercise price $0.03	Ranging between March, 2016 and March, 2018

(i) 3,444,400 common share purchase warrants attached to 14% debentures were not exercised and expired as of December 31, 2013 (note 9).

(ii) 87,056,491 common share purchase warrants attached to old 12% debentures were not exercised and expired as of December 31, 2013 (note 10).

Contributed surplus

The company refinanced the new 12% debentures and repaid the old 12% debentures and 14% debentures (notes 9 and 10), and following these transactions the amounts held on account of the old 12% debentures and 14% debentures as equity portion of debentures, and warrants were transferred to contributed surplus.

Amounts attributed to contributed surplus, equity portion of debentures, and warrants are disclosed as part of shareholders' deficit on the statements of financial position.

	Contributed surplus	**Equity portion of debentures**	**Warrants**
Balance at June 30, 2013	**$ 808,167**	**$2,114,341**	**$1,167,874**
Transfer	3,282,215	(2,114,341)	(1,167,874)
Balance at June 30, 2014	**$4,090,382**	**$nil**	**$nil**

13 Related party transactions

Directors and Officers

In May 2011 these related parties purchased 14% debentures (note 9), old 12% debentures (note 10), and in December 2013 purchased new 12% debentures (note 10), on terms and conditions applicable to the other subscribers. The holdings of debentures are tabulated:

	June 30, 2014	June 30, 2013	
	new 12% debentures (note 10)	Old 12% debentures (note 10)	14% debentures (note 9)
Director and Chief Executive officer – Kelly Ambrose	$500,000	$100,000	$nil
Director and Chairman of the Board of Directors – Stephen Burns	$ 50,000	$nil	$nil
Director - Marc Lavine (first term; elected director December 18, 2013)	$500,000	$500,000	$nil
Director – Rob von der Porten (first term; elected director December 18, 2013)	$ 50,000	$ 40,000	$nil
Director – William Polley	$ 50,000	$nil	$nil
Director – Barry Wainstein (first term – appointed director March 17, 2014)	$ 25,000	$nil	$nil
Chief Financial Officer – Mukesh Sabharwal	$115,000	$ 30,000	$10,000

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, 2014	Year ended June 30, 2013
	$	$
Salaries, management bonuses and directors fees	$688,848	$648,415
Share based compensation	nil	$7,796
	$688,848	**$656,211**

14 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 designated credit card purchases ("future sales") at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 30-210 days. Accounts receivable and transaction credits are net of applicable allowance for doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The 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 for legal collection, 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 net balance of the transaction credits and accounts receivable.

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

	June 30, 2014	June 30, 2013
	$	$
Transaction credits	11,361,349	14,116,315
Accounts receivable	809,189	599,339
Allowance	(1,082,643)	(483,661)
Per statement of financial position	11,087,895	14,231,993
Maximum exposure to credit risk	11,087,895	14,231,993

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

	June 30, 2014	June 30, 2013
	$	$
Impaired transaction credits	2,167,222	1,844,194
Allowance	(1,082,643)	(483,661)
Impaired transaction credits not allowed for	1,084,579	1,360,533

Currency risk

The company discontinued its online shopping mall during the year ended June 30, 2011 and was reported as discontinued operations (note 16). As at June 30, 2014 the company did not carry liabilities from the discontinued operation. As at June 30, 2013 the company carried liabilities from discontinued operations that were payable in US dollars and therefore it was exposed to foreign exchange risk. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the company's financial results.

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

	June 30, 2014	June 30, 2013
	$	$
Cash and cash equivalents	2,034	2,292
Accounts payable and accrued liabilities	nil	138,012

A 5% change in the Canadian-US dollar exchange rate at June 30, 2013 would have an immaterial impact on the carrying amounts of liabilities denominated in US dollars.

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 APM program, 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, 2014 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable – payable on demand	6,454,174	6,454,174	-
Accounts payable and accrued liabilities	4,219,904	4,219,904	-
New 12% debentures – face amount	5,159,000	-	5,159,000
Total	$15,833,078	$10,674,078	$5,159,000

The contractual maturities of the company's financial liabilities at June 30, 2013 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable – payable on demand	7,099,371	7,099,371	-
Accounts payable and accrued liabilities	3,420,130	3,420,130	-
14% debentures – face amount	1,744,000	1,744,000	-
Old 12% debentures – face amount	6,151,967	6,151,967	-
Total	$18,415,468	$18,415,468	$ -

Fair value

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

The stated value of the loans payable, and non-convertible debentures payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Interest rate risk

The company's activities are funded by two sources of debt. The non-convertible debenture (note 10) has fixed interest rates, and loan payable (note 8) which carries a floating interest rate. While company is not exposed to interest rate risk on account of non-convertible debenture, 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 11.5%, 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 in note 8, during year ended June 30, 2014, the company paid annual interest of $1,073,903 on an average (based on month end balance) loan payable balance of $6,912,389. At year ended June 30,

2014 loan payable utilization level, a 10% increase in interest rate would lead to additional annual interest cost of $107,390.

15 Capital management

The company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The company manages Loan Payable, Debentures, and Capital Stock which is explained in detail in these financial statements. 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.

The company is subject to financial covenants which are measured on a quarterly basis. The company is in compliance with all financial covenants (note 10).

16 Discontinued operations

The company closed down its online shopping mall business during the year ended June 30, 2011. Online shopping malls were loyalty programs aimed at members of airline affinity programs whereby the members could earn additional rewards through the purchase of goods through online malls.

The following provides additional details with respect to the amounts included in the statement of cash flows as discontinued operations.

	Year ended June 30, 2014 $	**Year ended June 30, 2013 $**
Changes in non-cash working capital items		
Accounts receivable	-	-
Accounts payable	(142,654)	(188,615)
Movement in cash and cash equivalents	**$(142,654)**	**$(188,615)**
Balances payable at end of	$nil	$142,654

17 Commitments and contingencies

Commitments

As at June 30, 2014, the company is committed to minimum payments with respect to existing leases for equipment and premises:

	Equipment	Premises	Total
Not later than one year	$24,120	$102,149	$126,269
Later than one year and not later than five years	$44,400	$206,659	$251,059
Later than five years	$nil	$nil	$nil
Total	**$68,520**	**$308,808**	**$377,328**

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

A significant portion of the commitments for premises is for the company's head office (note 1). The lease expires in September, 2017.

Additional commitments

Under the existing agreement expiring October 31, 2014, the company had an annual commitment to purchase minimum aeroplan miles as part of its three year agreement with Aimia to operate Aimia's Aeroplan loyalty program in the independent merchant business segment. The company either met its year one purchase annual commitment or the annual commitments were re-set by Aimia to equal the purchase volume achieved by the company.

Commitments for and beyond calendar year 2014 will be dependent on terms of the pending agreement with Aimia which has currently been extended to October 31, 2014.

In February, 2012 the company signed an agreement with a service provider to purchase software over a three year term. The software provides an integrated platform enabling users to simultaneously manage and schedule their digital marketing campaigns. The annual purchase commitment, per agreement, commencing July 1, 2012, was $288,000. As part of negotiations to restructure the relationship, the company and the service provider reached an understanding to amend, amongst other provisions, the annual purchase commitment to $192,000 commencing August 1, 2013. The company sells this software to merchants participating in its programs.

Taxation

After an audit in 1998, the Canada Revenue Agency ("CRA") determined that the company was providing marketing services. Since 1998, the company has continued in the same business activities.

After completion of an audit in early 2009, the CRA reversed its 1998 position. In April 2009, the company received a notice of reassessment for Goods and Services Tax owed related to the company's CIBC Advantex program and the ability to claim certain input tax credits during fiscal years 2005-2007. The re-assessment was in the amount of $755,000. The company paid the re-assessment in 24 instalments totalling $800,108.

The company contested the CRA position, and filed a notice of objection.

The company did not record a provision based on the company's assessment that it was probable that the company would recover the amount of the reassessment in full.

In January 2013 the company was advised by CRA that the objection was allowed and the reassessment was reversed, and a notice of re-assessment in the amount of $824,430 was issued. The company received the amount in February, 2013.

The notice of re-assessment issued in January 2013 did not formally acknowledge the CRA's concurrence with the company's treatment of GST for periods subsequent to fiscal 2007. As a result, the company has filed a notice with CRA to confirm the appropriateness of the company's treatment of GST for the periods subsequent to fiscal 2007.

18 Income taxes

	2014 $	2013 $
Current income taxes	-	26,000
Deferred income taxes	-	-
	$-	$26,000

In assessing the ability to realize deferred income tax assets, management 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, 2014, there is no certainty that such deferred income tax assets will be utilized and, therefore, such assets have not been recognized on the statements of financial position. The majority of unrecognized deferred income tax assets of $2,598,000 (2013 – 2,523,000) relate to non-capital losses of $2,528,000.

As at June 30, 2014, the company has gross non-capital income tax losses of approximately $9,541,000 (2013 - $9,300,000), which may be carried forward to reduce future income for income tax purposes. The benefit of these losses has not been recognized in these financial statements. These losses expire between 2018 and 203.

	$
2018	437,000
2020	102,000
2021	231,000
2022	436,000
2023	155,000
2024	1,398,000
2025	277,000
2026	1,747,000
2027	1,077,000
2028	1,171,000
2029	1,081,000
2031	4,000
2032	489,000
2033	275,000
2034	661,000
Total	**$9,541,000**

19 Earnings per share

Basic EPS is calculated by dividing the net income 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. The company's potentially dilutive common shares comprise stock options granted to employees, (position as at June 30, 2014 tabulated under note 12).

Basic and Diluted EPS are tabulated.

	12 months **2014**	12 months **2013**
Net loss / earnings	$(715,245)	$36,253
Basic EPS		
Average number of issued common shares during the year	117,990,696	97,025,368
Basic EPS	$0.00	$0.00
Diluted EPS		
12 months ended June 30, 2014. The computation for Diluted EPS for 12 months ended June 30, 2014 is not provided because the effect of potential exercise of the dilutive common shares would be anti-dilutive		
12 months ended June 30, 2013, Since the "in-the-money" dilutive securities at June 30, 2013 is nil, the average of issued common shares during the year is 97,025,368		
Diluted EPS	$0.00	$0.00

20 Nature of Expenses

	Year ended June 30, 2014	Year ended June 30, 2013
	$	$
Direct Expenses		
➢ Covering costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; b) cost of sales related to sale of aeronotes; c) cost of sales of digital marketing services; and d) provision against accounts receivable and transaction credits	**$6,325,467**	**$5,549,977**
Selling and Marketing, and General & Administrative		
➢ Salaries and wages including travel	6,548,421	6,409,103
➢ Professional fees	704,389	615,453
➢ Facilities, processing, and office expenses	1,065,515	985,305
➢ Other	40,379	26,828
	$8,358,704	**$8,036,689**

21 Segment reporting

The company's reportable segments include: (1) CIBC/TD program and (2) Aeroplan program. Where applicable, corporate and other activities are reported separately as Corporate.

During year ended June 30, 2014 and 2013 the CIBC/TD program relates to the merchant based loyalty program the company developed and managed for CIBC.

The company operates Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. The company's Aeroplan program relates to merchant based loyalty program the company developed and managed for Aimia.

Financial information by reportable segment for year ended June 30, 2014 and June 30, 2013 is tabulated.

For the year ended June 30, 2014

	CIBC/TD program	Aeroplan program	Corporate	Total
Revenues	$14,025,317	$2,504,637	$ 5,170	$16,535,124
Direct expenses	$ 4,896,481	$1,426,845	$ 2,141	$ 6,325,467
	$ 9,128,836	$1,077,792	$ 3,029	$10,209,657
Selling and marketing	$ 3,233,938	$ 499,787	$ 69,553	$ 3,803,278
General and administrative	$ 3,863,974	$ 690,028	$ 1,424	$ 4,555,426
Earnings from operations before depreciation, amortization and interest	$ 2,030,924	$ (112,023)	$ (67,948)	$ 1,850,953
Interest – Loan payable (note 8)	$ 1,073,903	$ -	$ -	$ 1,073,903
Interest – Non-convertible debentures (notes 9 and 10)	$ 863,750	$ 154,248	$ 318	$ 1,018,316
Write-off of investment	$ -	$ -	$ -	$ -
Depreciation and amortization	$ 402,035	$ 71,795	$ 149	$ 473,979
Segment profit / (loss)	$ (308,764)	$(338,066)	$ (68,415)	$ (715,245)

For the year ended June 30, 2013

	CIBC/TD program	Aeroplan program	Corporate	Total
Revenues	$ 15,818,115	$ 1,067,175	$ 24,518	$16,909,808
Direct expenses	$ 5,073,933	$ 476,044	-	$ 5,549,977
	$10,744,182	$ 591,131	$ 24,518	$ 11,359,831
Selling and marketing	$ 3,545,706	$ 224,687	$ -	$ 3,770,393
General and administrative	$ 3,990,865	$ 269,245	$ 6,186	$ 4,266,296
Earnings from operations before depreciation, amortization and interest	$ 3,207,611	$ 97,199	$ 18,332	$ 3,323,142
Interest – Loan payable (note 8)	$ 1,065,218	$ -	$ -	$ 1,065,218
Interest – Non-convertible debentures (notes 9 and 10)	$ 1,478,213	$ 99,728	$ 2,291	$ 1,580,232
Write-off of investment	$ -	$ -	$ 100,000	$ 100,000
Depreciation and amortization	$ 506,483	$ 34,170	$ 786	$ 541,439
Segment profit / (loss)	$ 157,697	$ (36,699)	$ (84,745)	$ 36,253

22 Comparatives

Certain of the comparative figures have been re-classified to conform to consolidated financial presentation adopted in the current year.

Schedule C

Interim MD&A for the three month period ended September 30, 2013 and 2012; Interim MD&A for the three and six month periods ended December 31, 2013 and 2012; Interim MD&A for the three and nine month periods ended March 31, 2014 and 2013

ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the Three month periods ended September 30, 2013 and 2012

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") and is dated as at November 21, 2013. 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 three month period ended September 30, 2013, compared to the three month period ended September 30, 2012. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2013, and the interim consolidated financial statements and the related notes for the three months ended September 30, 2013 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollar, which is the Company's presentation and functional currency, unless otherwise noted. All dollar amounts have been rounded and do not tie directly to the consolidated financial statements.

Overall Performance

Advantex is a leader in the marketing services industry. The Company develops and manages merchant-based loyalty programs for organizations through which their customers accelerate earning frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each program, Advantex provides participating merchants with marketing, customer incentives and additionally pre-purchase of merchants' future sales through its Advance Purchase Marketing® ("APM") model.

Advantex partners with Canadian Imperial Bank of Commerce ("CIBC"), and Aeroplan Canada Inc. ("Aeroplan") which is a subsidiary of Aimia Inc. (collectively "Affinity partners"). On a combined basis, Advantex has contractual marketing access to about five million Canadian consumers with above-average personal and household income. The Company's merchant partner base currently consists of about 2,000 merchants operating in several 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; book and newspaper stores; health and beauty centres; dry cleaners; gift stores; home décor; automotive dealers, service centers; and tire dealerships many of which are leaders in their respective categories.

Advantex earns revenue as customers make purchases at merchants participating in either the APM or Marketing Only programs (together "Legacy programs"). Advantex also earns revenue from sales of aeroplan miles to merchants ("Re-seller program").

Advantex common shares are traded on the Canadian National Stock Exchange ("CNSX") under the symbol ADX.

The Company is pleased to report a net income for three months ended September 30, 2013.

Summary

The Company's revenues are significantly dependent on the loyalty marketing programs, targeted at holders of designated CIBC credit cards, it has operated in partnership with CIBC since 1995. A significant portion of the CIBC credit card portfolio carries the aeroplan miles reward feature, the outcome of decade old partnership between CIBC and Aimia Inc. ("Aimia"), owner of Aeroplan loyalty program. The three months ended September 30, 2013 fell in the period when CIBC – The Toronto Dominion Bank ("TD") and Aimia formed a tripartite arrangement that will become effective January 2014. This represents a change in the prevailing two way CIBC and Aimia arrangement, and during this period of uncertainty prospective merchants put their participation decision on hold. In addition, the difficult market conditions continued to affect the marketing budgets of small independent merchants. The result is that three months ended September 30, 2013 was a difficult selling environment for the Company's Legacy programs.

The financial performance for three months ended September 30, 2013 ("Q1 Fiscal 2014") has to be put in the context of the above noted circumstance, and to report a net income is an achievement.

Highlights

The highlights of the financial performance of Q1 Fiscal 2014 compared to three months ended September 30, 2012 ("Q1 Fiscal 2013") are tabulated:

	Q1 Fiscal 2014	**Q1 Fiscal 2013**	**Inc./(Dec)**
Average number of merchants participating in Legacy programs (see Revenue section in this document)	1,255	1,324	(5.2)%
Revenues			
Legacy programs (see section Revenue in this document)	$4,208,000	$4,392,000	(4.2)%
Re-seller program	340,000	-	
Retail programs	**$4,548,000**	**$4,392,000**	**3.6%**
Miscellaneous income	-	12,000	
	$4,548,000	**$4,404,000**	**3.3%**
Gross profit	**$2,944,000**	**$3,028,000**	**(2.8)%**
Earnings from operations before depreciation, amortization and interest ("EBITDA" *)	**$ 824,000**	**$1,040,000**	**(20.8)%**
Net Income	**$ 56,000**	**$ 274,000**	**(79.6)%**

***** EBITDA 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. In case of the Company, for Q1 Fiscal 2014 and Q1 Fiscal 2013, per consolidated financial statements for three months ended September 30, 2013, earnings from operations before depreciation, amortization and interest is the nearest equivalent to EBITDA.

Q1 Fiscal 2014 compared to Q1 Fiscal 2013

The difficult selling environment is reflected in lower merchant participation in the Company's Legacy programs during Q1 Fiscal 2014 compared to Q1 Fiscal 2013, and this in turn is reflected in the decline in the Legacy program revenues during Q1 Fiscal 2014 compared to Q1 Fiscal 2013. The combined Legacy programs and Re-seller program (together "Retail programs") revenues are up because of the addition of the Re-seller program which the Company began to operate in February 2013.

Direct expenses for the Legacy programs during Q1 Fiscal 2014 increased compared to Q1 Fiscal 2013 as the Company increasingly used higher cardholder awards to incent new merchant sign ups and as a retention tool. The Company met its primary program goal for its CIBC program, covering the period November 2012 to October 2013, and this support payment from CIBC kept the direct expenses for Q1 Fiscal 2014 in check.

Company gross profit for Q1 Fiscal 2014 consequently is lower compared to Q1 Fiscal 2013. The Re-seller program gross profit helped to offset some of the decline from the Legacy programs.

Legacy programs selling expenses for Q1 Fiscal 2014 decreased in line with the decline in program revenues. The Re-seller program selling expenses reflect the sales organization to operate and develop the program.

General and Administrative expenses saw a moderate increase to support the operation of the Company's Retail programs.

The above are reflected in a lower net income for Q1 Fiscal 2014 compared to Q1 Fiscal 2013.

Developments post September 30, 2013

We advised these in the MD&A for year ended June 30, 2013, and are included here to provide a context for the rest of fiscal year ending June 30, 2014 and the Outlook.

1. Renewed agreement with CIBC. The initial term of the new agreement is through September 30, 2016;
2. Renewed agreement with Accord Financial Inc. ("Accord"). The term of the credit facility under the loan payable is extended to December, 2014;
3. Maturity of the 14% non-convertible debentures ("14% debentures"), and 12% non-convertible debentures ("12% debentures") is extended to December 31, 2013. The Company has entered into a term sheet to refinance, subject to regulatory and shareholder approval (if required), between $5 million and $5.5 million to replace its existing debentures with a single debenture. As part of the refinancing, the Company intends to issue units comprised of (a) secured non-convertible debentures with face value of $1,000 bearing interest at 12% per annum (the "New Debentures") and (b) 8,150 common shares in the capital of the Company. The Company expects to finalize the refinancing of the debentures in December 2013;
4. The Company is negotiating a multi-year renewal of its agreement with Aeroplan, and expects to secure a renewal. The agreement expires December 31, 2013; and
5. The decision by CIBC to sell about 50% of its credit card portfolio featuring aeroplan miles rewards ("sold portfolio") to The Toronto Dominion Bank ("TD") effective January 1, 2014, is a material event for the Company. From January, 2014 up until the sold portfolio is converted to

TD ("transition period"), the Company expects to receive the transactions respecting the sold portfolio, such that during the transition period the Company does not expect a material adverse impact on its revenues and earnings. The agreement with CIBC allows the Company to operate its Legacy program for TD. The Company has commenced discussions with TD. The Company believes it operates a unique loyalty rewards accelerator program that would be an attractive proposition for TD in general, and in particular, would enable TD to continue providing the benefits the credit card holders were receiving from CIBC. A successful conclusion has the potential to improve the Company's ability to increase the value proposition to prospective merchants, potentially increase merchant count and consequently its revenues and earnings.

A detailed look at the results for Q1 Fiscal 2014 is set out in the following sections.

Results of Operations

	Q1 Fiscal 2014	**Q1 Fiscal 2013**
	$	$
Revenues		
Retail programs	$4,548,000	$4,392,000
Misc., and interest income	-	12,000
	4,548,000	**4,404,000**
Direct expenses	1,604,000	1,376,000
Gross Profit	**2,944,000**	**3,028,000**
Selling, and General & Administrative expenses	2,120,000	1,988,000
Earnings from operations before depreciation, amortization and interest	**824,000**	**1,040,000**
Cash interest expense on loan payable and debentures	513,000	517,000
Earnings from operations before depreciation, amortization and non-cash interest	**311,000**	**523,000**
Non-cash expenses		
Depreciation and amortization	151,000	108,000
Non-cash interest expense on debentures	104,000	141,000
Net income	**$ 56,000**	**$ 274,000**
Basic and diluted earnings per share	**$0.00**	**$0.00**

The presentation in Results of Operations section is not set out in accordance with International Financial Reporting Standards ("IFRS") but has been included to provide additional analysis for the reader.

The current assets of $16.3 million and total assets of $17.1 million as at the end of September 30, 2013 were comparable to current assets of $16.4 million and total assets of $17.3 million as at June 30, 2013. The shareholders' deficiency as at September 30, 2013 was $1.0 million compared to $1.1 million as at June 30, 2013.

Revenue

Advantex revenue is derived from merchants participating in its Retail programs.

Advantex's Retail programs have three business models. Revenue can vary significantly from year to year, depending on the number of merchants participating under each model:

(1) **Advance Purchase Marketing Model ("APM")**: The Company acquires 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) and promotes the merchant,

by way of cardholder incentives through its loyalty marketing programs, and targeted marketing programs. The Company's revenue is from the designated credit card receipts at participating establishments, net of the Company's costs to acquire the transaction credits. Proceeds from the spend on designated credit cards are received by the Company and a predetermined portion is applied to reduce the transaction credit balance that the merchant owes.

(2) **Marketing Only Model**: Merchants participate in the loyalty/marketing programs without the Company acquiring transaction credits. In this model, Advantex provides loyalty rewards and marketing support for participating merchants and earns its revenue, based on an agreed percentage of each designated card transaction in exchange for the services it provides participating establishments.

(3) **Re-seller of Loyalty Rewards**. 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. Certain agreements with merchants carry a commitment for merchants to issue a minimum number of aeroplan miles during the term of their agreement with the Company.

Currently Legacy programs, consisting of APM and Marketing Only, provide the significant share of the Company's revenues. Since, in these programs, the Company earns revenue as consumers make purchases using designated credit cards at participating merchants, the drivers of revenues are:

1. Number of participating merchants;
2. Economic environment. The uncertain economy is affecting consumer spending habits;
3. Mix of merchants in terms of their volume of designated credit card transactions; and
4. Participation levels in APM and Marketing Only programs. The fees that a merchant would pay for participation in the APM program is higher compared to Marketing Only program.

The revenues from the Re-seller program reflect the number of participating merchants, and the level of engagement of participating merchants in the program.

The trend of revenue is provided in the tabulation.

	Q1 Fiscal 2014	**Q1 Fiscal 2013**	**Inc./(Dec)**
Legacy programs - # of participating merchants			
Start of period	1,259	1,279	
End of period	1,251	1,368	
Average for the period	1,255	1,324	(5.2)%
Re-seller program - # of participating merchants at end of period	700	nil	
Revenues	$	$	
APM	$2,846,000	$3,002,000	
Marketing Only	1,304,000	1,296,000	
Sales of digital marketing services	58,000	94,000	
Legacy programs	**4,208,000**	**4,392,000**	**(4.2)%**
Re-seller	340,000	-	
Retail programs	**4,548,000**	**4,392,000**	**3.6%**
Miscellaneous income	-	12,000	
Total revenues	**$4,548,000**	**$4,404,000**	**3.3%**
Average annual revenue per merchant participating in Legacy programs (straight-line extrapolation of trend for the quarter)	*$13,412*	*$13,269*	*1.1%*

As noted under the section Overall Performance, until cleared up in mid- September 2013, the uncertainty surrounding the CIBC – Aimia relationship combined with a weak economy to create a compressed market for the Company's programs, and this hampered the Company's ability to sign new merchants during Q1 Fiscal 2014. The decline in merchant participation is reflected in lower Q1 Fiscal 2014 Legacy programs revenues compared to Q1 Fiscal 2013.

The revenues from digital marketing services are generated from sales to merchants participating in Legacy programs and effective Q1 Fiscal 2014 are being reported as a part of Legacy programs.

Since the acquisition of the Re-seller business in January 2013, the Company has been working with participating merchants to increase the merchants' usage of aeroplan miles as a marketing tool. The typical participating merchant in this program is a mid-sized business with multiple locations compared to small independents in the Legacy programs, and consequently the Re-seller program has a longer selling cycle. Company expects to gradually increase its revenues from the Re-seller program.

Direct Expenses

Direct expenses include cardholder award costs, the cost of marketing and advertising on behalf of merchants, cost of sales related to the sale of aeronotes, cost of sales of digital marketing services, and a provision against receivables under all programs.

	Q1 Fiscal 2014	**Q1 Fiscal 2013**	**Inc./(Dec)**
	$	**$**	
Revenues - Legacy programs	$4,208,000	$4,392,000	(4.2)%
Re-seller program	340,000	-	
	$4,548,000	$4,392,000	3.6%
Direct expenses – Legacy programs	**$1,393,000**	**$1,376,000**	**1.2%**
Re-seller program	**211,000**	**-**	
	$1,604,000	**$1,376,000**	**16.6%**

The Q1 Fiscal 2014 increase in direct expenses respecting Legacy programs reflects higher cardholder awards costs ($153,000 higher compared to Q1 Fiscal 2013), and a higher expense for delinquent accounts ($201,000 for Q1 Fiscal 2014 vs. $160,000 for Q1 Fiscal 2013), partially offset by marketing support from CIBC of $115,000 (Q1 Fiscal 2012 $nil). The increase in cost of cardholder awards reflects increasing usage by the Company of aeroplan miles as a selling and retention tool. The Company believes it has the measure of merchant delinquencies which are primarily the outcome of economic conditions.

Gross Profit

Company gross profit was $2,944,000 in Q1 Fiscal 2014 compared to $3,028,000 in Q1 Fiscal 2013 reflecting a decline in Legacy programs gross profit partially offset by the Re-seller program.

	Q1 Fiscal 2014	Q1 Fiscal 2013	Inc./(Dec)
	$	$	
Legacy programs	$2,815,000	$3,016,000	$(201,000)
Re-seller program	129,000	-	129,000
Miscellaneous income	-	12,000	(12,000)
	$2,944,000	**$3,028,000**	**$ (84,000)**

The decline in Legacy programs Gross Margin (Q1 Fiscal 2014 at 66.9% compared to 68.8% for Q1 Fiscal 2013), is attributable to the increase in direct expenses as is explained under the section Direct expenses in this document.

Re-seller program is a new activity effective February, 2013.

Selling Expenses

Selling expenses include expenses arising from the remuneration of sales staff, transaction processing and other selling activities.

	Q1 Fiscal 2014	Q1 Fiscal 2013	Inc./(Dec)
	$	$	
Revenues – Legacy programs	$4,208,000	$4,392,000	(4.2)%
Re-seller program	340,000	-	
	$4,548,000	$4,392,000	
Selling Expenses – Retail programs	**$868,000**	**$910,000**	**(4.6)%**
Re-seller program	**134,000**	**-**	
	$1,002,000	**$910,000**	

The Legacy program selling expenses declined in response to decrease in revenues.

Re-seller program is a new activity effective February, 2013, and the Company has developed the selling organization to operate and develop this program.

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 2014	Q1 Fiscal 2013	Inc./(Dec)
	$	$	$
Change in Retail programs revenues			3.6%
G&A			
Compensation for non-sales staff	$ 851,000	$ 791,000	7.6%
Less: Software development costs capitalized (details provided under section Capital Expenditures in this document)	(24,000)	(18,000)	
	827,000	773,000	7.0%
All other G&A expenses	291,000	305,000	
	$1,118,000	**$1,078,000**	**3.7%**

Compensation costs, which represent over 70% of total G&A expense, increased to support the operation of the Company's Retail programs consisting of Legacy programs and the Re-seller program.

Interest Expense

The interest expense is tabulated:

	Q1 Fiscal 2014	Q1 Fiscal 2013	Inc./(Dec)
	$	$	$
Stated interest			
Loan payable	$265,000	$268,000	$ (3,000)
14% debentures	62,000	62,000	$ -
12% debentures	186,000	187,000	$ (1,000)
	$513,000	**$517,000**	$ **(4,000)**
Non cash interest,14% debentures and 12% debentures accretion charges	**$104,000**	**$141,000**	$(37,000)
Total interest expense	**$617,000**	**$658,000**	**$(41,000)**

The Company deploys the funds available to it under its loan payable, and 14% debentures with merchants activated under its Advance Purchase Marketing ("APM") program. The funds available under the 12% debentures are used for working capital purposes including being deployed with merchants activated under the APM program. The funds deployed are reflected as transaction credits on the consolidated statement of financial position.

The utilization of the loan payable during Q1 Fiscal 2014 was flat compared to Q1 Fiscal 2013.

As at September 30, 2013 the 14% debentures and 12% debentures are fully accreted to their maturity value of $1,744,000 and $6,151,967 respectively on the consolidated statement of financial position.

Net Income

The net income for Q1 Fiscal 2014 was $56,000 (Basic and Diluted Earnings per share of $0.00) compared to a net income of $274,000 (Basic and Diluted Loss per share of $0.00) for Q1 Fiscal 2013.

Highlights of Q1 Fiscal 2014 compared to Q1 Fiscal 2013 are tabulated:

	Q1 Fiscal 2014	Q1 Fiscal 2013	Inc./(Dec)
Revenues	$4,548,000	$4,404,000	$ 144,000
Gross Profit	$2,944,000	$3,028,000	$ (84,000)
Earnings from operations before depreciation, amortization and interest	$ 824,000	$1,040,000	$ (216,000)
Net Income	$ 56,000	$ 274,000	$ (218,000)
Basic and Fully Diluted earnings per share	$0.00	$0.00	

A significant portion of the Company's revenues are from the Legacy programs. The decline in merchant participation in Legacy programs during Q1 Fiscal 2014 compared to Q1 Fiscal 2013 was

the result of the compressed market for the Company's programs partially due to the uncertainty surrounding the CIBC – Aimia relationship. This is discussed in the section Overall Performance.

Q1 Fiscal 2014 revenues and direct costs increased $144,000 and $228,000 respectively compared to Q1 Fiscal 2013, leading to a decline in gross profit of $84,000.

Q1 Fiscal 2014 selling, and general & administrative expenses were $132,000 higher compared to Q1 Fiscal 2013, resulting in a decline of $216,000 in earnings from operations before depreciation, amortization and interest for Q1 Fiscal 2014 compared to Q1 Fiscal 2013.

Interest cost for Q1 Fiscal 2014 was $617,000, a reduction of $41,000 compared to Q1 Fiscal 2013. Non-cash interest representing accretion charges on the 14% debentures and 12% debentures accounted for $37,000 of the decrease over Q1 Fiscal 2013.

The above changes are explained in the respective sections earlier in this document.

Working Capital and Liquidity Management

The utilization of liquidity during Q1 Fiscal 2014 compared to Q1 Fiscal 2013 is illustrated in the following tabulation:

	Q1 Fiscal 2014	Q1 Fiscal 2013
FUNDS AVAILABLE TO EXPAND APM PROGRAM (Transaction credits) AND MEET WORKING CAPITAL REQUIREMENTS		
1. Net income	$ 56,000	$ 274,000
Add back non-cash expenses	254,000	249,000
Income before non-cash expenses *	$ 310,000	$ 523,000
2. Cash balances at start of the period	$ 1,774,000	$ 1,085,000
3. Decrease in transaction credits under APM program	$ 370,000	$ 81,000
Funds Available	**$ 2,454,000**	**$ 1,689,000**
UTILIZATION		
1. Decrease in utilization of loan payable	$ 451,000	$ 175,000
2. Cash balances at end of period	$ 1,685,000	$ 618,000
3. Change in accounts receivable, inventory, and prepaid expenses / sundry assets	$ 332,000	$ 145,000
4. (Increase)/Decrease in accounts payable	$ (128,000)	$ 315,000
5. Capital expenditures	$ 114,000	$ 51,000
6. Partial early repayment of 14% debentures and 12% debentures (collectively "Debentures")	$ -	$ 376,000
7. Debentures early prepayment additional transaction costs	$ -	$ 9,000
Utilization	**$ 2,454,000**	**$ 1,689,000**

***** 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 is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment, and amortization of intangible assets; and accretion charge for debentures – to net income for the three months, which are disclosed in the consolidated financial statements for three months ended September 30, 2013 under the section consolidated statements of cash flow.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when obligations are due.

The Company believes that increasing the amount of the transaction credits deployed with merchants under its APM program will result in higher revenue and, consequently, improve the Company's results and cash flows. As noted under the section Overall Performance, until it was cleared up in mid- September 2013, the uncertainty surrounding the CIBC – Aeroplan relationship combined with a weak economy to create a compressed market for the Company's programs, and consequently a decline in number of participating merchants during Q1 Fiscal 2014. The change in transaction credits reflects partially the change in the number of merchants participating in the Company's APM program, and as well as the amount of transaction credits deployed with its existing merchants.

Income before non-cash expenses* and cash received from financing activities related to draw against loan payable is used to fund merchants participating in the Company's APM program. The Income before non-cash expenses* is also utilized to meet the Company's other working capital and capital expenditure requirements.

The Company deploys the funds available to it under its loan payable, and 14% debentures with merchants activated under its APM program. The funds available under the 12% debentures are used for working capital purposes including being deployed with merchants activated under the APM program. The proceeds of the 14% debentures, and 12% debentures are fully deployed. At present, the need for capital to expand the APM program is satisfied by the loan payable, however there are limitations including; a credit limit of $8.5 million (utilization at September 30, 2013 was $6.7 million compared to $7.1 million at June 30, 2013); it is a demand facility; and it requires the Company to co-fund a certain portion of the transaction credits deployed with merchants under the APM program.

The Company generally carries minimal cash balances as it attempts to maximize the funds deployed with merchants (transaction credits on the consolidated statement of financial position) participating in its APM program. While, generally the cash balances at the end of a quarter / year reflect the timing difference between the Company's ongoing collection of transaction credits from merchants participating in its programs, and deploying advances to existing and new merchants, as at September 30, 2013 the cash balances also include a significant element of cash that the Company intends will be used to re-pay the Debentures on maturity and complete the refinancing explained later in this section.

Capital expenditures are discussed under the section Capital Resources in this document. As of the date hereof, the capital expenditures for Fiscal 2014 are expected to relate to the updating of the Company's infrastructure and software development, and are expected to be on par with activity levels in Fiscal year ended June 30, 2013.

In July, 2012, pursuant to a debt prepayment agreement, the Company prepaid $310,033 in the aggregate principal amount of 12% debentures plus accrued and unpaid interest thereon, and pursuant to a second debt prepayment agreement prepaid $66,000 in the aggregate principal amount of 14% debentures plus accrued and unpaid interest thereon.

The Company's operations are funded by debt. To continue its current operations and fund growth during Fiscal 2014 requires the Company to have continued access to its existing levels of debt. The Company has secured a one year renewal of the loan payable agreement. The agreement now expires in December, 2014. The September 30, 2013 maturity date of the 14% debentures and 12% debentures was extended to October 31, 2013 and then to December 31, 2013. The Company has announced that it has entered into a term sheet to refinance, subject to regulatory and shareholder

approval (if required), between $5 million and $5.5 million of the 14% debentures and 12% debentures for maturity on September 30, 2016. As part of the refinancing, the Company intends to issue units comprised of (a) secured non-convertible debentures with face value of $1,000 bearing interest at 12% per annum (the "New Debentures") and (b) 8,150 common shares in the capital of the Company. The Company expects to successfully finalize the refinancing of the debentures.

Additional capital in the form of debt and/or equity will be required to fund the continued expansion of the Company's business expansion goals, including the APM program, as described under the section General Risks and Uncertainties in this document.

The Company does not participate in off balance sheet financing arrangements.

Contractual Obligations

Contractual obligations as at September 30, 2013 were due as follow.

(in millions of dollars)

		Payments Due by Period			
Contractual obligation	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Loan Payable	$6.7	$6.7	$-	$-	$-
14% debentures	$1.7	$1.7	$-	$-	$-
12% debentures	$6.2	$6.2	$-	$-	$-
Operating Leases	$0.5	$0.1	$0.4	$-	$-

Additional commitments

The Company has an annual commitment to purchase minimum aeroplan miles as part of its three year arrangement ("existing agreement") to develop and manage a loyalty program for its affinity partner, Aeroplan. The Company met its first year commitment of $700,000 by the due date of December 31, 2011. The Company had a second year commitment, commencing January 1, 2012 and ending December 31, 2012 to purchase $1,000,000 of aeroplan miles. The Company was able to purchase just over $700,000 of aeroplan miles. Concurrent with the Company's acquisition of Futura Loyalty Group Inc.'s ("Futura") Aeroplan channel marketing assets the Company and Aeroplan reached an understanding to restructure the existing agreement. The restructured arrangement ("arrangement") combines the existing agreement and the Futura Aeroplan re-seller agreement acquired by the Company. The arrangement has a one year term ending December 31, 2013, and carries a commitment by the Company to purchase $1,960,135 of aeroplan miles from Aeroplan. The arrangement also calls for the Company to fulfill any of Futura's commitments in respect of aeroplan miles paid for in advance by merchants to a maximum of $150,000. Under the arrangement the Company does not have a liability, to Aeroplan, in respect of the shortfall in meeting its second year commitment per the existing agreement. The arrangement was formalized by an agreement in June, 2013. The Company is negotiating for a multi-year renewal of its agreement with Aeroplan and these discussions also cover re-establishing the Company's commitment for calendar 2013. The Company expects to meet the re-established commitment for calendar 2013.

In February, 2012 the Company signed an agreement with a service provider to purchase software over a three year term. The software provides an integrated platform enabling users to simultaneously manage and schedule their digital marketing campaigns. The Company sells this

software to merchants participating in its programs. The annual purchase commitment, per agreement, commencing July 1, 2012, was $288,000. As part of negotiations to restructure the relationship, the Company and the service provider reached an understanding to amend, amongst other provisions, the annual purchase commitment to $192,000 commencing August 1, 2013. The Company has sales of software to meet the revised annual purchase commitment.

Loan Payable

The Company has a credit facility ("facility") with Accord Financial Inc. ("Accord") to be used exclusively to acquire transaction credits under its APM program. As security, Accord has first charge to all amounts due from merchants funded from this facility. The facility was set up in December, 2007.

The facility was renewed in October, 2013 for a one year term ending in December, 2014.

The facility has a limit of $8.5 million. The interest rate is 11.5% plus prime of a certain Canadian bank.

As at September 30, 2013, the Company had utilized $6.7 million of the facility (as at June 30, 2013 $7.1 million).

14% Non-Convertible Debentures Payable

In May, 2011 the Company refinanced its 14% non-convertible debentures payable ("old 14% debentures") by issuing $1,810,000 of 14% non-convertible debentures payable ("14% debentures").

The 14% debentures bear interest at 14% per annum, payable quarterly, with a maturity date of September 30, 2013. The 14% debentures carried 3,574,750 common share purchase warrants convertible, during the term of the 14% debentures, into 3,574,750 common shares of the Company at an exercise price of $0.04 per common share.

In July, 2012 pursuant to a debt prepayment agreement the Company prepaid $66,000 in the aggregate principal amount of the 14% debentures plus accrued and unpaid interest thereon. Post prepayment the principal amount of the 14% debentures is $1,744,000. Concurrently with the debt prepayment, 130,350 common share purchase warrants of the Company (each a "Warrant") were surrendered to the Company. The number of Warrants surrendered was proportionate to the number of 14% debentures prepaid.

The Company has fully deployed the proceeds of the 14% debentures with merchants participating in its APM program.

As at September 30, 2013 the Company met the financial covenant, dollar amount of transaction credits, stipulated in the 14% debentures agreement.

As security, the 14% debenture holders have first charge to all amounts due from merchants funded by the proceeds of the 14% debentures.

In September, 2013 the maturity date of the 14% debentures was extended to October 31, 2013. In October, 2013 the maturity date was extended to December 31, 2013. Concurrently, the expiry date of the Warrants was extended.

12% Non-Convertible Debentures Payable

In May, 2011 the Company completed an early refinancing of its convertible debentures by issuing $6,462,000 12% non-convertible debentures ("12% debentures").

The 12% debentures bear interest at 12% per annum, payable semi-annually, with a maturity date of September 30, 2013. The 12% debentures carried 91,443,762 common share purchase warrants convertible, during the term of the 12% debentures, into 91,443,762 common shares of the Company at an exercise price of $0.04 per common share.

In July, 2012 pursuant to a debt prepayment agreement the Company prepaid $310,033 in the aggregate principal amount of the 12% debentures plus accrued and unpaid interest thereon. Post prepayment the principal amount of the 12% debentures is $6,151,967. Concurrently with the debt prepayment, 4,387,271 common share purchase warrants of the Company (each a "Warrant") were surrendered to the Company. The number of Warrants surrendered was proportionate to the number of 12% debentures prepaid.

The 12% debentures are used for the purpose of the Company's working capital needs, including funding merchants participating in the APM program.

As at September 30, 2013 the Company met the two financial covenants, interest coverage and current assets, stipulated in the 12% debentures agreement.

The 12% debentures are secured by a general security agreement over all the assets of the Company and its subsidiaries. The significant financial covenants of the 12% debentures require the Company to meet a defined level of current assets and interest cover on a quarterly basis. 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 12% debentures agreement and, as a result, the 12% debentures holders would have the right to waive the event of default, demand immediate payment of the 12% debentures in full or modify the terms and conditions of the 12% debentures including key terms such as repayment terms, interest rates and security. If the Company is unable to secure alternative financing to repay the 12% debentures, the 12% debentures holders would have the right to realize upon a part or all of the security held by them.

In September, 2013 the maturity date of the 12% debentures was extended to October 31, 2013. In October, 2013 the maturity date was extended to December 31, 2013. Concurrently, the expiry date of the Warrants was extended.

Summary of Quarterly Results

12 month period ended
September 30, 2013

(in millions of dollars, except per share amounts)	Q2 Dec 31 2012	Q3 Mar 31 2013	Q4 Jun 30 2013	Q1 Sep 30 2013	Total
Revenue	$4.4	$3.6	$4.5	$4.5	$17.0
Percentage of Annual Revenue	25%	21%	27%	27%	100%
Net Income/(Loss)	$0.1	$(0.6)	$0.2	$0.0	$(0.3)
Basic and Diluted Earnings Per Common Share	$ 0.00	$ (0.00)	$ 0.00	$ 0.00	$(0.00)

12 month period ended
September 30, 2012

(in millions of dollars, except per share amounts)	Q2 Dec 31 2011	Q3 Mar 31 2012	Q4 Jun 30 2012	Q1 Sep 30 2012	Total
Revenue	$4.2	$3.5	$4.3	$4.4	$16.4
Percentage of Annual Revenue	26%	21%	26%	27%	100 %
Net Income/(Loss)	$ 0.2	$ (0.4)	$ 0.1	$ 0.3	$ 0.2
Basic and Diluted Earnings Per Common Share:	$ 0.00	$ (0.00)	$ (0.00)	$ 0.00	$ 0.00

Some numbers in the above presentation may not add due to rounding.

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

Expenditures for property, plant and equipment, and intangible assets for Q1 Fiscal 2014 year were $114,000 (Q1 Fiscal 2013 – $51,000), and consisted of software ($102,000) and computer hardware ($12,000).

Q1 Fiscal 2014 includes capitalization of $24,000 of internal costs expended on software development connected to ensuring operability of the Company's loyalty marketing programs sponsored by CIBC and Aeroplan (Q1 Fiscal 2013 - $18,000). The costs are being amortized over the shorter of useful life of the software and term of Affinity partner agreement.

As of date hereof, the capital expenditures during fiscal year ending June 30, 2014 are expected to be in the nature of updating of the Company's infrastructure and software development to operate the Retail programs for existing Affinity partners, and expansion opportunities the Company is pursuing which are noted in section Overall Performance.

There are no material commitments for capital expenditures as of date hereof.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements, in accordance with International Financial Reporting Standards, 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 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, 2013.

Contingent liabilities

A significant amount of estimation is applied in evaluating the company's uncertain tax provision with the Canada Revenue Agency (CRA), as described in note 17 to the audited consolidated financial statements for year ended June 30, 2013, and in the final paragraph in the General Risks and Uncertainties section of this document, and whether a tax provision is required.

Going concern

The Company tests the going concern assumption on a quarterly basis. The Company determines this from its financial forecasts that are prepared on its expectation regarding continuation of its agreement with CIBC, continued access to existing sources of debt, ability to access additional sources of debt, growth of its existing business, and development of new lines of business.

Financial instruments – fair value

The Company calculates the fair value of certain financial instruments using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The stated value of the loans payable, and non-convertible debentures payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Credit risk

The Company has certain business risks linked to the collection of its transaction credits. Under the regular APM program 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 – 120 days. Management has implemented additional 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. With the introduction, during the fourth quarter of fiscal year ended June 30, 2011, of a modified APM program targeted towards smaller merchants where the transaction credits are estimated to be fully extinguishable

within 180 – 210 days, the Company has leveraged its experience from the regular APM program to design processes to manage risk. 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 a) 120 days respecting the regular APM program, and b) 180 – 210 days respecting the modified APM program. 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 for legal collection, 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 net balance of the transaction credits, and accounts receivable

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

	September 30, 2013	**June 30, 2013**	**September 30, 2012**
	$	**$**	**$**
Transaction credits	14,301,000	14,440,000	15,432,000
Accounts receivable	817,000	599,000	1,044,000
Allowance	(1,039,000)	(807,000)	(1,417,000)
Per statement of financial position	14,079,000	14,232,000	15,059,000
Amounts due from CRA, included in accounts receivable (received in February 2013)	-	-	(800,000)
Maximum exposure to credit risk	14,079,000	14,232,000	14,259,000

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

	September 30, 2013	**June 30, 2013**	**September 30, 2012**
	$	$	$
Impaired transaction credits	2,498,000	2,167,000	2,664,000
Allowance	(1,039,000)	(807,000)	(1,417,000)
Impaired transaction credits not allowed for	1,459,000	1,360,000	1,247,000

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 immediately to four years.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan ("2009 stock option plan") which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis), and accordingly the maximum aggregate number of common shares issuable under the 2009 stock option plan is 11,643,044. The 2009 stock option plan expires on the date of annual meeting of shareholders in 2013. The directors intend to approve continuation of the 2009 stock option plan to date of the annual meeting of shareholders in 2014.

Movement during Q1 Fiscal 2014 and Q1 Fiscal 2013 is tabulated.

	Q1 Fiscal 2014	**Q1 Fiscal 2013**
	Number of Options	
Outstanding at start of year	10,441,430	11,027,790
Expired	-	(1,000,000)
Outstanding at end of year	10,441,430	10,027,790

The number of stock options available for future issuance as at September 30, 2013 compared to September 30, 2012 is as follows:

	September 30, 2013	September 30, 2012
Maximum number reserved for issuance	11,643,044	11,643,044
Less: Outstanding at end of period	(10,441,430)	(10,027,790)
Number of options available for future issuance	1,201,614	1,615,254

The number of options available for future issuance at June 30, 2013 was 1,201,614.

There was no stock based compensation expense during Q1 Fiscal 2014 (Q1 Fiscal 2013 $nil).

Outstanding Share Data

Outstanding shares

As at date hereof, September 30, 2013, and June 30, 2013, the number of issued and outstanding common shares of the Company was 97,025,368. The number of common shares is provided by the Company's transfer agent CST Trust Company.

As at date hereof, the company was committed to issuing additional common shares as follows:

	Number of common shares	Exercise price $	Expiry
Common shares issuable on exercise of common share purchase warrants attached to 14% debentures	3,444,400	0.040	December 31, 2013
Common shares issuable on exercise of common share purchase warrants attached to 12% debentures	87,056,491	0.040	December 31, 2013
Employee stock options Maximum number issuable under the 2009 stock option plan is 11,643,044.	10,441,430	Ranging between $0.01 and $0.05	Ranging between March 2014 and March 2018
TOTAL	**100,942,321**		

Transactions with Related Parties

As at September 30, 2013, June 30, 2013 and September 30 2012, the related parties, tabulated below, were holders of the debentures described in sections 14% Non-Convertible Debentures Payable, and 12% Non-Convertible Debentures Payable in this document. The related parties purchased debentures on terms and conditions applicable to the other subscribers.

Title	Principal Amount – 14% debentures	Principal Amount – 12% debentures
Chief Executive Officer – Kelly E. Ambrose	$nil	$100,000
Chief Financial Officer – Mukesh Sabharwal	$10,000	$ 30,000

Trapeze Capital Corp. and Trapeze Asset Management Inc. (together "Trapeze"), on behalf of their respective managed accounts, as of date hereof, held 1,412 units of 14% debentures totaling to $1,412,000, and 4,499 units of 12% debentures totaling to $4,499,000. The 14% debentures and 12% debentures (together "Debentures") held by Trapeze carry common share purchase warrants, convertible during the term of the Debentures, into 66,450,044 common shares of the Company at an exercise price of $0.04 per common share. On a fully diluted basis, Trapeze is considered a "control person" per securities law, and is reported as a related party in this document.

As more particularly described under sections 14% Non-convertible debentures and 12% Non-convertible debentures payable, Trapeze on behalf of all holders of Debentures agreed to extend the Debentures to October 31, 2013 and then to December 31, 2013.

It is expected that these same informed persons will subscribe for new debentures as part of the debenture refinancing announced on October 28, 2013. Any such subscription will be on terms and conditions applicable to the other subscribers, which are more fully described in the Company's press release of October 28, 2013.

Outlook

The Company noted in the Outlook section of the MD&A for year ended June 30, 2013 that the next twelve to eighteen month period is one of challenges and opportunities.
The challenges identified were the uncertain economy, and CIBC's decision to sell half of its portfolio of credit cards featuring aeroplan miles rewards and the effect these two factors would have on the Company's revenues. We see the outcome in our results for Q1 Fiscal 2014. The positive is that the Company is able to adjust to the changing circumstances, and is reporting a net income.

The positives are the same as identified at June 30, 2013. To-reiterate, the Company provides unique marketing services to highly visible partners, and has a coalition of about 2,000 merchants which forms a diverse revenue base. CIBC has shown faith in Advantex and signed a multi-year renewal. The Company expects a positive outcome from its negotiations with Aeroplan for a multi-year renewal. The agreement with CIBC allows the Company to operate its Legacy program for TD. The Company has commenced discussions with TD, and a successful outcome would result in a program that has the potential to offset the financial impact of the above noted challenges. The Company's financial partners are supporting the Company.

While the Company continues to be cautiously optimistic of its prospects, given the uncertainties the next twelve to eighteen month period is likely to be financially turbulent.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its value-added loyalty program agreement with CIBC under which rewards are awarded to holders of certain CIBC credit cards when they complete purchases at merchants participating in Advantex programs. The significance to the Company of the CIBC agreement can best be assessed by comparing its revenues with that of other programs as tabulated at the end of this section. The Company has an eighteen year partnership with CIBC. In September, 2013 the Company renewed its existing arrangement with CIBC, and signed a new agreement ("new agreement"). The initial term of the new agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. The new agreement grants the Company conditional exclusivity rights to market its programs within certain business segments including Dining (restaurants; golf courses; independent inns, resorts and selected hotels; spas). The new agreement can be terminated by CIBC at any time by providing at least six months prior written notice to the Company.

Recognizing the risks of overdependence on an Affinity partner and/or a business segment from the perspective of business continuity, and limitation on future revenues and profitability, the Company sought out and signed an agreement with Aeroplan. The agreement was signed in March, 2010 for a term through August 31, 2013, with an option to extend for one additional period of two years by mutual consent of the parties, and could be terminated by Aeroplan under certain conditions prior to August 31, 2013. In 2013, Advantex and Aeroplan re-structured the agreement. (Details provided in section Contractual Obligations in this document), and extended its term to December 31. 2013. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings in certain business segments including men's and ladies fashion, footwear and accessories business segment ("Fashion retail"). The exclusivity in favour of the Company is conditional upon the Company meeting certain targets on an annual basis. Under certain conditions

the Company can expand its product offering outside permitted business segments, with Aeroplan holding the right of first refusal. The Company launched this program on September 1, 2010.

Illustration of economic dependence on CIBC

Revenue	**Q1 Fiscal 2014**		**Q1 Fiscal 2013**	
	$	%	$	%
Programs operated in partnership with CIBC	$ 4.0 m	88.9 %	$ 4.1 m	93.2 %
Programs operated in partnership with Aeroplan	$ 0.5 m	11.1 %	$ 0.2 m	4.6 %
All other revenues	$ 0.0 m	0.0 %	$ 0.1 m	2.2 %
Total	$ 4.5 m	100.0%	$ 4.4 m	100.0%

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. The Company's relationship with CIBC has been in place for about eighteen years and has been through several multi-year renewal terms. The agreement was renewed effective September 30, 2013. The initial term of the agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. If CIBC exercises its right to either terminate the agreement upon at least six months prior notice or retain a third party service provider to operate a competing program, the Company could be materially and adversely affected. The Company believes that it has begun to limit its economic dependence on CIBC by developing its partnership with Aeroplan.

The Company earns its revenue, from the programs it operates in partnership with CIBC, when CIBC credit card holders complete purchases at merchants participating in the programs. CIBC has sold about 50% of its credit card portfolio featuring aeroplan miles rewards ("sold portfolio") to TD effective January 1, 2014. From January, 2014 up until the sold portfolio is converted to TD ("transition period"), the Company expects to receive the transactions respecting the sold portfolio, such that during the transition period the Company does not expect a material adverse impact on its revenues and earnings. The agreement with CIBC allows the Company to operate its Legacy program for TD. The Company has commenced discussions with TD, and a successful outcome would result in a program that has the potential to offset the material and adverse impact on its revenues and earnings in the post transition period. The Company believes it operates a unique loyalty rewards accelerator program that would be an attractive proposition for the potential partner. However, no assurance can be given respecting: duration of the transition period; decline in the Company's revenues during and post the transition period; if an agreement can be reached with TD and the timing and duration of this agreement; and the potential impact on revenues and earnings from agreement with TD.

The Company's working capital needs are currently entirely provided by debt in the form of 12% debentures, 14% debentures, and loan payable. While the Company utilizes the funds generated from its operations to expand its premier program – Advance Purchase Marketing (APM) under which it acquires the rights to future designated credit card transactions at a discount from the face value from participating merchants, in addition to providing the merchants with loyalty marketing services – to be able to advance its business the Company needs to be able to access the room

available under the loan payable facility. The Company's relationship with the 12% debentures holders, 14% debentures holders, and providers of loan payable facility span about 10 and 5 years respectively. The 12% debentures, and 14% debentures carry financial covenants and since their renewal in May 2011 the Company has met the financial covenants. The 12% debentures, and 14% debentures mature December 31, 2013 and, as set out under Working Capital and Liquidity Management of this document, the Company expects to successfully finalize the refinancing of the debentures. The loan payable is a demand facility, and the term of the loan payable expires in December 2014. 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 APM program will result in higher revenue and, consequently, improve the Company's results and cash flows. The Company requires additional debt financing to scale its ability in this area. If the Company is not successful in raising additional debt financing, 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 12% debentures holders.

The Company has certain business risks linked to the collection of its transaction credits. Under the APM program 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 – 210 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 210 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 for legal collection, 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 12% debentures and 14% debentures which have fixed interest rates, and loan payable which carries a floating interest rate. While the Company is not exposed to interest rate risk on account of 12% debentures and 14% 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 11.5%, 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 three months ended September 30, 2013 the Company incurred interest expense of $265,000 on utilization of loan payable. Had the interest rate, for the three months ended September 30, 2013, been 10% higher the interest expense on loan payable would be $292,000, an increase of $27,000.

During the past six years the Company has added additional sources of debt, and continues to explore avenues to secure debt at better terms.

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, and Aeroplan, 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 financial and security difficulties being experienced by the airline industry overall, 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 Advantex's revenue. In addition, there are additional loyalty program operators in Canada, targeting the same merchant base as Advantex. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

In addition to economic factors, 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 and Aeroplan; continuation of partnership with processors (processors provide data to the Company that enables billing and issuance of loyalty rewards under the Aeroplan sponsored Legacy program); competition, changes in regulations - including taxation - affecting the Company's activities, consumer spending behavior; continued demand for the Company's programs by merchants; ability to meet the commitments (described in detail under section Contractual Obligations in this document).

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: expectation of refinancing debentures on the terms set out in the term sheet and the timing of the refinancing; expectation of securing a multi-year renewal of its agreement with Aeroplan; impact of the sold portfolio on the Company's revenues and earnings; expectation of receiving transactions respecting sold portfolio during the transition period; ability to secure an agreement to operate a loyalty accelerator program for TD; expectation of the impact on its financial performance from operating a program for TD; expectations from the re-seller program; belief that it has processes to manage delinquency risk; ability to manage the delinquency risk; belief that increasing the amount of transaction credits will result in higher revenues and improve results and cash flows; expectation connected to capital expenditures during Fiscal 2014; belief that the need for capital to expand the APM program is satisfied by loan payable; the Company's expectation of meeting its financial commitment to Aeroplan for calendar 2013; belief that working with Aeroplan will lessen economic dependence on CIBC; expectation of its prospects; belief in the unique nature of its programs; its ability to compete effectively; belief in its ability to pass on a significant portion of any interest rate increase to participating merchants; 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 with the Company; continued support from its provider of loan payable and holders of non-convertible debentures payable; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on the Company's 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; its ability to access future financing to expand its APM program and for general working capital needs; ongoing and future revenue sources; future business levels and the cost structure 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 "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.

ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three and six month periods ended December 31, 2013 and 2012

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") and is dated as at March 3, 2014. 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 three and six month periods ended December 31, 2013, compared to the three and six month periods ended December 31, 2012. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2013, and the interim consolidated financial statements and the related notes for the three and six months ended December 31, 2013, which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollar, which is the Company's presentation and functional currency, unless otherwise noted. All dollar amounts have been rounded and do not tie directly to the 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") and Aimia Inc. ("Aimia"). The programs the Company operates in partnership with CIBC ("Bank program") and Aimia ("Aeroplan program") enable holders of designated CIBC credit cards and Aimia members (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 more than five million Canadian consumers, with above-average personal and household income. The Company's merchant partner base currently consists of about 2,000 merchants operating across Canada 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; book and newspaper stores; health and beauty centres; dry cleaners; gift stores; home décor; automotive dealers, service centers; and tire dealerships, many of which are leaders in their respective business segment.

Advantex earns its revenue from merchants participating in its Bank program, in the form of an agreed marketing fee, for every purchase completed using a CIBC credit card at their establishments. Advantex earns its revenue in the Aeroplan program from selling consumer rewards, at an agreed price per consumer reward, to participating merchants.

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

The Company is pleased to report a net income for three and six months December 31, 2013. While the net income is lower compared to corresponding periods in the previous year it has been achieved in a difficult

business environment and speaks to the Company's ability to overcome current challenges and prepare for future opportunities.

Summary

The Company's revenues are significantly dependent on its Bank program which it has operated in partnership with CIBC since 1995 and is targeted at holders of designated CIBC credit cards. (section Economic Dependence in this document). Until December 31, 2013 a significant portion of the CIBC credit card portfolio carried the aeroplan miles consumer rewards feature ("aeroplan portfolio"), the outcome of decade old partnership between CIBC and Aimia, the owner of Aeroplan loyalty program. The rest of the CIBC credit card portfolio carries other consumer rewards features including CIBC's proprietary Aventura points.

The three and six months ended December 31, 2013 fell in the period when CIBC, The Toronto Dominion Bank ("TD"), and Aimia formed a tripartite arrangement that became effective January 2014, and under which CIBC sold a significant part of its aeroplan portfolio to TD. In the aftermath of CIBC's decision respecting its aeroplan portfolio, the credit card space is witnessing intense competition amongst Canadian banks. Since the Company currently has a relationship with CIBC only, during this period amongst the other risk factors two additional risk factors emerged in addition to the difficult market conditions which continued to affect the marketing budgets of small independent merchants and affected our merchant selling and retention cycles. First, the result of the above noted market activity by Canadian banks is reflected in the changing consumer preferences connected to usage of credit cards and their purchases completed using CIBC credit cards at participating merchants, and second, merchant perception of the attractiveness of the Bank program operated by the Company has suffered and this is reflected in merchant participation level (section Revenue in this document)..

Since the Company earns its revenue from merchants participating in its Bank program, in the form of an agreed marketing fee, for every purchase completed using a CIBC credit card at their establishments, the above noted factors had a direct negative effect on the Company's financial performance for the three and six months ended December 31, 2013.

The Company is taking steps to broaden its Affinity partner relationships and prepare a platform for improving its financial performance as explained in the sections below.

Developments

These are included here to provide a context for the rest of fiscal year ending June 30, 2014 and the Outlook.

The Company is currently in discussions with TD to operate a merchant based loyalty program for TD. The discussion, although in initial stages, is encouraging, but no assurances can be given on the outcome or its timing. The Company is focused on securing this arrangement at the earliest to offset the decline in its revenues once TD takes over the operation of the aeroplan portfolio it has purchased from CIBC. The current transition date is June 30, 2014. A successful conclusion has the potential to stabilize and / or improve the value proposition to existing and prospective merchants, and potentially increase merchant participation and consequently revenues and earnings.

CIBC on its part has launched an aggressive media campaign ("Even Penguins Can Fly") to promote the advantages of its Aventura cards, the value and flexibility of its currency. The Company's existing Bank program issues these consumer rewards and sees the CIBC media program as a positive development.

In January 2014 the Company and Aimia extended the term of their agreement to March 31, 2014, to allow them to continue under their current agreement while continuing their discussions about the potential terms of a new agreement for Advantex to operate Aimia's Aeroplan loyalty program in the independent business segment. The Company believes there is potential for growth in revenues and profitability from this activity.

The Company has an agreement with Caesars Entertainment Corporation ("Caesars") to operate a pilot merchant based loyalty program ("Caesars program") for Caesar's Total Rewards loyalty program. The pilot is underway since end November 2013 in a test market in the USA. The Company believes this pilot could be a precursor to a full program across the USA, and while no assurances can be given at this stage on such an outcome the Company believes the USA is an untapped market for its product offerings and its services would be in demand. The Company earned no revenue from the Caesars program during three and six months ended December 31, 2013.

Highlights of financial performance for three and six months ended December 31, 2013

The highlights of the financial performance for the three and six months ended December 2013 ("Q2 Fiscal 2014" and "YTD Fiscal 2014" respectively) compared to the three and six months ended December 31, 2012 ("Q2 Fiscal 2013" and "YTD Fiscal 2013" respectively) is tabulated:

	Q2 Fiscal 2014	**Q2 Fiscal 2013**	**YTD Fiscal 2014**	**YTD Fiscal 2013**
	$	$	$	$
Revenues				
Bank program	3,843,000	4,099,000	7,868,000	8,308,000
Aeroplan program	766,000	288,000	1,289,000	470,000
Retail programs	**4,609,000**	**4,387,000**	**9,157,000**	**8,778,000**
Miscellaneous income	-	41,000	-	53,000
Total revenue	**4,609,000**	**4,428,000**	**9,157,000**	**8,831,000**
Gross profit	**2,873,000**	**3,012,000**	**5,817,000**	**6,039,000**
Earnings from operations before depreciation, amortization and interest ("EBITDA" *)	**734,000**	**1,026,000**	**1,558,000**	**2,066,000**
Net Income	**75,000**	**124,000**	**131,000**	**398,000**

***** EBITDA 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. In case of the Company, for the above tabulated periods, per consolidated financial statements for the three and six months ended December 31, 2013, earnings from operations before depreciation, amortization and interest is the nearest equivalent to EBITDA.

Income Statement - Q2 Fiscal 2014 and YTD Fiscal 2014 (together "current periods") compared to Q2 Fiscal 2013 and YTD Fiscal 2013 (together "previous periods")

The difficult selling and retention environment explained under *Summary* in this section is reflected in lower merchant participation in the Company's Bank program during current periods, and in the decline in the Bank program revenues during current periods compared to previous periods. The combined Bank program and Aeroplan program (together "Retail programs") revenues are up because of the contributions of the Aeroplan program.

Direct expenses for the Bank program during current periods increased compared to previous periods as the Company increasingly used higher consumer rewards to incentivize new merchant sign ups and as a retention tool. This measure was necessitated to partially mitigate the difficult selling and retention cycles. The Company met the annual program goals determined in consultation with CIBC, and CIBC's support payments are reflected in YTD Fiscal 2014 and YTD Fiscal 2013. Current periods direct expenses also reflect a higher expense compared to previous periods because of the need for higher expense for delinquent accounts

respecting merchants participating in the Bank program's Advance Purchase Marketing ("APM") model (Further details on APM provided in Revenue section). The higher level of merchant delinquencies is the result of a difficult economy on independent merchants. The Company is scaling back its APM model in those business segments which have had a higher historical incidence of delinquencies, and the Company believes this step along-with its existing credit and collection processes are adequate to mitigate the impact of future merchant delinquencies on its operational performance.

Company gross profit for current periods consequently is lower compared to previous periods. The Aeroplan program gross profit helped to offset some of the decline from the Bank program.

During current periods the Bank program selling expenses declined. This reflects a lower headcount in advance of the low revenue period of January – March. Current periods selling expenses also reflect Aeroplan program which expanded from an acquisition announced in February, 2013. The Company has developed the selling organization to operate and develop this program. Additional resources will be added to develop the Bank program, subsequent to an agreement with TD, and the Aeroplan program, upon renewal of agreement with Aimia, during next 3-4 months to capitalize on the growth opportunities.

Current periods General and Administrative expenses saw an increase to support the operation of the Company's Retail programs. In addition, current periods also reflect expenditure to launch the pilot Caesars program in a test market in the USA.

During current periods interest expense was lower compared to previous periods. The cash interest was flat compared to previous periods, and the savings were in lower non-cash expenses because there were no accretion expenses during Q2 Fiscal 2014. The Company's two debentures were extended from September 30, 2013 to December 31, 2013 and there were no accretion charges during the extension period.

The above factors resulted in a lower net income for current periods compared to previous periods.

Balance Sheet – current periods compared to previous periods

On December 30, 2013, the Company completed a refinancing by way of a private placement of 12% non-convertible debentures payable ("new 12% debentures") in the principal amount of $5,159,000.

The Company used the proceeds of the new 12% debentures plus cash on hand to repay its 14% non-convertible debentures payable ("14% debentures") and 12% non-convertible debentures payable ("old 12% debentures") (14% debentures and old 12% debentures together "Debentures"). The Company repaid $7,896,000 in aggregate principal amount of the Debentures plus accrued interest thereon. The common share purchase warrants issued with the Debentures were not exercised and expired as of December 31, 2013.

The new 12% debentures were issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the Company bearing interest at 12% per annum, payable semi-annually, and maturing September 30, 2016, and (ii) 8,150 common shares in the capital of the Company. The Company issued 5,159 units that included 42,045,850 common shares.

The transaction has the following benefits for shareholders:

1. Significantly improved the capital structure by reducing the fully diluted common shares by 24.5% from 197.9 million to 149.5 million, a reduction of 48.4 million common shares.
2. Future savings in cash interest by reducing the amount refinanced;
3. The structure of the new 12% debentures results in substantially lower non-cash expense (accretion charges). This will improve the income statement, and showcase the Company's operational performance; and
4. Provides financial stability. This is important for potential new partners (*Developments* in this section).

A detailed look at the results for Q2 Fiscal 2014 and YTD Fiscal 2014 compared to Q2 Fiscal 2013 and YTD Fiscal 2013 is set out in the following sections.

Results of Operations

	Q2 Fiscal 2014	Q2 Fiscal 2013	YTD Fiscal 2014	YTD Fiscal 2013
	$	**$**	**$**	**$**
Revenue – Retail programs	$4,609,000	$4,387,000	$9,157,000	$8,778,000
Misc., and interest income	-	41,000	-	53,000
	$4,609,000	**$4,428,000**	**$9,157,000**	**$8,831,000**
Direct expenses	1,736,000	1,416,000	3,340,000	2,792,000
Gross Profit	**2,873,000**	**3,012,000**	**5,817,000**	**6,039,000**
Selling, and General & Administrative expenses	2,139,000	1,986,000	4,259,000	3,973,000
Earnings from operations before depreciation, amortization and interest	**734,000**	**1,026,000**	**1,558,000**	**2,066,000**
Cash interest expense on loan payable and debentures	514,000	514,000	1,028,000	1,031,000
Earnings from operations before non-cash expenses	220,000	512,000	530,000	1,035,000
Write-off of investment	-	100,000	-	100,000
Depreciation and amortization	145,000	138,000	295,000	245,000
Non-cash interest expense on debentures	-	150,000	104,000	292,000
Net income	**$ 75,000**	**$124,000**	**$131,000**	**$398,000**
Basic and diluted earnings per share	**$0.00**	**$0.00**	**$0.00**	**$0.00**

Extract from the Statement of Financial Position

	At December 31, 2013	At June 30, 2013	(Decrease) / Increase
	$	$	$
Current assets	$14,760,000	$16,419,000	$(1,659,000)
Total assets	$15,490,000	$17,258,000	$(1,768,000)
Shareholders' deficit	$ (502,000)	$(1,053,000)	$ (551,000)

The change in current assets and total assets reflects:

1. Utilization of cash at hand together with proceeds of the new 12% debentures of $5,159,000 to repay its 14% debentures and old 12% debentures. The Company repaid $7,896,000 in aggregate principal amount of the Debentures plus accrued interest thereon (sections Overall Performance and 12% Non-convertible Debentures Payable in this document);
2. Reduction in transaction credits – amounts due from merchants participating in the Bank program's APM model – reflecting the decline in merchant participation (sections Overall Performance, Revenue, and Working Capital and Liquidity Management in this document) ; and
3. Increase in amounts due from an Affinity partner primarily in connection with re-branding initiative launched by them.

The change in shareholders' deficit reflects the net income for the six months ended December 31, 2013 and the increase in share capital on issuance of common shares as part of the debenture refinancing.

Extracts from the Statement of Cash Flow

	For the six months ended	
	December 31, 2013	December 31, 2012
	$	$
Net cash provided by (used in) operating activities		
: Net income after adjustments for non-cash expenses	$ 530,000	$ 1,035,000
: Changes in items of working capital	$ 1,563,000	$(1,392,000)
	$ 2,093,000	$ (357,000)
Net cash (used in) investing activities	$ (185,000)	$ (380,000)
Net cash (used in) financing activities	$(2,833,000)	$ (570,000)
(Decrease) in cash and cash equivalents	$ (925,000)	$(1,307,000)
Cash and cash equivalents at start of period	$ 1,774,000	$ 1,085,000
Cash and cash equivalents at end of period	$ 849,000	$ (222,000)

During the six months ended December 31, 2013 the changes in working capital reflect primarily a decline in transaction credits, and an increase in accounts receivable; and accounts payable and accrued liabilities. Six months ended December 31, 2012 reflected an increase in transaction credits and a decrease in accounts payable and accrued expenses. During six months ended December 31, 2013 the uncertainty surrounding the CIBC – Aimia relationship within a weak economy combined with the market activity in the credit card space by the Canadian banks to create a compressed market for the Company's Bank program, and consequently a decline in the number of participating merchants. The change in transaction credits reflects partially the change in the number of merchants participating in the APM model, as well as the amount of transaction credits deployed with its existing merchants.

The net cash used in investing activities is expenditures for property, plant, equipment and computer software. This is discussed in section Capital Resources.

The debenture refinancing and the repayment of 14% and old 12% debentures is reflected in the net cash used in financing activities during six months ended December 31, 2013. Six months ended December 31, 2012 reflect the partial early repayment of the 14% and old 12% debentures. Additional details are provided in the sections 14% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable.

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, 2013, and have been included to provide additional analysis for the reader.

Revenue

Advantex revenue is derived from merchants participating in its Retail programs which currently consist of the Bank program and the Aeroplan program.

The Bank program has two business models. APM, and Marketing Only. Over 70% of the Bank program revenues during current periods and previous periods were earned from the APM model.

The Aeroplan program operates the Re-seller model. As a result of the acquisition of certain assets of Futura Loyalty Group Inc. announced February 1, 2013, and the Company's agreement with Aeroplan, the Company increased the portfolio of merchants participating in its Re-seller model.

(1) **Advance Purchase Marketing**: The Company acquires the rights to cash flow from future CIBC 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 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 CIBC credit cards, net of the Company's costs to acquire the transaction credits. Proceeds from the amount spent on CIBC credit cards at participating merchants are received by the Company and a predetermined portion is applied to reduce the transaction credit balance that the merchant owes.

(2) **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 a CIBC credit card at participating merchants.

(3) **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. Certain agreements with merchants carry a commitment for merchants to issue a minimum number of aeroplan miles during the term of their agreement with the Company.

The drivers for revenues from the Bank program are:

1. Number of participating merchants;
2. Market penetration of the CIBC credit cards. This is a significant factor since start of Fiscal 2014 (*Summary* under section Overall Performance in this document);
3. Economic environment. The uncertain economy is affecting consumer spending habits;
4. Mix of merchants in terms of their volume of CIBC credit card transactions; and
5. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM model is higher compared to Marketing Only.

The revenues from the Re-seller model reflect the number of participating merchants, and the level of engagement of participating merchants in the program.

The revenue trends are provided in the tabulation.

	Q2 Fiscal 2014	Q2 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
Avg. # of merchants participating during the period						
Bank program	1,122	1,247	(10.0)%	1,138	1,233	(7.7)%
Aeroplan program	829	111		815	111	
	$	$	%	$	$	%
Revenues						
Bank program	3,843,000	4,099,000	(6.2)%	7,868,000	8,308,000	(5.3)%
Aeroplan program	766,000	288,000		1,289,000	470,000	
Miscellaneous income	-	17,000		-	29,000	
Retail programs	**4,609,000**	**4,404,000**	**4.7%**	**9,157,000**	**8,807,000**	**4.0%**
Interest income	-	24,000		-	24,000	
Total Revenues	**4,609,000**	**4,428,000**	**4.1%**	**9,157,000**	**8,831,000**	**3.7%**

As we reported in the three months ended September 30, 2013 MD&A (Q1 MD&A), until cleared up in mid-September 2013 the uncertainty surrounding the CIBC – Aimia relationship combined with a weak economy to create a compressed market for the Company's Bank program and this hampered the Company's ability to

sign new merchants during this period. With CIBC selling about 50% of its credit card portfolio featuring aeroplan miles rewards to TD, the uncertainty continued and the Bank program has a lower attractiveness resulting in longer selling and shorter retention cycles. These factors are reflected in a decline in the merchant participation during Q2 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year.

The decline in merchant participation is reflected in lower Q2 Fiscal 2014 and YTD Fiscal 2014 Bank program revenues compared to corresponding periods in the previous year. An additional contributory factor to the decline in revenues during Q2 Fiscal 2014 and YTD Fiscal 2014 is the effect of heightened competition amongst Canadian banks in the credit card segment and the changing consumer preferences connected to usage of credit cards and their purchases completed using CIBC credit cards at participating merchants.

We reported in Q1 MD&A on our efforts to increase participating merchants' engagement with the Aeroplan program's Re-seller model, and for merchants to leverage their ability to issue aeroplan miles as a powerful marketing tool. We have positive reception to our approach. The typical participating merchant is a mid-sized business with multiple locations compared to small independents in the Bank program, and while it is a longer selling cycle it is expected to have higher merchant retention rate. The Company expects to gradually increase its revenues from this activity.

Direct Expenses

Direct expenses include costs of consumer rewards which the Company purchases from its Affinity partners, the cost of marketing and advertising on behalf of merchants, cost of sales related to sale of aeronotes, cost of sales of digital marketing services, and provision against receivables under all programs.

	Q2 Fiscal 2014	Q2 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$	%	$	$	%
Revenues						
Bank program	3,843,000	4,099,000	(6.2)%	7,868,000	8,308,0000	(5.3)%
Aeroplan program	766,000	288,000		1,289,000	470,000	
Direct expenses						
Bank program	1,332,000	1,292,000	3.1%	2,648,000	2,589,000	2.3%
Aeroplan program	404,000	124,000		692,000	203,000	

The Q2 Fiscal 2014 increase in direct expenses respecting the Bank program primarily reflects an increase in expense for delinquent accounts. The expense was $50,000 higher for Q2 Fiscal 2014 compared to Q2 2013.

YTD Fiscal 2014 increase in direct expenses respecting the Bank program reflects an increase in consumer reward costs (higher by $166,000 for YTD Fiscal 2014 compared to YTD Fiscal 2013) and an increase in expense for delinquent accounts (higher by $91,000 for YTD Fiscal 2014 compared to YTD Fiscal 2013). Costs connected to marketing on behalf of merchants during YTD Fiscal 2014 were lower compared to YTD Fiscal 2013, and this partially reflects timing of marketing initiatives which vary from period to period.

The increase in cost of consumer rewards reflects increasing usage by the Company of bonus aeroplan miles as a selling and retention tool. To support the Company's efforts its Affinity partners have reduced the cost to the Company of certain categories of consumer rewards from the January – March 2014 quarter.

The higher level of merchant delinquencies is the result of a difficult economy on independent merchants. 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 for legal collection, 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 Company is scaling back its APM model in those business segments which have had a higher historical incidence of delinquencies, and the Company believes this step along-with its existing credit and collection processes are adequate to mitigate the impact of future merchant delinquencies on its operational performance.

Gross Profit

Company gross profit was lower in Q2 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year reflecting a decline in Bank program gross profit partially offset by the Aeroplan program.

	Q2 Fiscal 2014	Q2 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	**$**	**$**	**$**	**$**	**$**
Bank program	2,511,000	2,807,000	(296,000)	5,220,000	5,719,000	(499,000)
Aeroplan program	362,000	164,000	198,000	597,000	267,000	330,000
Misc. & Interest income	-	41,000	(41,000)	-	53,000	(53,000)
	2,873,000	**3,012,000**	**(139,000)**	**5,817,000**	**6,039,000**	**(222,000)**

The decline in Bank program Gross margin (Q2 Fiscal 2014 at 65.3% compared to 68.5% for Q2 Fiscal 2013, and YTD Fiscal 2014 at 66.3% compared to 68.8% for YTD Fiscal 2013), is attributable to the increase in direct expenses as is explained under the section Direct Expenses in this document.

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities.

	Q2 Fiscal 2014	Q2 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$	%	$	$	%
Revenues						
Bank program	3,843,000	4,099,000	(6.2)%	7,868,000	8,308,000	(5.3)%
Aeroplan program	766,000	288,000		1,289,000	470,000	
Selling expenses						
Bank program	849,000	914,000	(7.1)%	1,733,000	1,787,000	(3.0)%
Aeroplan program	71,000	64,000		164,000	101,000	

The decline in Bank program selling expenses reflects a lower headcount that the Company did not replace in advance of the low revenue period of January – March. The Company will re-build its headcount in the next 2-4 months to increase sales momentum.

The Re-seller model of the Aeroplan program increased its volume reflecting the acquisition of merchant portfolio announced February 1, 2013, and the Company has developed the selling organization to operate and develop its growth. Upon renewal of the existing agreement with Aimia, additional resources will be added in next 3-4 months to capitalize on the growth opportunities.

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 2014	Q2 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$		$	$	
Increase in Retail program Revenues			**4.7%**			**4.0%**
G&A						
Compensation for non-sales staff	848,000	770,000	10.1%	1,703,000	1,561,000	9.1%
Less: software development costs capitalized (details provided under section Capital Expenditures in this document)	(51,000)	(44,000)		(79,000)	(61,000)	
	797,000	726,000		1,624,000	1,500,000	
Expenses connected to launch of pilot Caesars program	36,000	-		61,000	-	
All other G&A expenses	386,000	282,000		677,000	585,000	
	1,219,000	**1,008,000**	**20.9%**	**2,362,000**	**2,085,000**	**13.3%**

Compensation

Q2 Fiscal 2014 and YTD Fiscal 2014 compensation reflects an increase in headcount to support the operation of the Aeroplan program.

Q2 Fiscal 2013 and YTD Fiscal 2013 reflect a lay-off initiated at the end of November, 2012 which included staff that are part of G&A. This was done in advance of low revenue period January – March.

Both periods reflect increase in remuneration of certain staff.

Other Expenses

Q2 Fiscal 2013 and YTD Fiscal 2013 reflect write-back of provisions no longer required. In other respects Q2 Fiscal 2014 and YTD Fiscal 2014 are comparable to corresponding periods in the previous year.

Interest Expense

The interest expense is tabulated:

	Q2 Fiscal 2014	Q2 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$		$	$	
Stated interest expense						
➢ Loan payable	266,000	267,000		531,000	535,000	
➢ 14% debentures	61,000	61,000		123,000	123,000	
➢ old 12% debentures	184,000	186,000		371,000	373,000	
➢ new 12% debentures	3,000	-		3,000	-	
➢ Total stated interest	**514,000**	**514,000**	**0.0%**	**1,028,000**	**1,031,000**	**(0.3)%**
Non cash interest on 14% debentures and old 12% debentures	-	150,000		104,000	292,000	
Total interest expense	**514,000**	**664,000**		**1,132,000**	**1,323,000**	

The Company deployed the funds available to it under loan payable, and 14% debentures with merchants activated under its Bank program's APM model. The funds available under the old 12% debentures were used for working capital purposes as well as being deployed with merchants activated under the APM model. The funds available under the new 12% debentures are used for working capital purposes as well as being deployed with merchants activated under the APM model. The funds deployed are reflected as transaction credits on the consolidated statement of financial position.

Stated interest expense on loan payable reflects the utilization of funds under this line of credit facility.

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Refer to sections 14% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable for the refinancing completed by the Company and the repayment of 14%, and old 12% debentures.

Net Income

Highlights of Q2 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year is tabulated:

Q2

	Q2 Fiscal 2014	**Q2 Fiscal 2013**	**Inc./(Dec)**
Revenues	$4,609,000	$4,428,000	$ 181,000
Gross Profit	$2,873,000	$3,012,000	$ (139,000)
Earnings from operations before depreciation, amortization and interest	$ 734,000	$1,026,000	$ (292,000)
Net Income	$ 75,000	$ 124,000	$ (49,000)
Basic and Fully Diluted earnings per share	$0.00	$0.00	

YTD

	YTD Fiscal 2014	**YTD Fiscal 2013**	**Inc./(Dec)**
Revenues	$9,157,000	$8,831,000	$ 326,000
Gross Profit	$5,817,000	$6,039,000	$ (222,000)
Earnings from operations before depreciation, amortization and interest	$1,558,000	$2,066,000	$ (508,000)
Net Income	$ 131,000	$ 398,000	$ (267,000)
Basic and Fully Diluted earnings per share	$0.00	$0.00	

A significant portion of the Company's revenues are from the Bank program. The decline in merchant participation in the Bank program during Q2 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year was the result of the compressed market for the Company's program partially due to the uncertainty surrounding the CIBC – Aimia relationship, and the market activity in the credit card space by the Canadian banks. This is discussed in the sections Overall Performance and Revenue.

Q2 Fiscal 2014 revenues were $181,000 higher compared to Q2 Fiscal 2013 but the direct costs increased $320,000 during the same period, leading to a decline in gross profit of $139,000. YTD Fiscal 2014 revenues were $326,000 higher compared to YTD Fiscal 2013 but the direct costs increased $548,000 during the same period, leading to a decline in gross profit of $222,000.

Q2 Fiscal 2014 selling, and general & administrative expenses were $153,000 higher compared to Q2 Fiscal 2013, resulting in a decline of $292,000 in earnings from operations before depreciation, amortization and interest for Q2 Fiscal 2014 compared to Q2 Fiscal 2013. YTD Fiscal 2014 selling, and general & administrative expenses were $286,000 higher compared to YTD Fiscal 2013, resulting in a decline of $508,000 in earnings from operations before depreciation, amortization and interest for YTD Fiscal 2014 compared to YTD Fiscal 2013.

Interest cost for Q2 Fiscal 2014 was $664,000, a reduction of $150,000 compared to Q2 Fiscal 2013. Non-cash interest representing accretion charges on the 14% debentures and old 12% debentures accounted for all of the decrease over Q2 Fiscal 2013. Interest cost for YTD Fiscal 2014 was $1,132,000, a reduction of $191,000 compared to YTD Fiscal 2013. Non-cash interest representing accretion charges on the 14% debentures and old 12% debentures accounted for $188,000 of the decrease over YTD Fiscal 2013.

The above changes are explained in the respective sections earlier in this document.

Working Capital and Liquidity Management

The utilization of liquidity during Q2 Fiscal 2014 and YTD Fiscal 2014 compared to Q2 Fiscal 2013 and YTD Fiscal 2013 is illustrated in the following tabulation:

	Q2 Fiscal 2014	Q2 Fiscal 2013	YTD Fiscal 2014	YTD Fiscal 2013
	$	$	$	$
FUNDS AVAILABLE TO EXPAND THE BANK PROGRAM'S APM MODEL (Transaction credits) AND MEET WORKING CAPITAL REQUIREMENTS				
1. Net income	75,000	124,000	131,000	398,000
Add back non-cash expenses	145,000	389,000	399,000	638,000
Income before non-cash expenses *	220,000	513,000	530,000	1,036,000
2. Cash balances at start of the period	1,685,000	618,000	1,774,000	1,085,000
3. (Decrease) / Increase in utilization of loan payable to increase merchants participating in the APM model	505,000	(11,000)	54,000	(186,000)
4. Accounts payable and accrued liabilities	701,000	-	829,000	-
Funds Available	**3,111,000**	**1,120,000**	**3,187,000**	**1,935,000**
UTILIZATION				
1. (Decrease) / Increase in transactions credits under APM model	(1,166,000)	692,000	(1,536,000)	611,000
2. Cash balances at end of period	849,000	(222,000)	849,000	(222,000)
3. Change in working capital items				
- Current assets	470,000	240,000	802,000	385,000
- Accounts payable and accrued liabilities	-	81,000	-	396,000
4. Capital expenditures	71,000	329,000	185,000	380,000
5. Partial early prepayment of 14% debentures and old 12% debentures	-	-	-	376,000
6. Debentures early prepayment / renewal – additional transaction costs	-	-	-	9,000
7. Repayment of 14% and old 12% debentures	7,896,000	-	7,896,000	-
8. Proceeds from refinancing of new 12% debentures net of costs to close the transaction	(5,009,000)	-	(5,009,000)	-
Utilization	**3,111,000**	**1,120,000**	**3,187,000**	**1,935,000**

***** 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 is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment, and amortization of intangible assets; and accretion charge for debentures – to net income for the three and six months, which are disclosed in the consolidated financial statements for three and six months ended December 31, 2013 under the section consolidated statements of cash flow.

The Company believes that increasing the amount of the transaction credits deployed with merchants under the Bank program's APM model will result in higher revenue and, consequently, improve the Company's financial results and cash flows. As noted under the section Overall Performance, the uncertainty surrounding the CIBC – Aimia relationship within a weak economy combined with the market activity in the credit card space by the Canadian banks to create a compressed market for the Company's Bank program, and

consequently a decline in the number of participating merchants during Q2 Fiscal 2014 and YTD Q2 Fiscal 2014. The change in transaction credits reflects partially the change in the number of merchants participating in the APM model, as well as the amount of transaction credits deployed with its existing merchants. The Company believes that the APM business addresses the marketing and working capital needs of small independent merchants, a segment ignored by financial institutions, and there is potential for future revenue growth.

Income before non-cash expenses* and cash received from financing activities related to draw against loan payable is used to fund merchants participating in the APM model. The Income before non-cash expenses* is also utilized to meet the Company's other working capital and capital expenditure requirements.

The Company deploys the funds available to it under its loan payable, and debentures with merchants activated under its APM model. The funds available under the old 12% debentures were used for working capital purposes including being deployed with merchants activated under the APM model. The funds available under the new 12% debentures are used for working capital purposes including being deployed with merchants under the APM model. At present, the need for capital to expand the APM model is satisfied by the loan payable, however there are limitations including; a credit limit of $8.5 million (utilization at December 31, 2013 was $7.2 million compared to $7.1 million at June 30, 2013); it is a demand facility; and it requires the Company to co-fund a certain portion of the transaction credits deployed with merchants under the APM model.

The Company generally carries minimal cash balances as it attempts to maximize the funds deployed with merchants (transaction credits on the consolidated statement of financial position) participating in the APM model. While, generally the cash balances at the end of a quarter / year / and at December 31, 2013 reflect the timing difference between the Company's ongoing collection of transaction credits from merchants participating in its programs, and deploying advances to existing and new merchants, as at September 30, 2013 the cash balances also include a significant element of cash that the Company intended to use to re-pay the Debentures on maturity.

Capital expenditures are discussed under the section Capital Resources in this document. As of the date hereof, the capital expenditures for Fiscal 2014 are expected to relate to the updating of the Company's infrastructure and software development, and are expected to be on par with activity levels in the Fiscal year ended June 30, 2013.

In July, 2012, pursuant to a debt prepayment agreement, the Company prepaid $310,033 in the aggregate principal amount of old 12% debentures plus accrued interest thereon, and pursuant to a second debt prepayment agreement prepaid $66,000 in the aggregate principal amount of 14% debentures plus accrued interest thereon.

The Company's operations are funded by debt. To continue its current operations and fund growth during Fiscal 2014 requires the Company to have continued access to its existing levels of debt. The Company has secured a one year renewal of the loan payable agreement. The agreement now expires in December, 2014. On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000. The Company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures. The Company repaid $7,895,967 in aggregate principal amount of the old 12% debentures and 14% debentures plus accrued interest thereon.

Additional capital in the form of debt and/or equity will be required to fund the continued expansion of the Company's business expansion goals, including the APM model, as described under the section General Risks and Uncertainties in this document.

The Company does not participate in off balance sheet financing arrangements.

Contractual Obligations

Contractual obligations as at December 31, 2013 were due as follow. (in millions of dollars)

		Payments Due by Period			
Contractual obligation	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Loan Payable	$7.2	$7.2	$-	$-	$-
new 12% debentures	$5.2	$-	$5.2	$-	$-
Operating Leases	$0.5	$0.1	$0.3	$0.1	$-

Additional commitments

The Company had an annual commitment to purchase minimum aeroplan miles as part of its three year agreement with Aimia to operate Aimia's Aeroplan loyalty program in the independent merchant business segment. The Company met its year one purchase annual commitment. Years two and three commitments were re-set by Aimia to equal the purchase volume achieved by the Company.

In February, 2012 the Company signed an agreement with a service provider to purchase software over a three year term. The Company sells this software to merchants participating in its programs. Reflecting a subsequent understanding, the annual purchase commitment was applicable only from August 1, 2013 and it is $192,000. The Company has sales of software to meet the revised annual purchase commitment.

Loan Payable

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

The facility was established in December 2007. In October, 2013 the Company and Accord extended the term of the facility for an additional one year period ending in December, 2014.

The facility has a limit of $8.5 million. The Company is paying interest rate on the entire facility equivalent to prime rate of a certain Canadian bank plus 11.5% per annum.

As at December 31, 2013, the Company had utilized $7.2 million of the facility (as at June 30, 2013 $7.1 million).

14% Non-Convertible Debentures Payable

The 14% debentures, issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $1,744,000 had an initial maturity date of September 30, 2013. The

3,444,400 common share purchase warrants of the Company (each a "warrant") issued with the 14% debentures had an initial expiration date of September 30, 2013.

During six months ended December 31, 2013 the Company and the holders of the 14% debentures agreed to extend the term of the 14% debenture and warrants to December 31, 2013.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000 (section 12% Non-Convertible Debentures Payable).

As of December 31, 2013 the Company used the proceeds of the new 12% debentures plus cash on hand to repay the 14% debentures and the old 12% debentures (section 12% Non-Convertible Debentures Payable). The Company repaid $1,744,000 in aggregate principal amount of the 14% debentures plus accrued interest thereon. The 3,444,400 warrants were not exercised and expired as of December 31, 2013.

12% Non-Convertible Debentures Payable

The old 12% debentures, issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $6,151,967 had an initial maturity date of September 30, 2013. The 87,056,491 common share purchase warrants of the Company (each a "warrant") issued with the old 12% debentures had an initial expiration date of September 30, 2013.

During six months ended December 31, 2013 the Company and the holders of the old 12% debentures agreed to extend the term of the old 12% debenture and warrants to December 31, 2013.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000.

As of December 31, 2013 the Company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures. The Company repaid $6,151,967 in aggregate principal amount of the old 12% debentures plus accrued interest thereon. The 87,056,491 warrants were not exercised and expired as of December 31, 2013.

The new 12% debentures were issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the Company bearing interest at 12% per annum, payable semi-annually, and maturing 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.

Under the new 12% debentures agreement, the proceeds of the new 12% debentures are to be used for working capital purposes. The new 12% debentures are secured by a general security interest over the assets of the Company and its subsidiaries. The significant financial covenants of the new 12% debentures require the Company to meet (i) commencing the quarter ended December 31, 2013, on a quarterly basis a defined level of designated current assets, and interest coverage, and (ii) commencing January 31, 2014, on a monthly basis a defined level of credit card spend, on which the Company earns its revenue, at merchants participating in its loyalty programs. The Company met its financial covenants as at December 31, 2013 and January 31, 2014.

Summary of Quarterly Results

12 month period ended December 31, 2013

(in millions of dollars, except per share amounts)	Q3 Mar 31 2013	Q4 Jun 30 2013	Q1 Sep 30 2013	Q2 Dec 31 2013	Total
Revenue	$ 3.6	$ 4.5	$ 4.5	$ 4.6	$ 17.2
Percentage of Annual Revenue	21%	26%	26%	27%	100%
Net Income/(Loss)	$ (0.6)	$0.2	$ 0.0	$ 0.1	$ (0.3)
Basic and Diluted Earnings Per Common Share	$ (0.00)	$ 0.00	$ 0.00	$ 0.00	$ (0.00)

12 month period ended December 31, 2012

(in millions of dollars, except per share amounts)	Q3 Mar 31 2012	Q4 Jun 30 2012	Q1 Sep 30 2012	Q2 Dec 31 2012	Total
Revenue	$ 3.5	$ 4.3	$ 4.4	$ 4.4	$ 16.6
Percentage of Annual Revenue	21%	26%	26%	27%	100%
Net Income/(Loss)	$ (0.4)	$ 0.1	$ 0.3	$ 0.1	$ 0.1
Basic and Diluted Earnings Per Common Share:	$ (0.00)	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Expenditures for property, plant and equipment for Q2 Fiscal 2014 and YTD Fiscal 2014 were $71,000 and $185,000 respectively compared to $329,000 and $380,000 respectively for corresponding periods in the previous year. The YTD Fiscal 2014 expenditures consisted of $35,000 computer hardware and $150,000 computer software (YTD Fiscal 2013 $52,000 and $278,000 respectively).

Q2 Fiscal 2014 and YTD Fiscal 2014 include capitalization of $51,000 and $79,000 respectively of internal costs expended on software development connected to ensuring operability of the Company's merchant based programs sponsored by CIBC and Aimia compared to $44,000 and $61,000 respectively for corresponding periods in the previous year. The costs are being amortized over the shorter of useful life of the software and term of Affinity partner agreement.

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 International Financial Reporting Standards, 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 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, 2013.

Contingent liabilities

A significant amount of estimation is applied in evaluating the company's uncertain tax provision with the Canada Revenue Agency (CRA), as described in note 17 to the audited consolidated financial statements for year ended June 30, 2013, and in the final paragraph in the General Risks and Uncertainties section of this document, and whether a tax provision is required.

Going concern

The Company tests the going concern assumption on a quarterly basis. The Company determines this from its financial forecasts that are prepared on its expectation regarding continuation of its agreement with CIBC, continued access to existing sources of debt, ability to access additional sources of debt, growth of its existing business, and development of new lines of business.

Financial instruments – fair value

The Company calculates the fair value of certain financial instruments using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures. The new 12% debentures were issued as units. Each unit comprises secured non-convertible debentures of the Company, and common shares. The fair value of each common share has been determined based on the closing price of the Company's common share on December 31, 2013 which is the date the transaction was completed. Further details are available under section 12% Non-Convertible Debentures Payable in this document.

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The stated value of the loan payable, and non-convertible debenture payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Credit risk

The Company has certain business risks linked to the collection of its transaction credits. Under the regular APM model 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 – 120 days. Management has implemented additional 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. With the introduction, during the fourth quarter of fiscal year ended June 30, 2011, of a modified APM model targeted towards smaller merchants where the transaction credits are estimated to be fully extinguishable within 180 – 210 days, in the initial stages the Company leveraged its experience from operating the regular APM model to design processes to manage risk connected to the modified APM model. 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 a) 120 days respecting the regular APM model, and b) 180 – 210 days

respecting the modified APM model. 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 for legal collection, 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 net balance of the transaction credits, and accounts receivable.

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

	December 31, 2013	**June 30, 2013**	**December 31, 2012**
	$	**$**	**$**
Transaction credits	12,973,000	14,440,000	16,340,000
Accounts receivable	1,396,000	599,000	340,000
Allowance	(876,000)	(807,000)	(1,634,000)
Per statement of financial position	13,493,000	14,232,000	15,046,000
Maximum exposure to credit risk	13,493,000	14,232,000	15,046,000

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

	December 31, 2013	**June 30, 2013**	**December 31, 2012**
	$	$	$
Impaired transaction credits	2,290,000	2,167,000	3,214,000
Allowance	(876,000)	(807,000)	(1,634,000)
Impaired transaction credits not allowed for	1,414,000	1,360,000	1,580,000

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 immediately to four years.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan ("2009 stock option plan") which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis) at the time the plan was adopted, and accordingly the maximum aggregate number of common shares issuable under the 2009 stock option plan is 11,643,044. In December 2013, the shareholders of the Company approved continuation of the 2009 stock option plan to date of the annual meeting of shareholders in 2014.

Movement during YTD Fiscal 2014 and YTD Fiscal 2013 is tabulated.

	YTD Fiscal 2014	**YTD Fiscal 2013**
	Number of Options	
Outstanding at start of year	10,441,430	11,027,790
Expired	-	(1,000,000)
Outstanding at end of September 30, and December 31	10,441,430	10,027,790

The number of stock options outstanding as of the date hereof is 10,441,430.

The number of stock options available for future issuance as at December 31, 2013 compared to December 31, 2012 is as follows:

	December 31, 2013	December 31, 2012
Maximum number reserved for issuance	11,643,044	11,643,044
Less: Outstanding at end of period	(10,441,430)	(10,027,790)
Number of options available for future issuance	1,201,614	1,615,254

The number of options available for future issuance at June 30, 2013 was 1,201,614.

There was no stock based compensation expense during YTD Fiscal 2014 (YTD Fiscal 2013 $nil).

Outstanding Share Data

Outstanding common shares

As of the date hereof, and December 31, 2013 the number of issued and outstanding common shares of the Company was 139,071,218. The position as at June 30, 2013 and the movement to December 31, 2013 is tabulated. The number of common shares is provided by the Company's transfer agent CST Trust Company.

	Number of shares
Balance as at December 31, 2012 and June 30, 2013	**97,025,368**
Issued as part of the debenture refinancing (12% Non-Convertible Debentures Payable in this document)	42,045,850
Balance as at December 31, 2013	**139,071,218**

As at December 31, 2013, the Company was committed to issuing 10,441,430 additional common shares.

(i) 3,444,400 common share purchase warrants attached to 14% debentures were not exercised and expired as of December 31, 2013.

(ii) 87,056,491 common share purchase warrants attached to old 12% debentures were not exercised and expired as of December 31, 2013.

Related party transactions

Directors and Officers

In December 2013 the following related parties purchased new 12% debentures, on terms and conditions applicable to the other subscribers (section 12% Non-Convertible Debentures Payable). The holdings of debentures are tabulated:

	December 31, 2013			**June 30, 2013**	
	new 12% debentures	old 12% debentures	14% debentures	old 12% debentures	14% debentures
Director and Chief Executive officer – Kelly Ambrose	$500,000	$nil	$nil	$100,000	$nil
Director and Chairman of the Board of Directors – Stephen Burns	$ 50,000	$nil	$nil	$nil	$nil
Director - Marc Lavine (first term; elected director December 18, 2013)	$500,000	$nil	$nil	$500,000	$nil
Director – Rob von der Porten (first term; elected director December 18, 2013)	$ 50,000	$nil	$nil	$ 40,000	$nil
Director – William Polley	$ 50,000	$nil	$nil	$nil	$nil
Chief Financial Officer – Mukesh Sabharwal	$115,000	$nil	$nil	$ 30,000	$10,000

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

Trapeze may have been considered at the time of the purchase of new 12% debentures a related party of the Company by virtue of their holding of $4,446,062 old 12% debentures, $1,296,000 14% debentures, and 65,475,823 common share purchase warrants, issued with old 12% and 14% debentures, of the Company on behalf of their respective managed accounts.

Outlook

The Company believes that the sentiments set out in the Outlook section of the MD&A for year ended June 30, 2013 and three months ended September 30, 2013 continue to be applicable.

The challenges identified by the Company are the uncertain economy, reduction in CIBC's credit card portfolio consequent to its decision to sell half of its portfolio of credit cards featuring aeroplan miles rewards, intense competition amongst Canadian banks in the credit card space, and the effect these three factors would have on the Company's revenues. We see the outcome in our results for Q2 Fiscal 2014 and YTD Fiscal 2014. The positive is that the Company is able to adjust to the changing circumstances, and is reporting a net income.

The positives are the same as identified at June 30, 2013 and September 30, 2013. To-reiterate, the Company provides unique marketing services to highly visible partners, and has a coalition of about 2,000 merchants which forms a diverse revenue base. CIBC has shown faith in Advantex and signed a multi-year renewal. The Company expects a positive outcome from its negotiations with Aimia for a multi-year renewal. The agreement with CIBC allows the Company to operate its Bank program for TD. The Company has commenced discussions with TD, and a successful outcome would result in a program that has the potential to offset the financial impact of the above noted challenges. The Company's financial partners are supporting the Company.

While the Company continues to be cautiously optimistic of its prospects, given the uncertainties the next twelve to eighteen month period is likely to be financially turbulent.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its value-added loyalty program agreement with CIBC under which consumer rewards are awarded to holders of certain CIBC credit cards when they complete purchases at merchants participating in Advantex's Bank program. The significance to the Company of the CIBC agreement can best be assessed by comparing its revenues from its relationship with CIBC with that of other programs as tabulated at the end of this section. The Company has an eighteen year partnership with CIBC. In September, 2013 the Company renewed its existing arrangement with CIBC, and signed a new agreement ("new agreement"). The initial term of the new agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. The new agreement grants the Company conditional exclusivity rights to market its programs within certain business segments including Dining (restaurants; golf courses; independent inns, resorts and selected hotels; spas). The new agreement can be terminated by CIBC at any time by providing at least six months prior written notice to the Company.

In September 2013, CIBC, TD, and Aimia announced they had come to a tripartite arrangement effective January 2014, and under which CIBC sold a significant part of its aeroplan portfolio to TD. Under a service agreement between CIBC and TD, CIBC would continue to service the aeroplan portfolio sold to TD up until the date that such credit cards were converted to TD. The current transition date is June 30, 2014. Since the Company's revenue from the Bank program it operates for CIBC is dependent on the dollar spending by holders of CIBC credit cards at participating merchants, the sale by CIBC of a portion of its aeroplan portfolio will lead to a decline in the revenue once TD takes over the operation of the aeroplan portfolio it has purchased from CIBC. There can be no assurance regarding the duration of the service agreement. The Company is in direct discussions with TD to operate a loyalty program for TD. The current discussion, although in initial stages, is encouraging, but no assurances can be given on the outcome or its timing.

Recognizing the risks of overdependence on an Affinity partner and/or a business segment from the perspective of business continuity, and limitation on future revenues and profitability, the Company sought out and signed an agreement with Aeroplan Canada Inc. (subsidiary of Aimia), . The agreement was signed in March, 2010 for a term through August 31, 2013, with an option to extend for one additional period of two years by mutual consent of the parties, and could be terminated by Aimia under certain conditions prior to August 31, 2013. In 2013, Advantex and Aimia re-structured the agreement, and extended its term to December 31. 2013. In January 2014 the Company and Aimia extended the term of the agreement to March 31, 2014, to allow them to continue under their current agreement while continuing their discussions about the potential terms of a new agreement. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings in certain business segments including men's and ladies fashion, footwear and accessories business segment ("Fashion retail"), and automotive sector. The exclusivity in favour of the Company is conditional upon the Company meeting certain targets on an annual basis. Under certain conditions the Company can expand its product offering outside permitted business segments, with Aimia holding the right of first refusal. The Company launched this program on September 1, 2010.

Illustration of economic dependence on CIBC

Revenue	**YTD Fiscal 2014**		**YTD Fiscal 2013**	
	$	%	$	%
Programs operated in partnership with CIBC ("Bank program")	$7.9 m	86.0%	$8.3 m	94.0%
Programs operated in partnership with Aimia ("Aeroplan program")	$1.3 m	14.0%	$0.5 m	6.0%
Total	$9.2m	100.0%	$8.8 m	100.0%

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. The Company's relationship with CIBC has been in place for about eighteen years and has been through several multi-year renewal terms. The agreement was renewed effective September 30, 2013. The initial term of the agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. If CIBC exercises its right to either terminate the agreement upon at least six months prior notice or retain a third party service provider to operate a competing program, the Company could be materially and adversely affected. The Company believes that it has begun to limit its economic dependence on CIBC by developing its partnership with Aimia.

The Company earns its revenue, from the programs it operates in partnership with CIBC, when CIBC credit card holders complete purchases at merchants participating in the Bank program. CIBC has sold about 50% of its credit card portfolio featuring aeroplan miles rewards ("sold portfolio") to TD effective January 1, 2014. From January, 2014 up until the sold portfolio is converted to TD ("transition period"), the Company expects to receive the transactions respecting the sold portfolio, such that during the transition period the Company does not expect a material adverse impact on its revenues and earnings. The current transition date is June 30, 2014. The agreement with CIBC allows the Company to operate its Bank program for TD. The Company has commenced discussions with TD, and a successful outcome would result in a program that has the potential to offset the material and adverse impact on its revenues and earnings in the post transition period. The Company believes it operates a unique loyalty rewards accelerator program that would be an attractive proposition for the potential partner. However, no assurance can be given respecting: duration of the transition period; decline in the Company's revenues during and post the transition period; if an agreement can be reached with TD and the timing and duration of this agreement; and the potential impact on revenues and earnings from any potential agreement with TD.

The Company's working capital needs are currently entirely provided by debt in the form of new 12% debentures, and loan payable. While the Company utilizes the funds generated from its operations to expand its APM model - under which it acquires the rights to future designated credit card transactions at a discount from the face value from participating merchants, in addition to providing the merchants with loyalty marketing services – to be able to advance its business the Company needs to be able to access the room available under the loan payable facility. The Company's relationship with the new 12% debentures holders, and providers of loan payable facility span about 10 and 5 years respectively. The new 12% debentures carry financial covenants and since their renewal in December 2013 the Company has met the financial covenants. The loan payable is a demand facility, and the term of the loan payable expires in December 2014. 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 Bank program's APM model will result in higher revenue and, consequently, improve the Company's financial results and cash flows. The Company requires additional debt financing to scale its ability in this

area. If the Company is not successful in raising additional debt financing, 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 new 12% debentures holders.

The Company has certain business risks linked to the collection of its transaction credits. Under the Bank program's APM model 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 – 210 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 210 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 for legal collection, 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 new 12% 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 new 12% 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 11.5%, 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 six months ended December 31, 2013 the Company incurred interest expense of $531,000 on utilization of loan payable. Had the interest rate, for the six months ended December 31, 2013, been 10% higher the interest expense on loan payable would be $584,000, an increase of $53,000.

During the past six years the Company has added additional sources of debt, and continues to explore avenues to secure debt at better terms.

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, 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 financial and security difficulties being experienced by the airline industry overall, 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 Advantex's revenue. In addition, there are additional loyalty program operators in Canada, targeting the same merchant base as Advantex. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

In addition to economic factors, 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 and Aimia; competition; changes in regulations - including taxation - affecting the Company's activities; consumer spending behavior; continued demand for the Company's programs by merchants; and the ability to meet the commitments (described in detail under section Contractual Obligations in this document).

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 its ability to overcome current challenges and prepare for future opportunities; expectation of a successful outcome, and it's timing, from the discussions with TD; expectation of future prospects on its business from a relationship with TD; expectation of securing relationship with TD by the expected transition date; expectation of a multi-year renewal of its existing agreement with Aimia, and the future prospects from this relationship on its business; expectation of developing the pilot Caesar's program into a full program across the USA; expectation of the USA as a untapped market for its product offerings and its ability to capitalize on the market; belief in its ability to manage merchant delinquency risk; ability to add resources to develop Bank and Aeroplan programs in the next 2-4 months; expectation of future savings in cash interest; belief that merchants participating in the Aeroplan program have a higher retention rate; belief that increasing the amount of the transaction credits deployed with merchants under the Bank program's APM model improves revenues, financial results and cash flows; belief of the attractiveness of the APM model to small independent merchants and the potential of this segment; expectation of amount and nature of capital expenditures for rest of this fiscal year; belief in its ability to adjust to changing circumstances; belief in the unique nature of its programs; expectation of its future prospects; belief that working with Aimia lessens economic dependence on CIBC; expectation that its current working capital needs are provided by loan payable and new 12% debentures; belief in its ability to pass on a significant portion of any interest rate increase to participating merchants; belief in its ability to compete effectively and respond to new competition; 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 new 12% debentures; 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; its ability to access future financing to expand the Bank program's APM model, and for general working capital needs; ongoing and future Affinity partnerships and revenue sources; future business levels and the cost structure 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 "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.

ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three and nine month periods ended March 31, 2014 and 2013

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the Company") and is dated as at May 28, 2014. 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 three and nine month periods ended March 31, 2014, compared to the three and nine month periods ended March 31, 2013. 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, 2013, and the interim consolidated financial statements and the related notes for the three and nine months ended March 31, 2014, which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollar, which is the Company's presentation and functional currency, unless otherwise noted. All dollar amounts have been rounded to the nearest thousands and do not tie directly to the 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") and Aimia Inc. ("Aimia"). The programs the Company operates in partnership with CIBC ("Bank program") and Aimia ("Aeroplan program") enable holders of designated CIBC credit cards and Aimia members (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 more than five million Canadian consumers, with above-average personal and household income. The Company's merchant partner base currently consists of over 1,700 merchants operating across Canada 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; book and newspaper stores; health and beauty centres; dry cleaners; gift stores; home décor; automotive dealers, service centers; and tire dealerships, many of which are leaders in their respective business segment.

Advantex earns its revenue from merchants participating in its Bank program, in the form of an agreed marketing fee, for every purchase completed using a CIBC credit card at their establishments. Advantex earns its revenue in the Aeroplan program from selling consumer rewards, at an agreed price per consumer reward, to participating merchants.

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

Summary

The Company's revenues are significantly dependent on its Bank program which it has operated in partnership with CIBC since 1995 and is targeted at holders of designated CIBC credit cards (section Economic Dependence in this document). Until December 31, 2013, a significant portion of the CIBC credit card portfolio carried the aeroplan miles consumer rewards feature ("aeroplan portfolio"), the outcome of a decade old partnership between CIBC and Aimia, the owner of Aeroplan loyalty program. The rest of the CIBC credit card portfolio carries other consumer rewards features, including CIBC's proprietary Aventura points.

The Company's financial performance in the three and nine months ended March 31, 2014 fell in the period when CIBC, The Toronto Dominion Bank ("TD"), and Aimia formed a tripartite arrangement that became effective January 2014, and under which CIBC sold about 50% of its aeroplan portfolio to TD. In the aftermath of CIBC's decision respecting its aeroplan portfolio, the credit card space is witnessing intense competition amongst Canadian banks. The outcome for the Company is a twofold hurt. First, merchant perception of the attractiveness of the Bank program operated by the Company has suffered and this is reflected in declining merchant participation level (section Revenue in this document). Second, changing consumer preferences connected to usage of credit cards and a decline in purchases completed using CIBC credit cards at participating merchants.

Since the Company earns its revenue from merchants participating in its Bank program, in the form of an agreed marketing fee, for every purchase completed using a CIBC credit card at their establishments, the net effect of the operational environment is a direct negative effect on the Company's revenues and consequently its financial performance for the three and nine months ended March 31, 2014 compared to the corresponding periods in the previous year.

The Company is taking steps to broaden its Affinity partner relationships and prepare a platform for improving its financial performance as explained in the sections below.

Developments

These are included here to provide a context for the rest of fiscal year ending June 30, 2014 and the Outlook section contained in this document.

The Company is currently in an advanced stage of discussions with TD to operate a merchant based loyalty program for TD. The Company is focused on securing this arrangement as soon as possible to offset the decline in its revenues once TD takes over the operation of the aeroplan portfolio it has purchased from CIBC. The current date for TD to operate its aeroplan portfolio is expected to be between mid-end June 2014. The Company's discussions with TD are progressing at an encouraging pace. It is expected that the Company will have reduced revenues from the period the Company operates its Bank program exclusively with CIBC's reduced credit card portfolio until an agreement, if any can be reached with TD. Currently no assurances can be given on the timing of the program launch if the Company is successful in securing an agreement with TD. A successful conclusion has the potential to stabilize and / or improve the value proposition to existing and prospective merchants, and potentially increase merchant participation and consequently revenues and earnings.

CIBC on its part has launched an aggressive media campaign to promote the advantages of its Aventura cards. We see the efforts by CIBC to consolidate its smaller credit card portfolio as a long-term positive for our Bank program.

In January 2014, the Company and Aimia extended the term of their agreement to March 31, 2014, to allow them to continue under their current agreement while continuing their discussions about the potential terms of a new agreement for Advantex to operate Aimia's Aeroplan loyalty program in the independent business segment. The agreement has been extended twice more and is currently extended to June 30, 2014. The

Company and Aimia are in advanced stages of getting to a multi-year agreement. While no assurance can be given on either the outcome of current discussions or the period covered by a potential multi-year agreement, the Company is now Aimia's preferred partner in developing the Aeroplan loyalty program in the small independent merchant space. The Company believes there is potential for growth in revenues and profitability from this activity.

In late March 2014, the Company successfully completed a pilot merchant based loyalty program ("Caesars program") for Caesars Entertainment Corporation's ("Caesars") Total Rewards loyalty program. A multi-year agreement with Caesars is under discussion. While no assurance can be given respecting an agreement with Caesars, the plan for the next fiscal year is to move to full program status with a gradual roll out across five large cities in the United Sates. The Company believes the US is an untapped market for its product offerings and its services would be in demand. The Company earned no revenue from the pilot Caesars program during three and nine months ended March 31, 2014. The costs of the pilot are reflected in G&A (section G&A in this document). The Company is evaluating the details of its product offerings and the costs required to operate this program.

Highlights of financial performance for three and nine months ended March 31, 2014

The highlights of the financial performance for the three and nine months ended March 31, 2014 ("Q3 Fiscal 2014" and "YTD Fiscal 2014" respectively) compared to the three and nine months ended March 31, 2013 ("Q3 Fiscal 2013" and "YTD Fiscal 2013" respectively) is tabulated:

	Q3 Fiscal 2014	**Q3 Fiscal 2013**	**YTD Fiscal 2014**	**YTD Fiscal 2013**
	$	$	$	$
Revenues				
Bank program	2,749,000	3,265,000	10,612,000	11,554,000
Aeroplan program	876,000	328,000	2,170,000	817,000
Miscellaneous income	-	-	-	29,000
Retail programs	**3,625,000**	**3,593,000**	**12,782,000**	**12,400,000**
Interest income	-	-	-	24,000
Total revenue	**3,625,000**	**3,593,000**	**12,782,000**	**12,424,000**
Gross profit	**2,189,000**	**2,283,000**	**8,006,000**	**8,322,000**
Earnings from operations before depreciation, amortization and interest ("EBITDA" *)	**201,000**	**231,000**	**1,759,000**	**2,297,000**
Net Income / (Loss)	**(396,000)**	**(567,000)**	**(265,000)**	**(169,000)**

***** EBITDA 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. In case of the Company, for the above tabulated periods, per consolidated financial statements for the three and nine months ended March 31, 2014, earnings from operations before depreciation, amortization and interest is the nearest equivalent to EBITDA.

Income Statement – Q3 Fiscal 2014 and YTD Fiscal 2014 (together "current periods") compared to Q3 Fiscal 2013 and YTD Fiscal 2013 (together "previous periods")

The difficult operational environment explained under *Summary* in this section is reflected via the slow-down in selling, and a retention challenge in the lower merchant participation in the Company's Bank program during current periods and consequently the decline in the Bank program revenues during current periods compared to previous periods. The combined Bank program and Aeroplan program (together "Retail

programs") revenues are up because of the contributions of the Aeroplan program. During current periods Aimia provided the Company with the business of a re-seller which filed for bankruptcy, and current periods revenues reflect this incremental business.

Direct expenses for the Bank program during Q3 Fiscal 2014 declined more than the drop in revenues. YTD Fiscal 2014 direct expenses declined but not as much as revenues reflecting an increasing use, during the six months ended December 31, 2013 compared to corresponding period previous year, of higher consumer rewards to incentivize new merchant sign ups and as a retention tool. This measure was necessitated to partially mitigate the difficult selling and retention cycles. The Company met the annual program goals determined in consultation with CIBC, and CIBC's support payments are reflected in YTD Fiscal 2014 and YTD Fiscal 2013. The expense for delinquent accounts respecting merchants participating in the Bank program's Advance Purchase Marketing ("APM") model (details on APM provided in Revenue section in this document) has stabilized, with current periods being comparable to previous periods albeit both periods reflect a higher expense compared to earlier periods. The higher level of merchant delinquencies reflects difficult economic times for independent merchants. The Company continues to scale back its APM model in those business segments which have had a higher historical incidence of delinquencies, and the Company believes this step along-with its existing credit and collection processes are adequate to mitigate the impact of future merchant delinquencies on its operational performance.

Company gross profit for current periods consequently is lower compared to previous periods. The Aeroplan program gross profit helped to offset some of the decline from the Bank program.

During current periods the Bank program selling expenses declined. The decline was moderately short of decline in revenues. This reflects a lower headcount in advance of the low revenue period of January – March. Current periods selling expenses also reflect Aeroplan program which expanded from an acquisition announced in February, 2013. The Company has developed the selling organization to operate and develop this program. Additional resources will be added to develop the Bank program, subsequent to an agreement with TD, and to develop the Aeroplan program, upon the renewal of agreement with Aimia, during next 3-4 months to capitalize on the growth opportunities.

Current periods General and Administrative expenses ("G&A") reflect expenditure to support the operation of the Company's Retail programs and launch the pilot Caesars program in a test market in the US. Q3 Fiscal 2014 G&A is flat in comparison to corresponding period in the previous year. YTD Fiscal 2014 G&A is higher compared to the corresponding period in the previous year.

During current periods interest expense was lower compared to previous periods. The cash interest was lower reflecting the refinancing described below under *Balance Sheet – current periods compared to previous periods*. Savings in non-cash interest expense reflect nil accretion expenses during three months ended December 31, 2013 and lower accretion expense during Q3 Fiscal 2014, which reflects the structure of the refinancing. The Company's two debentures were extended from September 30, 2013 to December 31, 2013 and there were no accretion charges during the extension period.

The above factors are reflected in lower net loss for Q3 Fiscal 2014 compared to Q3 Fiscal 2013. The net loss for YTD Fiscal 2014 is higher compared to YTD Fiscal 2013.

Balance Sheet – current periods compared to previous periods

On December 30, 2013, the Company completed a refinancing by way of a private placement of 12% non-convertible debentures payable ("new 12% debentures") in the principal amount of $5,159,000.

The Company used the proceeds of the new 12% debentures plus cash on hand to repay its 14% non-convertible debentures payable ("14% debentures") and 12% non-convertible debentures payable ("old 12% debentures") (14% debentures and old 12% debentures together, the "Debentures"). The Company repaid

$7,896,000 in aggregate principal amount of the Debentures plus accrued interest thereon. The common share purchase warrants issued with the Debentures were not exercised and expired as of December 31, 2013.

The new 12% debentures were issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the Company bearing interest at 12% per annum, payable semi-annually, and maturing September 30, 2016, and (ii) 8,150 common shares in the capital of the Company. The Company issued 5,159 units that included 42,045,850 common shares.

The transaction has the following benefits for shareholders:

1. Significantly improved the capital structure by reducing the fully diluted common shares;
2. Future savings in cash interest by reducing the amount refinanced;
3. The structure of the new 12% debentures results in substantially lower non-cash expense (accretion charges). This will improve the income statement, and showcase the Company's operational performance; and
4. Provides financial stability. This is important for potential new partners (*Developments* in this section).

A detailed look at the results for Q3 Fiscal 2014 and YTD Fiscal 2014 compared to Q3 Fiscal 2013 and YTD Fiscal 2013 is set out in the following sections.

Results of Operations

	Q3 Fiscal 2014	Q3 Fiscal 2013	YTD Fiscal 2014	YTD Fiscal 2013
	$	**$**	**$**	**$**
Revenue – Retail programs	$3,625,000	$3,593,000	$12,782,000	$12,400,000
Interest income	-	-	-	24,000
	$3,625,000	**$3,593,000**	**$12,782,000**	**$12,424,000**
Direct expenses	1,436,000	1,310,000	4,776,000	4,102,000
Gross Profit	**2,189,000**	**2,283,000**	**8,006,000**	**8,322,000**
Selling, and General & Administrative expenses	1,988,000	2,052,000	6,247,000	6,025,000
Earnings from operations before depreciation, amortization and interest	**201,000**	**231,000**	**1,759,000**	**2,297,000**
Cash interest expense on loan payable and debentures	435,000	504,000	1,463,000	1,534,000
Earnings from operations before non-cash expenses	(234,000)	(273,000)	296,000	763,000
Write-off of investment	-	-	-	100,000
Depreciation and amortization	110,000	142,000	405,000	389,000
Non-cash interest expense on debentures	52,000	152,000	156,000	443,000
Net income / (loss)	**$(396,000)**	**$(567,000)**	**$(265,000)**	**$(169,000)**
Basic earnings per share	**$0.00**	**$0.00**	**$0.00**	**$0.00**
Diluted earnings per share	**N/A**	**N/A**	**N/A**	**N/A**

Extract from the Statement of Financial Position

	At March 31, 2014	At June 30, 2013	(Decrease) / Increase
	$	$	$
Current assets	$14,868,000	$16,419,000	$(1,551,000)
Total assets	$15,572,000	$17,258,000	$(1,686,000)
Shareholders' deficit	$ (898,000)	$(1,053,000)	$ (155,000)

The change in current assets and total assets reflects:

1. Utilization of cash at hand together with proceeds of the new 12% debentures of $5,159,000 to repay its 14% debentures and old 12% debentures. The Company repaid $7,896,000 in aggregate principal amount of the Debentures plus accrued interest thereon (sections Overall Performance and 12% Non-convertible Debentures Payable in this document);
2. Reduction in transaction credits – amounts due from merchants participating in the Bank program's APM model – reflecting the decline in merchant participation (sections Overall Performance, Revenue, and Working Capital and Liquidity Management in this document) ; and
3. Increase in accounts receivable reflecting increase in the revenues from the Aeroplan program.

The change in shareholders' deficit reflects the net loss for the nine months ended March 31, 2014 and the increase in share capital on issuance of common shares as part of the debenture refinancing.

Extracts from the Statement of Cash Flow

	For the nine months ended	
	March 31, 2014	March 31, 2013
	$	$
Net cash provided by (used in) operating activities		
: Net income after adjustments for non-cash expenses	$ 296,000	$ 778,000
: Changes in items of working capital	$ 1,403,000	$ 56,000
	$ 1,699,000	$ 834,000
Net cash (used in) investing activities	$ (270,000)	$ (511,000)
Net cash (used in) financing activities	$(2,254,000)	$ 46,000
(Decrease) Increase in cash and cash equivalents	$ (825,000)	$ 369,000
Cash and cash equivalents at start of period	$ 1,774,000	$ 1,085,000
Cash and cash equivalents at end of period	$ 949,000	$ 1,454,000

During the nine months ended March 31, 2014 the changes in working capital reflect primarily a decline in transaction credits, an increase in accounts receivable, and as the Company moved to conserve cash an increase in accounts payable and accrued liabilities. Nine months ended March 31, 2013 reflects mainly a decrease in accounts receivable following the Canada Revenue Agency advising that the Company's objection was allowed and the re-assessment was reversed, and also a decrease in accounts payable and accrued expenses. During the nine months ended March 31, 2014 the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks combined to create a compressed market for the Company's Bank program, and consequently a decline in the number of participating merchants. The change in transaction credits reflects partially the change in the number of merchants participating in the APM model, as well as the amount of transaction credits deployed with existing merchants.

The net cash used in investing activities is expenditures for property, plant, equipment and computer software. This is discussed in the section Capital Resources of this document.

The debenture refinancing and the repayment of 14% debentures and old 12% debentures is reflected in the net cash used in financing activities during nine months ended March 31, 2014. Nine months ended March 31, 2013 reflect the partial early repayment of the 14% debentures and old 12% debentures. Additional details are provided in the sections 14% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable in this document.

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, 2014, and have been included to provide additional analysis for the reader.

Revenue

Advantex revenue is derived from merchants participating in its Retail programs which currently consist of the Bank program and the Aeroplan program.

The Retail programs have three business models. APM, Marketing Only and Re-seller which are described later in this section.

The Bank program operates the APM, and Marketing Only business models. A significant portion of the Bank program revenues during current periods and previous periods were earned from the APM model.

The Aeroplan program operates the Re-seller model. As a result of the acquisition of certain assets of Futura Loyalty Group Inc. announced February 1, 2013, and the Company's agreement with Aeroplan, the Company increased the portfolio of merchants participating in its Re-seller model.

(1) **Advance Purchase Marketing**: The Company acquires the rights to cash flow from future CIBC 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 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 CIBC credit cards, net of the Company's costs to acquire the transaction credits. Proceeds from the amount spent on CIBC credit cards at participating merchants are received by the Company and a predetermined portion is applied to reduce the transaction credit balance that the merchant owes.

(2) **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 a CIBC credit card at participating merchants.

(3) **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. Certain agreements with merchants carry a commitment for merchants to issue a minimum number of aeroplan miles during the term of their agreement with the Company.

The drivers for revenues from the Bank program are:

1. Number of participating merchants;
2. Market penetration of the CIBC credit cards. This is a significant factor since start of Fiscal 2014 (*Summary* under section Overall Performance in this document);
3. Economic environment. The uncertain economy is affecting consumer spending habits;
4. Mix of merchants in terms of their volume of CIBC credit card transactions; and
5. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM model is higher compared to Marketing Only.

The revenues from the Re-seller model reflect the number of participating merchants, and the level of engagement of participating merchants in the program.

The revenue trends are provided in the tabulation.

	Q3 Fiscal 2014	Q3 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
Avg. # of merchants participating during the period						
Bank program	1,141	1,278	(10.7)%	1,080	1,241	(13.0)%
Aeroplan program	849	111		847	111	
	$	$	%	$	$	%
Revenues						
Bank program	2,749,000	3,265,000	(15.8)%	10,612,000	11,554,000	(8.2)%
Aeroplan program	876,000	328,000	167.1%	2,170,000	817,000	165.6%
Miscellaneous	-	-		-	29,000	
Retail programs	**3,625,000**	**3,593,000**	**0.9%**	**12,782,000**	**12,400,000**	**3.1%**
Interest income	-	-		-	24,000	
Total Revenues	**3,625,000**	**3,593,000**	**0.9%**	**12,782,000**	**12,424,000**	**2.9%**

With CIBC selling, effective January 2014, about 50% of its credit card portfolio featuring aeroplan miles rewards to TD, the Bank program has a lower attractiveness resulting in longer selling and shorter retention cycles. During the nine months ended March 31, 2014 the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks combined to create a compressed market for the Company's Bank program, and consequently a decline in the number of participating merchants during Q3 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year.

The decline in merchant participation is reflected in lower Q3 Fiscal 2014 and YTD Fiscal 2014 Bank program revenues compared to corresponding periods in the previous year. An additional contributory factor to the decline in revenues during Q3 Fiscal 2014 and YTD Fiscal 2014 is the effect of changing consumer preferences connected to usage of credit cards and a decline in purchases completed using CIBC credit cards at participating merchants.

We reported in Fiscal 2014 Q1 and Q2 MD&As' on our efforts to increase participating merchants' engagement with the Aeroplan program's Re-seller model, and for merchants to leverage their ability to issue aeroplan miles as a powerful marketing tool. This is a positive for the participating merchant's business and for the Company's revenues. The typical participating merchant is a mid-sized business with multiple locations compared to small independents in the Bank program, and while it is a longer selling cycle it is expected to have higher merchant retention rate. During Q3 Fiscal 2014, Aimia provided to the Company the business of a re-seller which filed for bankruptcy, and Q3 Fiscal 2014 and YTD Fiscal 2014 revenues reflect this incremental business.

Direct Expenses

In the Bank program, direct expenses include costs of consumer rewards which the Company purchases from its Affinity partner, the cost of marketing and advertising on behalf of merchants, cost of sales related to sale of aeronotes, 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 its Affinity partner.

	Q3 Fiscal 2014	Q3 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$	%	$	$	%
Revenues						
Bank program	2,749,000	3,265,000	(15.8)%	10,612,000	11,554,000	(8.2)%
Aeroplan program	876,000	328,000	167.1%	2,170,000	817,000	165.6%
Direct expenses						
Bank program	945,000	1,163,000	(18.7)%	3,546,000	3,752,000	(5.5)%
Aeroplan program	491,000	147,000	234.0%	1,230,000	350,000	251.4%

As a percent of revenues, the components of the Q3 Fiscal 2014 direct expenses respecting the Bank program tracked Q3 Fiscal 2013 trends.

Except for the higher use of customer incentives as a measure to incent merchant sign ups and retention, as a percent of revenues, the components of the YTD Fiscal 2014 direct expenses respecting the Bank program tracked YTD Fiscal 2013 trends.

The incremental business Aimia assigned to the Company (section Revenue in this document) was of lower margin.

To support the Company's efforts its Affinity partners have reduced the cost to the Company of certain categories of consumer rewards from the January – March 2014 quarter.

Gross Profit

Company gross profit was lower in Q3 Fiscal 2014 and YTD Fiscal 2014 compared to the corresponding periods in the previous year reflecting a decline in Bank program gross profit, which was partially offset by the Aeroplan program.

	Q3 Fiscal 2014	Q3 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	**$**	**$**	**$**	**$**	**$**
Bank program	1,804,000	2,102,000	(298,000)	7,066,000	7,802,000	(736,000)
Aeroplan program	385,000	181,000	204,000	940,000	467,000	473,000
Misc. and Interest income	-	-	-	-	53,000	(53,000)
	2,189,000	**2,283,000**	**(94,000)**	**8,006,000**	**8,322,000**	**(316,000)**

The Bank program gross margin Q3 Fiscal 2014 at 65.6% is comparable to 64.4% for Q3 Fiscal 2013, and YTD Fiscal 2014 at 66.6% is comparable to 67.5% for YTD Fiscal 2013, and an achievement in an operating environment described in section Overall Performance in this document.

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities.

	Q3 Fiscal 2014	Q3 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$	%	$	$	%
Revenues						
Bank program	2,749,000	3,265,000	(15.8)%	10,612,000	11,554,000	(8.2)%
Aeroplan program	876,000	328,000	167.1%	2,170,000	817,000	165.6%
Selling expenses						
Bank program	701,000	800,000	(12.4)%	2,435,000	2,587,000	(5.9)%
Aeroplan program	139,000	95,000	46.3%	303,000	196,000	54.6%

Overall the Company has tracked its selling expenses to its revenues. The decline in Bank program selling expenses reflects a lower headcount that the Company did not replace in advance of the low revenue period of January – March. The Company has started to re-build its headcount to increase sales momentum, and will continue to build this headcount subsequent to an agreement with TD.

The Re-seller model of the Aeroplan program increased its volume reflecting the acquisition of merchant portfolio announced February 1, 2013, and the Company has developed the selling organization to operate and develop its growth. Upon renewal of the existing agreement with Aimia, additional resources will be added, in the subsequent 3-4 months to capitalize on the growth opportunities.

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 2014	Q3 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$		$	$	
Change in Retail program revenues			**0.9%**			**3.1%**
G&A						
Compensation for non-sales staff	885,000	925,000	(4.3)%	2,588,000	2,487,000	4.1%
Less: software development costs capitalized (details provided under section Capital Expenditures in this document)	(102,000)	(79,000)		(181,000)	(140,000)	
	783,000	846,000		2,407,000	2,347,000	
Expenses connected to launch of pilot Caesars program	29,000	-		90,000	-	
All other G&A expenses	336,000	311,000		1,012,000	895,000	
	1,148,000	**1,157,000**	**(0.8)%**	**3,509,000**	**3,242,000**	**8.2%**

Compensation

All periods reflect increase in remuneration of certain staff, and changes in headcount to support the operation of the Retail programs. YTD Fiscal 2013 reflects a lay-off initiated at the end of November, 2012 which included staff that are part of G&A. This was done in advance of the historical low revenue period between January – March.

Other Expenses

Q3 Fiscal 2013 and YTD Fiscal 2013 reflect write-back of provisions no longer required. In other respects Q3 Fiscal 2014 and YTD Fiscal 2014 are comparable to corresponding periods in the previous year.

Interest Expense

The interest expense is tabulated:

	Q3 Fiscal 2014	Q3 Fiscal 2013	Inc./ (Dec)	YTD Fiscal 2014	YTD Fiscal 2013	Inc./ (Dec)
	$	$		$	$	
Stated interest expense						
➢ Loan payable	282,000	262,000		813,000	797,000	
➢ 14% debentures	-	61,000		123,000	183,000	
➢ old 12% debentures	-	181,000		371,000	554,000	
➢ new 12% debentures	153,000	-		156,000	-	
➢ Total stated interest	**435,000**	**504,000**	**(13.7)%**	**1,463,000**	**1,534,000**	**(4.6)%**
Non cash interest on 14% debentures, old 12% debentures, and new 12% debentures	52,000	152,000		156,000	443,000	
Total interest expense	**487,000**	**656,000**		**1,619,000**	**1,977,000**	

The Company deployed the funds available to it under loan payable, and 14% debentures with merchants activated under its Bank program's APM model. The funds available under the old 12% debentures were used for working capital purposes as well as being deployed with merchants activated under the APM model. The funds available under the new 12% debentures are used for working capital purposes as well as being deployed with merchants activated under the APM model. The funds deployed are reflected as transaction credits on the consolidated statement of financial position.

Stated interest expense on loan payable reflects the utilization of funds under this line of credit facility.

Refer to sections 14% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable for the refinancing completed by the Company and the repayment of 14%, and old 12% debentures. The effect of the refinancing is reflected in the lower stated interest expense and non-cash interest. Q3 Fiscal 2014 and YTD Fiscal 2014 total interest expense is $169,000 and $358,000 lower compared to corresponding periods in the previous year (Additional details provided under *Income Statement* in section Overall Performance of this document).

Net Income

Highlights of Q3 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year is tabulated:

Q3

	Q3 Fiscal 2014	Q3 Fiscal 2013	Inc./(Dec)
Revenues	$3,625,000	$3,593,000	$ 32,000
Gross Profit	$2,189,000	$2,283,000	$ (94,000)
Earnings from operations before depreciation, amortization and interest	$ 201,000	$ 231,000	$ (30,0000)
Net Income / (loss)	$ (396,000)	$ (567,000)	$ (171,000)
Basic earnings per share	$0.00	$0.00	
Fully Diluted earnings per share	N/A	N/A	

YTD

	YTD Fiscal 2014	YTD Fiscal 2013	Inc./(Dec)
Revenues	$12,782,000	$12,424,000	$ 358,000
Gross Profit	$ 8,006,000	$ 8,322,000	$ (316,000)
Earnings from operations before depreciation, amortization and interest	$ 1,759,000	$ 2,297,000	$ (538,000)
Net Income / (loss)	$ (265,000)	$ (169,000)	$ 96,000
Basic earnings per share	$0.00	$0.00	
Fully Diluted earnings per share	N/A	N/A	

A significant portion of the Company's revenues are from the Bank program. The decline in merchant participation in the Bank program during Q3 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year was the result of a compressed market for the Company's program due to the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks. This is discussed in the sections Overall Performance and Revenue in this document.

Q3 Fiscal 2014 revenues were $32,000 higher compared to Q3 Fiscal 2013 but direct costs increased $126,000 during the same period, leading to a decline in gross profit of $94,000. YTD Fiscal 2014 revenues were $358,000 higher compared to YTD Fiscal 2013, but the direct costs increased $674,000 during the same period, leading to a decline in gross profit of $316,000.

Q3 Fiscal 2014 selling, and general & administrative expenses were $64,000 lower compared to Q3 Fiscal 2013. YTD Fiscal 2014 selling, and general & administrative expenses were $222,000 higher compared to YTD Fiscal 2013.

Earnings from operations before depreciation, amortization and interest for Q3 Fiscal 2014 compared to Q3 Fiscal 2013 represented a decline of $30,000. YTD Fiscal 2014 compared to YTD Fiscal 2013 represented a decline of $538,000.

Interest cost for Q3 Fiscal 2014 was $487,000, a reduction of $169,000 compared to Q3 Fiscal 2013. Non-cash interest representing accretion charges on the 14% debentures, old 12% debentures, and new 12% debentures accounted for $100,000 of the decrease over Q3 Fiscal 2013. Interest cost for YTD Fiscal 2014 was $1,619,000, a reduction of $358,000 compared to YTD Fiscal 2013. Non-cash interest representing accretion charges on the 14% debentures, old 12% debentures, and new 12% debentures accounted for $287,000 of the decrease over YTD Fiscal 2013. Additional details provided in *Income Statement* under section Overall Performance in this document.

The above changes are explained in the respective sections earlier in this document.

Working Capital and Liquidity Management

The utilization of liquidity during Q3 Fiscal 2014 and YTD Fiscal 2014 compared to Q3 Fiscal 2013 and YTD Fiscal 2013 is illustrated in the following tabulation:

	Q3 Fiscal 2014	Q3 Fiscal 2013	YTD Fiscal 2014	YTD Fiscal 2013
	$	$	$	$
FUNDS AVAILABLE TO EXPAND THE BANK PROGRAM'S APM MODEL (Transaction credits) AND MEET WORKING CAPITAL REQUIREMENTS				
1. Net income / (loss)	(396,000)	(567,000)	(265,000)	(169,000)
Add back non-cash expenses	162,000	308,000	561,000	947,000
Income before non-cash expenses *	(234,000)	(259,000)	296,000	778,000
2. Cash balances at start of the period	849,000	(222,000)	1,774,000	1,085,000
3. (Decrease) / Increase in utilization of loan payable to increase merchants participating in the APM model	610,000	617,000	664,000	431,000
4. Other current assets	494,000	935,000	-	549,000
5. Accounts payable and accrued liabilities	-	-	676,000	-
Funds Available	**1,719,000**	**1,071,000**	**3,410,000**	**2,843,000**
UTILIZATION				
1. (Decrease) / Increase in transactions credits under APM model	501,000	(871,000)	(1,035,000)	(260,000)
2. Cash balances at end of period	949,000	1,453,000	949,000	1,453,000
3. Change in working capital items				
- Other current assets	-	-	308,000	-
- Accounts payable and accrued liabilities	154,000	358,000	-	754,000
4. Capital expenditures	84,000	131,000	270,000	511,000
5. Partial early prepayment of 14% debentures and old 12% debentures	-	-	-	376,000
6. Debentures early prepayment / renewal – additional transaction costs	-	-	-	9,000
7. Repayment of 14% debentures and old 12% debentures	-	-	7,896,000	-
8. Proceeds from refinancing of new 12% debentures net of costs to close the transaction	31,000	-	(4,978,000)	-
Utilization	**1,719,000**	**1,071,000**	**3,410,000**	**2,843,000**

***** 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 is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment, and amortization of intangible assets; and accretion charge for debentures – to net income for the three and nine months, which are disclosed in the consolidated financial statements for three and nine months ended March 31, 2014 under the section consolidated statements of cash flow.

The Company believes that increasing the amount of the transaction credits deployed with merchants under the Bank program's APM model 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 model, as well as the amount of transaction credits deployed with its existing merchants. During nine months ended March 31, 2014 the change in the CIBC credit card portfolio, a weak economy, and the increased market activity in the credit card space by Canadian banks created a compressed market for the Company's Bank program, and consequently a decline in the number of participating merchants during Q3 Fiscal 2014 and YTD Fiscal 2014 compared to corresponding periods in the previous year. During Q3 Fiscal 2014 the decline in the CIBC credit card spend at participating merchants is reflected not only in lower revenues of the Bank program but also in slower recovery of transaction credits deployed with merchants, and this is a partial factor behind the increase in transaction credits during Q3 Fiscal 2014. The Company believes that the APM business addresses the marketing and working capital needs of small independent merchants, a segment ignored by financial institutions, and there is potential for future revenue growth.

Income before non-cash expenses (* see explanatory note earlier in this section) and cash received from financing activities related to draw against loan payable is used to fund merchants participating in the APM model. The Income before non-cash expenses* is also utilized to meet the Company's other working capital and capital expenditure requirements. The January to March quarter is historically the weakest period for revenues, and for reasons explained, in sections Overall Performance and Revenue, Q3 Fiscal 2014 was even weaker than normal. This is reflected in cash burn during Q3 Fiscal 2014 and Q3 Fiscal 2013.

The Company deploys the funds available to it under its loan payable, and debentures with merchants activated under its APM model. The funds available under the old 12% debentures were used for working capital purposes including being deployed with merchants activated under the APM model. The funds available under the new 12% debentures are fully utilized in the business and are used for working capital purposes including being deployed with merchants under the APM model. At present, the need for capital to expand the APM model is satisfied by the loan payable, however there are limitations including; a credit limit of $8.5 million (utilization at March 31, 2014 was $7.8 million compared to $7.1 million at June 30, 2013); it is a demand facility; and it requires the Company to co-fund a certain portion of the transaction credits deployed with merchants under the APM model.

The Company generally carries minimal cash balances as it attempts to maximize the funds deployed with merchants (transaction credits on the consolidated statement of financial position) participating in the APM model. The cash balances at the end of a quarter / year reflect the timing difference between the Company's ongoing collection of transaction credits from merchants participating in its programs, and deploying advances to existing and new merchants.

Capital expenditures are discussed under the section Capital Resources in this document. As of the date hereof, the capital expenditures for Fiscal 2014 are expected to relate to the updating of the Company's infrastructure and software development, and are expected to be on par with levels in the Fiscal year ended June 30, 2013. The expenditures are needed to support the Company's products, growing expectations of merchants participating in its programs, and the expanding requirements, especially connected to security of data, provided by Affinity partners, which the Company uses to operate its programs.

In July, 2012, pursuant to a debt prepayment agreement, the Company prepaid $310,033 in the aggregate principal amount of old 12% debentures plus accrued interest thereon, and pursuant to a second debt prepayment agreement prepaid $66,000 in the aggregate principal amount of 14% debentures plus accrued interest thereon.

The Company's operations are funded by debt. To continue its current operations and fund growth during Fiscal 2014, the Company requires continued access to its existing levels of debt. The Company has secured a one year renewal of the loan payable agreement. The agreement now expires in December, 2014. On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000. The Company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures. The Company repaid

$7,895,967 in aggregate principal amount of the old 12% debentures and 14% debentures plus accrued interest thereon.

Currently, CIBC is processing for TD the credit card portfolio purchased by TD from CIBC. The processing is being done under a service agreement between the two banks. TD is expected to take over the processing of the credit card portfolio upon its conversion from CIBC to TD ("transition"). This transition is expected to take place between mid-end June 2014. Currently, the Company has an agreement to operate its Bank program in partnership with CIBC, and post transition there will be a material and adverse impact on the Company's revenues, cash flows, and financial position unless it is able to operate a Bank program in partnership with TD as well. CIBC has released the Company from exclusivity with respect to operating a Bank program for TD. The Company is in an advanced stage of discussions with TD to operate its Bank program. While the Company expects to reach an agreement with TD, there can be no assurance of such an outcome. If an agreement with TD is in place, the timing of the program launch is critical. The Company's discussions with TD are progressing at an encouraging pace. Any delay in operating a Bank program for TD post the transition period ("gap period") will likely require the Company during the gap period to adjust its cost structure.

Additional capital in the form of debt and/or equity will be required to fund the continued expansion of the Company's business expansion goals as described under the section General Risks and Uncertainties in this document.

The Company does not participate in off balance sheet financing arrangements.

Contractual Obligations

Contractual obligations as at March 31, 2014 were due as follow. (in millions of dollars)

		Payments Due by Period			
Contractual obligation	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Loan Payable	$7.8	$7.8	$-	$-	$-
new 12% debentures	$5.2	$-	$5.2	$-	$-
Operating Leases	$0.4	$0.1	$0.2	$0.1	$-

Additional commitments

The Company had an annual commitment to purchase minimum aeroplan miles as part of its three year agreement with Aimia to operate Aimia's Aeroplan loyalty program in the independent merchant business segment. The Company met its year one purchase annual commitment. Years two and three commitments were re-set by Aimia to equal the purchase volume achieved by the Company.

In February, 2012 the Company signed an agreement with a service provider to purchase software over a three year term. Reflecting a subsequent understanding, the annual purchase commitment was applicable only from August 1, 2013 and it is $192,000. The Company sells this software to merchants participating in its programs.

Loan Payable

The loan payable is a line of credit facility ("facility") with Accord Financial Inc. ("Accord") to be used exclusively to fund the merchants participating in the APM model in the business segments available to the

Company under its agreements with CIBC and Aeroplan. As security, the provider has first charge to all amounts due from merchants funded from the facility.

The facility was established in December 2007. In October, 2013 the Company and Accord extended the term of the facility for an additional one year period ending in December, 2014.

The facility has a limit of $8.5 million. The Company is paying an interest rate on the entire facility equivalent to prime rate of a certain Canadian bank plus 11.5% per annum.

As at March 31, 2014, the Company had utilized $7.8 million of the facility (as at June 30, 2013 $7.1 million).

14% Non-Convertible Debentures Payable

The 14% debentures, issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $1,744,000 had an initial maturity date of September 30, 2013. The 3,444,400 common share purchase warrants of the Company (each a "warrant") issued with the 14% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the Company and the holders of the 14% debentures agreed to extend the term of the 14% debenture and warrants to December 31, 2013.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000 (section 12% Non-Convertible Debentures Payable in this document).

As of December 31, 2013 the Company used the proceeds of the new 12% debentures plus cash on hand to repay the 14% debentures and the old 12% debentures (section 12% Non-Convertible Debentures Payable in this document). The Company repaid $1,744,000 in aggregate principal amount of the 14% debentures plus accrued interest thereon. The 3,444,400 warrants were not exercised and expired as of December 31, 2013.

12% Non-Convertible Debentures Payable

The old 12% debentures, issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $6,151,967 had an initial maturity date of September 30, 2013. The 87,056,491 common share purchase warrants of the Company (each a "warrant") issued with the old 12% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the Company and the holders of the old 12% debentures agreed to extend the term of the old 12% debenture and warrants to December 31, 2013.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures in the principal amount of $5,159,000.

As of December 31, 2013 the Company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures (section 14% Non-Convertible Debentures Payable in this document). The Company repaid $6,151,967 in aggregate principal amount of the old 12% debentures plus accrued interest thereon. The 87,056,491 warrants were not exercised and expired as of December 31, 2013.

The new 12% debentures were issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the Company bearing interest at 12% per annum, payable semi-annually, and maturing 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.

Under the new 12% debentures agreement, the proceeds of the new 12% debentures are to be used for working capital purposes. The new 12% debentures are secured by a general security interest over the assets of the Company and its subsidiaries. The significant financial covenants of the new 12% debentures require the Company to meet (i) commencing the quarter ended December 31, 2013, on a quarterly basis a defined level of designated current assets, and interest coverage, and (ii) commencing January 31, 2014, on a monthly basis a defined level of credit card spend, on which the Company earns its revenue, at merchants participating in its loyalty programs. The Company met its quarterly financial covenants as at March 31, 2014, and monthly financial covenant through April 30, 2014.

Summary of Quarterly Results

12 month period ended
March 31, 2014

(in millions of dollars, except per share amounts)	Q4 Jun 30 2013	Q1 Sep 30 2013	Q2 Dec 31 2013	Q3 Mar 31 2014	Total
Revenue	$ 4.5	$ 4.5	$ 4.6	$ 3.6	$ 17.2
Percentage of Annual Revenue	26%	26%	27%	21%	100%
Net Income/(Loss)	$ 0.2	$0.0	$ 0.1	$ (0.4)	$ (0.1)
Basic and Diluted Earnings Per Common Share	$ 0.00	$ 0.00	$ 0.00	$ (0.00)	$ (0.00)

12 month period ended
March 31, 2013

(in millions of dollars, except per share amounts)	Q4 Jun 30 2012	Q1 Sep 30 2012	Q2 Dec 31 2012	Q3 Mar 31 2013	Total
Revenue	$ 4.3	$ 4.4	$ 4.4	$ 3.6	$ 16.7
Percentage of Annual Revenue	26%	26%	26%	22%	100%
Net Income/(Loss)	$ 0.1	$ 0.3	$ 0.1	$ (0.6)	$ (0.1)
Basic and Diluted Earnings Per Common Share:	$ 0.00	$ 0.00	$ 0.00	$ (0.00)	$ (0.00)

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

Expenditures for property, plant and equipment for Q3 Fiscal 2014 and YTD Fiscal 2014 were $85,000 and $270,000 respectively compared to $131,000 and $511,000 respectively for corresponding periods in the previous year. The YTD Fiscal 2014 expenditures included $46,000 for computer hardware and $216,000 for computer software (YTD Fiscal 2013 $94,000 and $363,000 respectively). As of the date hereof, the capital expenditures for Fiscal 2014 are expected to relate to updating of the Company's infrastructure and software, and are expected to be on par with levels in the Fiscal year ended June 30, 2013. For the fiscal year ending June 30, 2015, the Company expects capital expenditures to be more than Fiscal 2014. The expected increase would be to support the expanding requirements, particularly those connected to security of data, provided by Affinity partners, which the Company uses to operate its programs and to launch programs with other potential Affinity partners (*Developments* under section Overall Performance in this document).

Q3 Fiscal 2014 and YTD Fiscal 2014 include capitalization of $102,000 and $181,000 respectively of internal costs expended on software development connected to ensuring operability of the Company's merchant based programs sponsored by CIBC and Aimia compared to $79,000 and $140,000 respectively for corresponding periods in the previous year. The costs are being amortized over the shorter of useful life of the software and term of Affinity partner agreement.

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 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, 2013.

Contingent liabilities

A significant amount of estimation is applied in evaluating the company's uncertain tax provision with the Canada Revenue Agency (CRA), as described in note 17 to the audited consolidated financial statements for year ended June 30, 2013, and in the final paragraph in the General Risks and Uncertainties section of this document, and whether a tax provision is required.

Going concern

The Company tests the going concern assumption on a quarterly basis. The Company determines this from its financial forecasts that are prepared on its expectation regarding continuation of its agreement with CIBC, continued access to existing sources of debt, ability to access additional sources of debt, growth of its existing business, and development of new lines of business.

Financial instruments – fair value

The Company calculates the fair value of certain financial instruments using the Black-Scholes option pricing model. This requires assumptions regarding the risk-free rate of return, the expected life of the instrument, the expected volatility in the price of the common shares of the Company and the expected level of dividends to be paid on the common shares of the Company.

On December 30, 2013, the Company completed a refinancing by way of a private placement of new 12% debentures. The new 12% debentures were issued as units. Each unit comprises secured non-convertible debentures of the Company, and common shares. The fair value of each common share has been determined based on the closing price of the Company's common share on December 31, 2013 which is the date the transaction was completed. Further details are available under section 12% Non-Convertible Debentures Payable in this document.

The carrying value of accounts receivable, transaction credits, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The stated value of the loan payable, and non-convertible debenture payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

Credit risk

The Company has certain business risks linked to the collection of its transaction credits. Under the regular APM model 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 – 120 days. Management has implemented additional 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. With the introduction, during the fourth quarter of fiscal year ended June 30, 2011, of a modified APM model targeted towards smaller merchants where the transaction credits are estimated to be fully extinguishable within 180 – 210 days, in the initial stages the Company leveraged its experience from operating the regular APM model to design processes to manage risk connected to the modified APM model. 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 a) 120 days respecting the regular APM model, and b) 180 – 210 days respecting the modified APM model. 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 for legal collection, 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 net balance of the transaction credits, and accounts receivable.

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

	March 31, 2014	**June 30, 2013**	**March 31, 2013**
	$	**$**	**$**
Transaction credits	13,421,000	14,440,000	15,755,000
Accounts receivable	949,000	599,000	364,000
Allowance	(823,000)	(807,000)	(1,921,000)
Per statement of financial position	13,547,000	14,232,000	14,198,000
Maximum exposure to credit risk	13,547,000	14,232,000	14,198,000

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

	March 31, 2014	**June 30, 2013**	**March 31, 2013**
	$	$	$
Impaired transaction credits	2,169,000	2,167,000	3,617,000
Allowance	(823,000)	(807,000)	(1,921,000)
Impaired transaction credits not allowed for	1,346,000	1,360,000	1,696,000

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.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the Company received approval from the shareholders to implement a stock option plan ("2009 stock option plan") which is 12% fixed maximum number of common shares issuable based on issued and outstanding common shares (calculated on a non-diluted basis) at the time the plan was adopted, and accordingly the maximum aggregate number of common shares issuable under the 2009 stock option plan was 11,643,044. In December 2013, the shareholders of the Company approved continuation of the 2009 stock option plan to date of the annual meeting of shareholders in 2014. With the increase in the issued and outstanding common shares of the Company consequent to the private placement of the new 12% debentures (section 12% Non-Convertible Debentures Payable, and Outstanding Share Data in this document), the directors approved a resolution on March 9, 2014 increasing the number of employee stock options issuable per the Company's stock option plan from 11,643,044 to 16,688,546.

Movement during YTD Fiscal 2014 and YTD Fiscal 2013 is tabulated.

	YTD Fiscal 2014	**YTD Fiscal 2013**
	Number of Options	
Outstanding at start of year	10,441,430	11,027,790
Expired	-	(1,000,000)
Outstanding at end of September 30, and December 31	10,441,430	10,027,790
Forfeited	-	(100,000)
Expired	(161,430)	(1,836,360)
Grant	-	2,400,000
Outstanding at end of March 31	10,280,000	10,491,430

The number of stock options outstanding as of the date hereof is 10,190,000.

The number of stock options available for future issuance as at March 31, 2014 compared to March 31, 2013 is as follows:

	March 31, 2014	March 31, 2013
Maximum number reserved for issuance	16,688,546	11,643,044
Less: Outstanding at end of period	(10,280,000)	(10,491,430)
Number of options available for future issuance	6,408,546	1,151,614

The number of options available for future issuance at June 30, 2013 was 1,201,614.

There was no stock based compensation expense during YTD Fiscal 2014 (YTD Fiscal 2013 $15,000).

Outstanding Share Data

Outstanding common shares

As of the date hereof, the number of issued and outstanding common shares of the Company is 139,071,218. The position as at June 30, 2013 and the movement to March 31, 2014 is tabulated. The number of common shares is provided by the Company's transfer agent CST Trust Company.

	Number of shares
Balance as at March 31, 2013 and June 30, 2013	**97,025,368**
Issued as part of the debenture refinancing (12% Non-Convertible Debentures Payable in this document)	42,045,850
Balance as at March 31, 2014	**139,071,218**

As of date hereof, the Company was committed to issuing 10,190,000 additional common shares pursuant to the 2009 stock option plan.
During the nine months period ended March 31, 2014, the following common share purchase warrants expired:

(i) 3,444,400 common share purchase warrants attached to 14% debentures were not exercised and expired as of December 31, 2013; and
(ii) 87,056,491 common share purchase warrants attached to old 12% debentures were not exercised and expired as of December 31, 2013.

Related party transactions

Directors and Officers

In December 2013 the following related parties purchased new 12% debentures, on terms and conditions applicable to the other subscribers (section 12% Non-Convertible Debentures Payable in this document). The holdings of debentures are tabulated:

	December 31, 2013, and March 31, 2014	**June 30, 2013**	
	new 12% debentures	Old 12% debentures	14% debentures
Director and Chief Executive officer – Kelly Ambrose	$500,000	$100,000	$nil
Director and Chairman of the Board of Directors – Stephen Burns	$ 50,000	$nil	$nil
Director - Marc Lavine (first term; elected director December 18, 2013)	$500,000	$500,000	$nil
Director – Rob von der Porten (first term; elected director December 18, 2013)	$ 50,000	$ 40,000	$nil
Director – William Polley	$ 50,000	$nil	$nil
Director – Barry Wainstein (first term – appointed director March 17, 2014)	$ 25,000	$nil	$nil
Chief Financial Officer – Mukesh Sabharwal	$115,000	$ 30,000	$10,000

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

Trapeze may have been considered at the time of the purchase of new 12% debentures a related party of the Company by virtue of their holding of $4,446,062 old 12% debentures, $1,296,000 14% debentures, and 65,475,823 common share purchase warrants, issued with old 12% debentures and 14% debentures, of the Company on behalf of their respective managed accounts.

Outlook

The Company believes that its long term prospects are positive and expects to improve its financial performance. This is based on its proven business model, its existing Affinity partnerships, and the Affinity partnerships in the offing. It is the medium term - next twelve to eighteen months - which is expected to be financially turbulent.

The Company's immediate need is to secure an agreement with TD to offset the severe decline in its revenues, and cash flows post mid-end June 2014 which is when TD is expected to take over the processing of the credit card portfolio it purchased from CIBC. The next challenge is to ensure that the Company can operate its Bank program for TD as early as possible. The Company's discussions with TD are progressing at an encouraging pace. Any delay in operating a Bank program for TD will likely require the Company to adjust its cost structure.

During the nine months ended March 31, 2014 we saw the outcome of the change in the CIBC credit card portfolio, a weak economy, and increased market activity in the credit card space by Canadian banks in our results for Q3 Fiscal 2014 and YTD Fiscal 2014. The good news is that the Company is able to adjust to the changing circumstances, has minimized the financial impact, and kept itself ready to capitalize on the exciting opportunities.

The positives are the same as identified at June 30, 2013 and in the past two quarter MD&As'. The Company provides unique marketing services to highly visible partners, and has a coalition of over 1,700 merchants which forms a diverse revenue base. CIBC has shown faith in Advantex and signed a multi-year renewal. The Company expects a positive outcome from its negotiations with Aimia for a multi-year renewal. The Company is in advanced stages of discussions with TD, and a successful outcome would result in a program that has the potential to offset the financial impact of the above noted challenges. Caesar's offers an opportunity to expand its programs in the United States. The Company's financial partners are supportive.

Economic Dependence

A significant portion of the Company's current revenue is dependent upon its value-added loyalty program agreement with CIBC under which consumer rewards are awarded to holders of certain CIBC credit cards when they complete purchases at merchants participating in Advantex's Bank program. The significance to the Company of the CIBC agreement can best be assessed by comparing its revenues from its relationship with CIBC with that of other programs as tabulated at the end of this section. The Company has an eighteen year partnership with CIBC. In September, 2013 the Company renewed its existing arrangement with CIBC, and signed a new agreement ("new agreement"). The initial term of the new agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. The new agreement grants the Company conditional exclusivity rights to market its programs within certain business segments including Dining (restaurants; golf courses; independent inns, resorts and selected hotels; spas). The new agreement can be terminated by CIBC at any time by providing at least six months prior written notice to the Company.

In September 2013, CIBC, TD, and Aimia announced they had come to a tripartite arrangement effective January 2014, and under which CIBC sold a significant part of its aeroplan portfolio to TD. Under a service agreement between CIBC and TD, CIBC would continue to service the aeroplan portfolio sold to TD up until

the date that such credit cards were converted to TD ("transition date"). The current transition date is expected to take place between mid- end June 2014. Since the Company's revenue from the Bank program it operates for CIBC is dependent on the dollar spending by holders of CIBC credit cards at participating merchants, the sale by CIBC of a portion of its aeroplan portfolio will lead to a decline in the revenue post transition date. The Company is in direct discussions with TD to operate a loyalty program for TD. The current discussion is at an advanced stage and is encouraging, but no assurances can be given on the outcome or its timing.

Recognizing the risks of overdependence on an Affinity partner and/or a business segment from the perspective of business continuity, and limitation on future revenues and profitability, the Company sought out and signed an agreement with Aeroplan Canada Inc. (subsidiary of Aimia). The agreement was signed in March, 2010 for a term through August 31, 2013, with an option to extend for one additional period of two years by mutual consent of the parties, and could be terminated by Aimia under certain conditions prior to August 31, 2013. In 2013, Advantex and Aimia re-structured the agreement, and extended its term to December 31, 2013. In January 2014 the Company and Aimia extended the term of the agreement to March 31, 2014. This was followed by an extension to April 30, 2014 and a further extension to June 30, 2014, to allow the Company and Aimia to continue under their current agreement while continuing their discussions about the potential terms of a new agreement. This value-added loyalty marketing agreement provides exclusive rights to the Company to market its product offerings in certain business segments including men's and ladies fashion, footwear and accessories business segment ("Fashion retail"), and automotive sector. The exclusivity in favour of the Company is conditional upon the Company meeting certain targets on an annual basis. Under certain conditions the Company can expand its product offering outside permitted business segments, with Aimia holding the right of first refusal. The Company launched this program on September 1, 2010.

Illustration of economic dependence on CIBC

Revenue	**YTD Fiscal 2014**		**YTD Fiscal 2013**	
	$	%	$	%
Program operated in partnership with CIBC ("Bank program")	$10.6 m	83.0%	$11.6 m	94.0%
Program operated in partnership with Aimia ("Aeroplan program")	$ 2.2 m	17.0%	$ 0.8 m	6.0%
Total	$12.8 m	100.0%	$12.4 m	100.0%

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. The Company's relationship with CIBC has been in place for about eighteen years and has been through several multi-year renewal terms. The agreement was renewed effective September 30, 2013. The initial term of the agreement is through September 30, 2016, which may, at the option of CIBC, be renewed for up to two additional one year periods. If CIBC exercises its right to either terminate the agreement upon at least six months prior notice or retain a third party service provider to operate a competing program, the Company could be materially and adversely affected. The Company believes that it has begun to limit its economic dependence on CIBC by developing its partnership with Aimia.

The Company earns its revenue, from the programs it operates in partnership with CIBC, when CIBC credit card holders complete purchases at merchants participating in the Bank program. CIBC has sold about 50% of its credit card portfolio featuring aeroplan miles rewards ("sold portfolio") to TD effective January 1, 2014. From January, 2014 up until the sold portfolio is converted to TD ("transition period"), the Company expects to receive the transactions respecting the sold portfolio, such that during the transition period the Company does not expect a material adverse impact on its revenues and earnings. The current transition date is expected to take place between mid-end June 2014. The agreement with CIBC allows the Company to operate its Bank

program for TD. The Company is in advanced stage of discussions with TD. The Company's discussions with TD are progressing at an encouraging pace. It is expected that the Company will have reduced revenues post transition period until an agreement, if any can be reached with TD. A successful outcome would result in a program that has the potential to offset the material and adverse impact on its revenues and earnings in the post transition period. The Company believes it operates a unique loyalty rewards accelerator program that would be an attractive proposition for the potential partner. However, no assurance can be given respecting: duration of the transition period; extent of the decline in the Company's revenues, liquidity and earnings during and post the transition period; if an agreement can be reached with TD and the timing and duration of this agreement; and the potential impact on revenues and earnings from any potential agreement with TD.

The Company's working capital needs are currently entirely provided by debt in the form of new 12% debentures, and loan payable. While the Company utilizes the funds generated from its operations to expand its APM model - under which it acquires the rights to future designated credit card transactions at a discount from the face value from participating merchants, in addition to providing the merchants with loyalty marketing services – to be able to advance its business the Company needs to be able to access the room available under the loan payable facility. The Company's relationship with the new 12% debentures holders, and providers of loan payable facility span about 10 and 5 years respectively. The new 12% debentures carry financial covenants and since their renewal in December 2013 the Company has met the financial covenants. The loan payable is a demand facility, and the term of the loan payable expires in December 2014. 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 Bank program's APM model will result in higher revenue and, consequently, improve the Company's financial results and cash flows. The Company requires additional debt financing to scale its ability in this area. If the Company is not successful in raising additional debt financing, 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 new 12% debentures holders.

The Company has certain business risks linked to the collection of its transaction credits. Under the Bank program's APM model 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 – 210 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 210 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 for legal collection, 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 new 12% 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 new 12% 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 11.5%, 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 nine months ended March 31, 2014 the Company incurred interest expense of $813,000 on utilization of loan payable. Had the interest rate, for the nine months ended March 31, 2014, been 10% higher the interest expense on loan payable would be $894,000, an increase of $81,000.

During the past six years the Company has added additional sources of debt, and continues to explore avenues to secure debt at better terms.

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, 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 financial and security difficulties being experienced by the airline industry overall, 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 Advantex's revenue. In addition, there are additional loyalty program operators in Canada, targeting the same merchant base as Advantex. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making Advantex, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. Advantex 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 new competition in Canada.

In addition to economic factors, 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 and Aimia; competition; changes in regulations - including taxation - affecting the Company's activities; consumer spending behavior; continued demand for the Company's programs by merchants; and the ability to meet the commitments (described in detail under section Contractual Obligations in this document).

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: expectation of a successful outcome, and it's timing, from the discussions with TD; expectation of future prospects on its business from a relationship with TD; expectation of timing connected to operating a program for TD; expectation of the impact on its revenues and liquidity post transition period; belief in its ability to adjust its cost structure during the gap period; belief that it's financial partners are supportive; expectation of a multi-year renewal of its existing agreement with Aimia, and the future prospects from this relationship on its business; expectation of a multi-year agreement with Caesars, and the future prospects from this relationship on its business; belief in its ability to broaden Affinity partner relationships and prepare a platform for its financial performance; ability to add selling resources to develop Bank and Aeroplan programs; expectation of future savings in cash interest; belief that merchants participating in the Aeroplan program have a higher retention rate; belief that increasing the amount of transaction credits deployed with merchants under the Bank program's APM model improves revenues, financial results and cash flows; belief in the attractiveness of the APM model to small independent merchants and the potential of this segment; belief in its ability to manage merchant delinquency risk; expectation of the amount and nature of capital expenditures for the remainder of this fiscal year, and fiscal year ending June 30, 2015; belief that working with Aimia lessens economic dependence on CIBC; expectation that its current working capital needs are provided by loan payable and new 12% debentures; belief in its ability to pass on a significant portion of any interest rate increase to participating merchants; belief in its ability to compete effectively and respond to new competition; expectations of its long term prospects; expectation of the duration of the medium term and the extent of financial turbulence; belief in its ability to adjust to changing circumstances 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 new 12% debentures; its ability to adjust its cost structure during the gap period; 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; its ability to access future financing to expand the Bank program's APM model, and for general working capital needs; ongoing and future Affinity partnerships and revenue sources; future business levels and the cost structure 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 "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.

Schedule D

Information Circular dated November 17, 2013

ADVANTEX MARKETING INTERNATIONAL INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting of shareholders (the "**Meeting**") of ADVANTEX MARKETING INTERNATIONAL INC. (the "**Company**") will be held on December 18, 2013, at 10:00 am (Toronto time) at the office of the Company's general counsel Norton Rose Fulbright LLP, Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, M5J 2Z4.

The purposes of the Meeting are:

1. to present the annual report and audited financial statements of the Company for the fiscal year ended June 30, 2013;
2. to elect directors;
3. to appoint auditors;
4. to confirm, approve and ratify amendments to the by-laws of the Company; and
5. to transact such other business as may properly be brought before the Meeting.

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 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, CST Trust Company by mail to or by hand to 320 Bay Street, BI Level, Toronto, Ontario, Canada, or by fax to 416-368-2502 / toll-free 1-866-781-3111or by email at proxy@canstockta.com, no later than 10:00 am (Toronto time) on Monday, December 16, 2013 where there is no adjournment or postponement of the Meeting.

DATED at Markham, Ontario

November 17, 2013

BY ORDER OF THE BOARD OF DIRECTORS

"Kelly Ambrose"

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 17, 2013

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 and Special Meeting of Shareholders of the Company (the "**Meeting**") to be held at the office of the Company's general counsel Norton Rose Fulbright LLP, Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, M5J 2Z4 on Wednesday, December 18, 2013, 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 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 2013 annual report of the Company, including the consolidated financial statements for the fiscal year ended June 30, 2013 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 five (5) and accordingly, five (5) directors are to be elected at the Meeting.

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 17, 2013[2]
Kelly E. Ambrose[4][5][6] President, Chief Executive Officer, Secretary and Director Ontario, Canada	January 26, 2006	1,581,000 common shares
Stephen Burns[3][4][5] Director, Chairman of the Board of Directors Ontario, Canada	February 19, 2004	200,000 common shares
William H. Polley[3][4][5] Director Ontario, Canada	November 21, 2002	26,750 common shares
Rob G. von der Porten[6] Nominee Ontario, Canada	N/A	308,642 common shares
Marc B. Lavine[6] Nominee Paris, France	N/A	8,508,000 common shares

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 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. Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan.

Stephen Burns is the Chairman of the Board of Directors. Mr. Burns was appointed Chairman and CEO of Stefi Media Group Inc. in November, 2007. His principal activity since November, 2011 is the role of Chairman of the Board of Directors of Egan Visual Inc. He holds a B.A, C.A and MBA.

William H. Polley is the Chief Financial Officer of the Martini Group of Companies since 1998. Mr. Polley is a Chartered Accountant.

Rob G. von der Porten is a partner in the firm Stoney Bridge Partners a privately held advisory firm since March 2006. Mr. von der Porten was engaged by the Company in February, 2013 to provide advisory services, and the assignment is concluded as of date hereof. The amount billed by a company controlled by Mr. von der Porten to date is $84,236. In addition, that company will be awarded 100,000 stock options as payment for the aforementioned work. Mr. von der Porten was the Interim Chief Financial Officer of the Company between November 2005 and February 2008

Marc B. Lavine is the Chief Executive Officer and founder of Exclamation Investments Corporation a public company (TSXV:XI) focused on entrepreneurial investment and business creation activities. Mr. Lavine is also active in the arts and charitable endeavors via Exclamation Foundation in Canada and France. Mr. Lavine holds an Honours degree in Business Administration from the Richard Ivey School of Business at the University of Western Ontario (1991).

(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 Committee. Stephen Burns is the current chairman of this Committee.

(4) Member of the Audit Committee. William H. Polley is the current chairman of this Committee.

(5) Member of the Governance and Nominating Committee. Stephen Burns is the current chairman of this Committee.

(6) At November 17, 2013, the following nominees held, controlled or directed control over 12% non-convertible debenture issued by the Company in May, 2011. For additional details refer to note 10 "12% Non-convertible debentures payable" to the consolidated financial statements of the Company for the fiscal year ended June 30, 2013, available under the Company's profile on www.sedar.com.

Name	***Principal Amount 12% Non-Convertible Debenture***
Kelly E. Ambrose	*$ 100,000*
Rob G. von der Porten	*$ 40,000*
Marc B. lavine	*$ 500,000*

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

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.

4. CONFIRMATION OF BY-LAW A-2

The Board has repealed the existing by-laws of the Company ("**By-Law No. A-1**") which were enacted November 23, 1990 and replaced them with "By-Law No. A-2", attached as Exhibit "E" hereto. As By-Law No. A-1 was over 20 years old, the Board Determined that it was in the interest of the Company to update the Company's by-laws to be consistent with other reporting issuers in Canada of similar size and development. Section 116(2) of the *Business Corporations Act* (Ontario) (the "**OBCA**") requires the Board submit the repealing of By-Law No. A-1 and replacement by By-Law No. A-2 to shareholders. As such, at the Meeting, shareholders will be asked to consider and, if appropriate, confirm, approve and ratify By-law No. A-2. The principal provisions of By-Law No. A-2 are summarized below, which summary is qualified in its entirety by the provisions of By-Law No. A-2 attached as Exhibit "E" hereto.

Summary of Amendments to By-Laws

Meetings of the Board

The provisions of By-Law A-2 provide that meetings of the Board may be held at the registered office of the Company or any other place within or outside Canada.

A schedule of meetings ("**regular meetings**") of the Board shall be circulated to each director and agreed upon by the Board prior to the commencement of a calendar year. Written confirmation of the time, place and the general nature of the business to be transacted at a regular meeting will be sent to directors one week in advance of the meeting. Any other meeting of the Board may be called by any one director with 24 hours' notice prior to the time fixed for the meeting, which notice shall include the same information as would be contained in a confirmation of a regular meeting.

However, according to the provisions of By-law A-2, no notice of the first meeting of the Board following the election of a director or directors need be given to the newly elected or appointed director(s) in order for the meeting to be duly constituted, provided a quorum of the directors is present.

Until otherwise fixed by the Board, two-fifths of the directors shall constitute a quorum at any meeting of the Board and all questions arising at any such meeting shall be decided by a majority of votes.

Notice of Nomination of Directors

The provisions of By-Law A-2 require advance notice to the Company in circumstances where nominations of persons for election to the Board are made by shareholders other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the CBCA, or (ii) a shareholder proposal made pursuant to the provisions of the CBCA.

These advance notice provisions in By-Law A-2 facilitate an orderly and efficient director nomination process and ensure that all shareholders, including those participating in a meeting by proxy, receive adequate notice of director nominations with sufficient information with respect to all nominees so that the proposed nominees' qualifications and suitability as directors can be evaluated and an informed vote can be cast for the election of directors.

By-Law A-2 fixes a deadline by which holders of record of common shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the information that a shareholder must include in the notice to the Company for the notice to be valid. In the case of an annual meeting, the deadline for notice of a shareholder's director nomination is not less than 30 days and not more than 65 days prior to the meeting; provided, however, if notice of an annual shareholders' meeting is given less than 50 days prior to the meeting date, shareholders must provide notice of their director nominations by close of business on the 15th day following the first public announcement of the meeting. In the case of a special meeting (which is not also an annual meeting) called for the purpose of electing directors, shareholders must provide notice of their director nominations by close of business on the 15th day following the first public announcement of the special shareholders' meeting.

Director and Officer Indemnity

The provisions of By-Law A-2 provide that the Company shall indemnify each present and former director and officer of the Company or other individual who acts or acted at the Company's request in a similar capacity for another entity against all costs, charges and expenses reasonably incurred in respect of any civil, criminal, administrative, investigative or other proceeding to which he is made a party or involved in by reason of such position with the Company or other entity as applicable, provided: (i) the individual acted honestly and in good faith with a view to the best interests of the Company or other entity as applicable, and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds to believe that his conduct was lawful.

By-law A-2 requires the Company to advance monies for costs, charges, and expenses of any such proceeding as outlined above provided such individual shall repay the monies advanced if the individual does not fulfill (i) and (ii), above.

Director and Officer Insurance

By-law A-2 provides that the Company may purchase, maintain or participate in insurance against the risk of its liability to indemnify pursuant to the By-law or otherwise.

Meeting of Shareholders

The provisions of By-Law A-2 provide all of the shareholders or two shareholders, whichever number be the lesser, personally present or represented by proxy, shall constitute a quorum of any meeting of any class of shareholders and that no business shall be transacted at any meeting unless the requisite quorum be present.

Any question at a meeting of shareholders shall be decided by a show of hands unless a ballot is demanded or required. Whenever a vote by any means other than by ballot is taken, a declaration by the chairperson of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact and the result of the vote so taken shall be the decision of the shareholders upon the said question.

The chair of any meeting of shareholders will be the first mentioned of such of the following officers who is present at the meeting and is a shareholder: chair of the Board, chief executive officer, president or a vice-president. The secretary of the Company shall be secretary of the meeting, if present, or else such other person as appointed by the chair of the meeting. One or more persons may be appointed to act as scrutineers by the chair of the meeting.

Dividends

By-law A-2 provides that payments of dividends may be made by cheque, by electronic means or by such other method as the board may determine and that cheques will be sent to a registered holder at the recorded address, unless the holder otherwise directs. In the case of joint holders, unless the joint holders otherwise direct, payment will be made to the order of all of such joint holders. Any dividend unclaimed after period of six years from the date on which the same has been declared to be payable shell be forfeited and shall revert to the Corporation.

Notices

The provisions of By-Law A-2 provide that all notices to be given pursuant to the OBCA, the articles or the by-laws or otherwise to a shareholder, director, officer, auditor (if any) or member of a committee of the Board will be sufficiently given if delivered personally to the person to whom it is to be given or if mailed by prepaid mail or delivered to such person's recorded address, or if otherwise communicated to such person by electronic means as permitted by the Act. By-law A-2 further provides that irregularities in the notice not affecting the substance thereof or in the giving thereof as well as the unintentional omission to give notice to, or the non-receipt of any such notice by, any such person will not invalidate any action taken at any such meeting.

The resolution relating to the confirming, approving and ratifying By-Law No. A-2 must be by a majority of the votes cast at the Meeting by the shareholders who vote in respect of such resolution.

The Board and management of the Company recommends that shareholders vote for the resolution confirming, approving and ratifying By-Law No. A-2. **PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR SUCH RESOLUTION, UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.**

The resolution relating to the confirming, approving and ratifying By-Law No. A-2 that shareholders will be asked to approve at the Meeting is as follows:

BE IT HEREBY RESOLVED THAT:

1. The repealing of By-Law No. A-1 and the replacement by By-Law No. A-2, substantially in the form attached as Exhibit "E", is hereby confirmed, approved and confirmed; and

2. any director or officer of the Company is hereby authorized to do all things and execute and deliver all such other instruments and documents as such person may determine to be necessary or desirable to give effect to this resolution and carry out the foregoing, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

REMUNERATION OF DIRECTORS AND OFFICERS

Executive Compensation

Compensation Discussion and Analysis

The Company's Compensation 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 Committee are described in its Charter, which is set out as Exhibit "C" hereto.

During the fiscal year ended June 30, 2013, the Compensation Committee was comprised of two independent directors: Stephen Burns and William H. Polley. As at the date hereof, the Compensation Committee is comprised of two independent directors: Stephen Burns and William H. Polley. The experience and skills of members of the Compensation Committee are set out in the sub-section Relevant Education and Experience of the discussion on the Audit Committee under the section Corporate Governance in this document.

The Compensation 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 Committee assesses the performance of the President and Chief Executive Officer on an annual basis and establishes his base salary, bonus and stock option 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 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 and stock options and emphasis is placed on salary, bonuses and stock options as described below. The executive officers of the Company are entitled to receive all benefits which are available to senior management generally.

Base Salaries

The salaries and benefits paid to the Company's executive officers, including those paid to the President and Chief Executive Officer, were previously 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 to the Named Executives for fiscal year ended June 30, 2013 were $25,000.

Bonuses reserved for payment to the Named Executive Officers for fiscal year ended June 30, 2012 were $150,000, and paid to Named Executive Officers were $125,000. The balance of $25,000 is not payable

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 National Stock Exchange ("CNSX") on March 15, 2011, the Board approved certain amendments to the Stock Option Plan to comply with CNSX policies, and the CNSX approved the Stock Option Plan.

The aggregate number of Common Shares issuable under the Stock Option Plan shall not exceed 11,643,044. The foregoing number represents, as of the date hereof, 12% of the 97,025,368 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, options to purchase an aggregate of 10,441,430 common shares are outstanding pursuant to the Stock Option Plan.

The Company does not have any Long-Term Incentive Plan other than the Stock Option 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.

- The aggregate number of Common Shares issuable under the Stock Option Plan shall not exceed 11,643,044. The foregoing number represents, as of the date hereof, 12% of the 97,025,368 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 CNSX 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 CNSX 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 CNSX 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.

Pension Plan Benefits

The Company does not have any defined benefits plans, defined contribution plans or deferred compensation plans.

Employment Contracts

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 base salary has since been revised to $330,000. Mr. Ambrose is also entitled to a monthly car allowance of $1,000.00 and an annual maximum health care spending allowance of $10,000. The annual health care spending allowance was increased to $30,000 effective January 1, 2013. 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 12 months' then current salary, 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, benefits, (or payment in lieu) as well as the health care spending allowance for the duration of the notice period, and 100% of his options 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 since been revised to $200,000. The Company is entitled to terminate Mr. Sabharwal's employment without cause upon providing him with 12 weeks' notice of termination, or payment in lieu of notice for service provided by him up to March 12, 2009, and an additional two weeks, prorated monthly for each completed year of service, up to a maximum of ten months. On November 12, 2009 the employment agreement was amended to cover severance payment of 12 months annual salary in the event of change of control triggered by specific circumstances.

Tim Knowles

The Company and Tim Knowles entered into an employment agreement dated October 14, 2007, pursuant to which Mr. Knowles is employed, effective October 1, 2007, as Chief Information Officer, at an annual salary of $225,000, and is entitled to earn a 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. Knowles base salary has since been revised to $200,000. The Company is entitled to terminate Mr. Knowles's employment without cause upon providing six months' notice of termination or payment in lieu of notice for the first year of completed service, and an additional one month of notice or payment in lieu of notice for each additional year of completed services up to a maximum of 12 months. Mr. Knowles is also entitled to receive a monthly car allowance of $1,000.00. On November 12, 2009 the employment agreement was amended to cover severance payment of 12 months annual salary in the event of change of control triggered by specific circumstances.

Kelly Lee Smith

The Company and Kelly Lee Smith entered into an employment agreement dated October 2, 2007, pursuant to which Ms. Smith is employed as Vice-President, Database/Online Marketing at an annual salary of $175,000, subject to annual review, and is entitled to an annual bonus of up to 20% of her annual salary subject to the Company achieving its objectives, and on the successful completion of her individual agreed upon objectives. Ms. Smith's base salary has since been revised to $150,000. The Company is entitled to terminate Ms. Smith's employment without cause upon providing her with two weeks' notice of termination, or payment in lieu of notice for each completed year of service, up to a maximum of ten months. Ms. Smith is also entitled to receive re-imbursement of car mileage up to $1,000.00 per month. On November 12, 2009 the employment agreement was amended to cover severance payment of twelve (12) months annual salary in the event of change of control triggered by specific circumstances.

Phil McGlynn

The Company and Phil McGlynn entered into an employment agreement dated June 25, 2008 pursuant to which Mr. McGlynn is employed, effective March 15, 2008, as Vice President Marketing, at an annual salary of $115,500. Mr. McGlynn's base salary has since been revised to $160,000 effective February 1, 2012. The Company is entitled to terminate Mr. McGlynn's employment without cause upon providing two weeks' notice of termination or payment in lieu of notice for each completed year of service, up to a maximum of ten months. Mr. McGlynn is also entitled to receive a monthly car allowance of $500.00. On November 12, 2009 the employment agreement was amended to cover severance payment of 12 months annual salary in the event of change of control triggered by specific circumstances.

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) expect in certain circumstances where the officers 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, 2013

The tabulation on the following page 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 – 2013, 2012, & 2011[1]

NEO (Name and Principal Position)	Year	Salary ($)	Share based awards[4] ($)	Option based awards[4] ($)	Non-equity incentive plan compensation - Annual[3] ($)	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	2013	330,000	Nil	3,275	12,500	Nil	Nil	33,003	378,778
	2012	330,000	Nil	9,044	62,500[5]	Nil	Nil	23,003	424,547[5]
	2011	335,000	Nil	39,424	21,304	Nil	Nil	23,003	418,731
Mukesh Sabharwal Vice-President and Chief Financial Officer	2013	200,000	Nil	2,027	5,000	Nil	Nil	4,010	211,037
	2012	200,000	Nil	5,426	25,000[5]	Nil	Nil	4,010	234,436[5]
	2011	179,167	Nil	10,614	7,500	Nil	Nil	4,010	201,291
Tim Knowles Chief Information Officer	2013	200,000	Nil	1,559	3,335	Nil	Nil	12,000	216,894
	2012	200,000	Nil	4,522	14,165[5]	Nil	Nil	12,000	230,687[5]
	2011	206,250	Nil	3,791	6,250	Nil	Nil	12,000	228,291
Kelly Lee Smith Vice-President, Database/Online Marketing	2013	150,000	Nil	780	1,665	Nil	Nil	18,016	170,461
	2012	150,000	Nil	4,522	10,835[5]	Nil	Nil	18,016	187,373[5]
	2011	156,250	Nil	2,654	5,000	Nil	Nil	18,016	181,920
Phil McGlynn Vice-President, Marketing	2013	160,000	Nil	780	2,500	Nil	Nil	8,005	171,285
	2012	148,333	Nil	4,522	12,500[5]	Nil	Nil	8,005	173,360[5]
	2011	142,500	Nil	2,654	5,000	Nil	Nil	8,005	158,159

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 Ambrose only, amounts paid towards health care spending allowance are also included, details of which are available under "Executive Compensation - Employment Contracts".

(3) Bonuses paid for fiscal years ended June 30, 2013, 2012, and 2011.

(4) The Company did not give any share based awards. The value assigned under "Option based awards" is calculated based on the Black -Scholes pricing model. For the grant in the fiscal year ended June 30, 2013, the assumptions used in the model were: (i) expected life of stock option is 5 years; (ii) expected volatility of common share price, based on historical trends, is 121.0%;; (iii) risk-free rate of return is 1.6%; (iv) expected forfeiture rate, based on historical trends, is 5.5%; and (v) nil dividend.

(5) Bonuses reserved for payment to the NEOs' for fiscal year ended June 30, 2012 were $150,000, and paid to NEOs' were $125,000. The balance of $25,000 is not payable. The previous year Information Circular dated November 16, 2012 disclosed bonus of $150,000. The bonus information in this Information Circular is amended to reflect paid amount of $125,000. The Total compensation is accordingly amended.

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The following table sets forth the options to purchase securities of the Company granted up to June 30, 2013 to the Named Executive Officers. All awards were issued pursuant to the rules and regulations of the Company's Stock Option Plan.

Name	Option-based Awards[1][7][8]				Share-based Awards		
	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	2,600,000[4]	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	500,000[5]	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	525,000[6]	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Mukesh Sabharwal	700,000[4]	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	300,000[5]	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	325,000[6]	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Tim Knowles	250,000[4]	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	250,000[5]	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	250,000[6]	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Kelly Lee Smith	175,000[4]	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	250,000[5]	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	125,000[6]	0.050	19 March, 2018	Nil	Nil	Nil	Nil
Phil McGlynn	84,500[3]	0.010	23 March, 2014	Nil	Nil	Nil	Nil
	175,000[4]	0.020	16 March, 2016	Nil	Nil	Nil	Nil
	250,000[5]	0.025	3 February, 2017	Nil	Nil	Nil	Nil
	125,000[6]	0.050	19 March, 2018	Nil	Nil	Nil	Nil

Notes:

(1) Includes all options awarded to Named Executive Officers under the Stock Option Plan, and outstanding as at June 30, 2013.

(2) The "Value of unexercised in-the-money options" figures reflect the aggregate dollar amount of in-the-money, based on price per common share at close of business on June 30, 2013, of unexercised options held at the end of the year ended June 30, 2013. The price per common share at the close of business on the CNSX on June 26, 2013, the latest date prior to June 30, 2013 on which the Company's shares were traded, was $0.005.

(3) These options granted pursuant to the Company's Stock Option Plan had vested by July 1, 2010.

(4) These options vested on the date of the grant, March 16, 2011.

(5) These options vested on date of the grant, February 3, 2012.

(6) These options vested on date of the grant, March 19, 2013.

(7) No options based awards were exercised during the fiscal year ended June 30, 2013.

(8) During year ended June 30, 2013, stock options totaling 809,820 issued on March 17, 2008 to the Named Executive Officers expired on March 17, 2013.

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, 2013.

Name	Options vested during the year[1]	Option-based awards - Value vested during the year[2] ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year[3] ($)
Kelly E. Ambrose	525,000	Nil	Nil	12,500
Mukesh Sabharwal	325,000	Nil	Nil	5,000
Tim Knowles	250,000	Nil	Nil	3,335
Kelly Lee Smith	125,000	Nil	Nil	1,665
Phil McGlynn	125,000	Nil	Nil	2,500

Notes:

(1) Options were granted on March 19, 2013. They vested 100% on March 19, 2013.
(2) The exercise price of the options granted during the year (tabulated above under "Options vested during the year") was $0.050. The closing share price on March 19 and March 20, 2013 was $0.010.
(3) Figures represent bonus paid for fiscal year ended June 30, 2013.

Termination and Change of Control Payments

Potential payments upon termination of employment as of date hereof for each named Executive Officer.

	Severance in event of termination without cause[1] ($)	Severance in event of triggering change of control situation[1] ($)
Mr. Kelly E. Ambrose[2]	$355,000	$355,000
Mr. Mukesh Sabharwal	$82,000	$200,000
Mr. Tim Knowles	$183,333	$200,000
Ms. Kelly Lee Smith	$40,385	$150,000
Mr. Phil McGlynn	$30,769	$160,000

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 $30,000.

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Compensation of Directors

Directors Compensation Table

During the fiscal year ended June 30, 2013, each of the directors of the Company (excluding Kelly 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:

Each director other than the Chairman of the Board earned an annual fee of $15,000, and $800 per meeting attended or $400 per meeting attended by telephone conference;

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 Committee earned an annual fee of $2,500, and each Committee member earned $500 per meeting attended or $250 per meeting attended by telephone conference;

3. Chairman of the Governance and Nominating Committee earned an annual fee of $2,500, and each Committee member earned $500 per meeting attended or $250 per meeting attended by telephone conference;

4. Chairman of the Audit Committee earned an annual fee of $5,000 and each Committee member earned $500 per meeting attended or $250 per meeting attended by telephone conference.

The Directors' compensation table for fiscal year ended June 30, 2013 is as follows:

Name	Fees earned ($)	Share-based awards ($)	Option-based awards(2) ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Stephen Burns(1)	54,200	Nil	1,247	Nil	Nil	Nil	55,447
William H. Polley	27,200	Nil	1,247	Nil	Nil	Nil	28,447

Notes:

(1) Chairman of the Board of Directors.

(2) The Company did not give any share based awards. The value assigned under "Option based awards" is calculated based on the Black – Scholes pricing model. For the grant in the fiscal year ended June 30, 2013, the assumptions used in the model were: (i) expected life of stock option is 5 years; (ii) expected volatility of common share price, based on historical trends, is 121.0%; (iii) risk-free rate of return is 1.6%; (iv) expected forfeiture rate, based on historical trends, is 5.5%; and (v) nil dividend.

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, 2013, to the eligible Directors of the Company.

Name	Option-based Awards[1] [6]				Share-based Awards		
	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
Stephen Burns	300,000[3]	0.020	March 16, 2016	Nil	Nil	Nil	Nil
	750,000[4]	0.025	February 3, 2017	Nil	Nil	Nil	Nil
	200,000[5]	0.050	March 19, 2018	Nil	Nil	Nil	Nil
William H. Polley	300,000[3]	0.020	March 16, 2016	Nil	Nil	Nil	Nil
	750,000[4]	0.025	February 3, 2017	Nil	Nil	Nil	Nil
	200,000[5]	0.050	March 19, 2018	Nil	Nil	Nil	Nil

Notes
(1) Includes all options awarded to Directors under the Stock Option Plan outstanding as at June 30, 2013.
(2) The "Value of unexercised in-the-money options" figures reflect the aggregate dollar amount of in-the-money, based on price per common share at close of business on June 30, 2013, unexercised options held at the end of the fiscal year ended June 30, 2012. The price per common share at the close of business on the CNSX on June 26, 2013, the latest date prior to June 30, 2012 on which the Company's shares were traded, was $0.005.
(3) Vested as at day of grant, March 16, 2011.
(4) Vested on date of grant, February 3, 2012.
(5) Vested on date of grant, March 19, 2013.
(6) No options based awards were exercised during the fiscal year ended June 30, 2013.

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, 2013.

Name	Options vested during the year[1]	Option-based awards - Value vested during the year[2] ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Stephen Burns	200,000	Nil	Nil	Nil
William H. Polley	200,000	Nil	Nil	Nil

Notes

(1) Options were granted on March 19 2013. They vested 100% on March 19, 2013.
(2) The exercise price of the options granted during the year (tabulated above under "Options vested during the year") was $0.050. The closing share price on March 19 and March 20, 2013 was $0.010.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table sets out as of June 30, 2013, a summary of compensation plans of the Company under which securities of the Company are authorized for issuance, being the Stock Option Plan and the Warrant Plan (as defined below).

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted-average exercise price of outstanding options, 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	10,441,430	0.03	1,201,614
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	10,441,430	0.03	1,201,614

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:

(a) encourage sponsors and retailers to participate in and promote the success and effectiveness of the Programs;

(b) better align the interests of such sponsors and retailers with the long-term interests of the Company;

(c) encourage the establishment and maintenance of long-term relationships with sponsors and retailers; and

(d) 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 CNSX 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 1.5% 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.

The Charter of the Audit Committee *is attached as Exhibit "D" hereto*.

Composition of the Audit Committee.

The current members, as of date hereof, are William H. Polley (Chair of the Audit Committee), Stephen Burns (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. Polley and Burns are considered to be "independent" within the meaning of the National Instrument. Although relationships exist between the Company and Messrs. Burns 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. Polley and Burns. Further, Messrs. Polley and Burns, 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.

Mr. Ambrose is not considered to be an independent director as Mr. Ambrose is the President and Chief Executive Officer of the Company. The Company has relied upon exemption under the National Instrument. Under Part 6 of the National Instrument, the Company is exempt from Part 3 of the National Instrument composition of the Audit Committee.

Relevant Education and Experience

Mr. Polley is a Chartered Accountant and has no direct or indirect relationship with the Company aside from acting as a member of the Board since November 21, 2002.

Mr. Burns is a Chartered Accountant and was a senior partner in Shimmerman Penn Burns Becker LLP, Chartered Accountants ("Shimmerman Penn") from 1995 to April 1, 2002. BDO Canada LLP are the current auditors of the Company. Shimmerman Penn was the auditor of the Company from 1995 thru fiscal 2005. During the last three years that Mr. Burns was a senior partner in Shimmerman Penn, he had given up all responsibilities as engagement partner for his clients, including the Company, and only acted in a consulting role. Mr. Burns has no other direct or indirect relationship with the Company aside from acting as a member of the Board since February 19, 2004.

Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan. He has substantial business experience having 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, 2013 and June 30, 2012, for audit and non-audit related services:

Type of Work	Year Ended June 30, 2013	Year Ended June 30, 2012
Audit fees [1]	$ 63,000	$ 77,000
Audit-related fees [2]	$ -	$ 12,000
Tax advisory fees [3]	$ -	$ 20,000
All other fees [4]	$ -	$ -
Total	$ 63,000	$109,000

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.

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.

Stephen Burns, and William H. Polley 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.

Stephen Burns is Chairman of the Board of Directors. Mr. Burns 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	EQ works (formerly Cyberplex Inc.) Exclamation Investments Incorporated (formerly Chrysalis Capital VI Corporation) Panda Capital Inc. ITS Group

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 Governance and Nominating Committee with a mandate to conduct appropriate review and selection processes for new nominees as directors. The Committee is comprised of two independent directors and one non-independent director. The responsibilities, powers and operations of the Governance and Nominating Committee are described it 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 Committee, comprised entirely of independent directors, and the remuneration practices of similar companies.

The responsibilities, powers and operations of the Compensation Committee are described in its Charter, which is set out as Exhibit "C" 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 three (3) standing committees: the Audit Committee, the Compensation Committee, and the Governance and Nominating Committee.

The Audit Committee, whose Chairman, as of date hereof, is William Polley, was composed of three directors during the year to the end of most recently completed fiscal year, two of whom were independent directors as at the end of the most recently completed year. 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 Committee, whose Chairman, as of date hereof, is Stephen Burns was composed of two independent directors during the most recently completed fiscal year. The Committee was established for the purpose of reviewing, and recommending to the Board for approval, the compensation of executive officers.

The Governance and Nominating Committee, whose Chairman, as of date hereof, is Stephen Burns, was composed of three members, two of whom are independent directors. The Committee was formed to review 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, with an extra $1.0 million cover for non-indemnifiable losses in respect of the Company and any of its subsidiaries, subject to a maximum $25,000 deductible in certain circumstances. The annual total premium paid, by the Company, in respect of such insurance is $30,225.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed below, 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.

During fiscal year ended June 30, 2011, informed persons of the Company purchased debentures, on terms and conditions applicable to the other subscribers, which are more fully described in notes 9 and 10 to the audited consolidated financial statements for fiscal year ended June 30, 2013. The holdings of the informed persons are disclosed below.

Title	As at June 30, 2013	
	Principal Amount – 14% non - convertible debentures payable	Principal Amount – 12% non – convertible debentures payable
Chief Executive Officer – Kelly E. Ambrose. Residence, 81 Auburndale Drive, Thornhill, Ontario, L4J 8W8	$nil	$100,000
Chief Financial Officer – Mukesh Sabharwal. Residence: 44 Maldives Crescent, Brampton, Ontario, L6P 1L3	$10,000	$ 30,000

It is expected that these same informed persons will subscribe for new debentures as part of the debenture refinancing announced on October 28, 2013. Any such subscription will be on terms and conditions applicable to the other subscribers, which are more fully described in the Company's press release of October 28, 2013.

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 ABOVE 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, CST Trust Company using the provided envelope by mail to P.O. Box 721, Agincourt, ON, Canada, M1S 0A1, or by hand to 320 Bay Street, B 1 Level, 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 Monday, December 16, 2013, 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, THE APPOINTMENT OF AUDITORS, AMENDMENT TO THE BY-LAWS OF THE COMPANYAS STATED ELSEWHERE IN THIS INFORMATION CIRCULAR. 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 97,025,368 Common Shares, 459,781 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 14, 2013 (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. The Company will not be relying on the notice and access delivery procedures outlined in National Instrument 54-101 – Communications with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators ("NI 54-101") to distribute copies of proxy-related materials in connection with the Meeting, instead, in accordance with NI 54-101, the Company will have distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

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.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company, as at the date hereof, there were no persons or other legal entities who beneficially own, or control or direct, 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.

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 17, 2013. 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 17th day of November, 2013.

/s/ Kelly 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, the Corporate Governance and Nominating Committee and the Compensation 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 Corporate Governance and Nominating 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 Corporate Governance and Nominating 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 Corporate Governance and Nominating 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 Corporate Governance and Nominating 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 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 Corporate Governance and Nominating 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 GOVERNANCE AND NOMINATING COMMITTEE

I. PURPOSE

The corporate governance and nominating committee (the "**Corporate Governance and Nominating 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 Governance and Nominating Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the enhancement of the Corporation's corporate governance practices and the nomination of directors by:

- 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**");
- developing and maintaining an orientation and education program for new directors and assisting in the orientation and education of new directors;
- assessing the composition and effectiveness of the Board of Directors as a whole as well as discussing the contribution of individual members; and
- 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 Governance and Nominating Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this Charter. The primary function of the Corporate Governance and Nominating Committee is to assist the Board of Directors in fulfilling its legal and fiduciary obligations and responsibilities.

II. COMPOSITION AND MEETINGS

The Corporate Governance and Nominating 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 Nominating, Corporate Governance and Compensation Committee.

The members of the Corporate Governance and Nominating 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 Governance and Nominating 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 Governance and Nominating Committee may designate a Chair by majority vote of the full membership of the Nominating, Corporate Governance and Compensation Committee.

The Corporate Governance and Nominating Committee shall meet at least twice per annum and more frequently as circumstances require. The Corporate Governance and Nominating Committee may ask members of management or others to attend meetings or to provide information as necessary. In addition, the Corporate Governance and Nominating 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 Governance and Nominating Committee may retain the services of outside specialists to the extent required.

Quorum for the transaction of business at any meeting of the Corporate Governance and Nominating 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 Governance and Nominating Committee or such greater number as the Corporate Governance and Nominating Committee shall by resolution determine.

If within one hour of the time appointed for a meeting of the Nominating, Corporate Governance and Compensation 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 Governance and Nominating Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Corporate Governance and Nominating Committee shall be held from time to time and at such place as the Corporate Governance and Nominating Committee or the Chairman of the Corporate Governance and Nominating 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 Governance and Nominating 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 Governance and Nominating Committee, any member of the Corporate Governance and Nominating Committee or the Chair of the Board of Directors shall be entitled to request that the Chair of the Corporate Governance and Nominating Committee call a meeting. A notice of a meeting of the Corporate Governance and Nominating Committee must be given in accordance with the By-laws of the Corporation and applicable law.

The Corporate Governance and Nominating Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Corporate Governance and Nominating 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 Governance and Nominating 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 Governance and Nominating Committee may be taken by an instrument or instruments in writing signed by all of the members of the Corporate Governance and Nominating 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 Governance and Nominating 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 GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating 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 Governance and Nominating Committee also has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Corporate Governance and Nominating 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 Governance and Nominating Committee or to meet with members of, or advisors to, the Corporate Governance and Nominating Committee and to provide pertinent information as necessary.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Corporate Governance and Nominating 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 Corporate Governance and Nominating 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 COMPENSATION COMMITTEE

I. PURPOSE

The compensation committee (the "**Compensation 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 Compensation Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the compensation of the members of the Board of Directors and its committees by:

- 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;

- 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

- establishing and periodically reviewing the Corporation's policies in the area of management benefits and perquisites.

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.

II. COMPOSITION AND MEETINGS

The Compensation Committee shall be comprised of such number of directors (but at least two) as determined by the Board of Directors, all of whom shall be Independent Directors (as defined below). 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 Compensation Committee.

The members of the Compensation 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 Compensation Committee at any time in

its sole discretion by resolution of the Board of Directors. The Chair of the Compensation Committee shall be elected by the Board of Directors.

The Compensation Committee shall meet at least twice per annum and more frequently as circumstances require. The Compensation Committee may ask members of management or others to attend meetings or to provide information as necessary and appropriate. In addition, the Compensation Committee or, at a minimum, the Chair of the Compensation Committee may meet with the Corporation's external counsel to discuss the Corporation's compensation policies and practices. The Compensation Committee may retain the services of outside specialists to the extent required.

Quorum for the transaction of business at any meeting of the Compensation Committee shall be the presence in person or by telephone or other communication equipment of a majority of the number of members of the Compensation Committee or such greater number as the Compensation Committee shall by resolution determine.

If within one hour of the time appointed for a meeting of the Compensation 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 Compensation Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Compensation Committee shall be held from time to time and at such place as the Compensation Committee or the Chair of the Compensation 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 Compensation 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 Compensation Committee, any member of the Compensation Committee or the Chair of the Board of Directors shall be entitled to request that the Chair of the Compensation Committee call a meeting. A notice of a meeting of the Compensation Committee must be given in accordance with the By-laws of the Corporation and applicable law.

The Compensation Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Compensation 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 Compensation Committee will require the vote of a majority of its members present at a meeting at which a quorum is present. Actions of the Compensation Committee may be taken by an instrument or instruments in writing signed by all of the members of the Compensation Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Compensation 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 COMPENSATION COMMITTEE

The Compensation 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 Compensation Committee also has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Compensation 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 Compensation Committee or to meet with members of, or advisors to, the Compensation Committee and to provide pertinent information as necessary and appropriate.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Compensation 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.

Compensation Responsibilities

4. 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.

5. 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.

6. 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.

7. 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 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:

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 the Corporation.

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 "D"

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.

ADVANTEX

EXHIBIT "E"

BY-LAW NO. A-2

A by-law relating generally to the transaction of the business and affairs of

Advantex Marketing International Inc.

Contents

IT IS HEREBY ENACTED as By-law No. A-2 of Advantex Marketing International Inc. (the **Corporation**) as follows:

1 Interpretation

1.1 Definitions

Act means the *Business Corporations Act* (Ontario) and the regulations made thereto, as from time to time amended, and every statute that may be substituted therefor, and in the case of such amendment or substitution, any reference to the Act in the by-laws of the Corporation refers to the amended or substituted provisions therefor.

Applicable Securities Laws means the applicable securities legislation of each relevant province of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province of Canada.

public announcement shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

1.2 Conflict with the Act and Articles

To the extent that there is any conflict or inconsistency between these by-laws and the Act or the articles of the Corporation (the **Articles**), the Act or Articles will govern.

1.3 Number and Gender

Any reference in these by-laws to gender includes all genders and words importing the singular include the plural and *vice versa*.

1.4 Headings

The division of these by-laws into Sections and other subdivisions and the insertion of headings are for convenient reference only and do not affect its interpretation.

1.5 Invalidity of any Provision of these By-Laws

The invalidity or unenforceability of any provision in these by-laws shall not affect the validity or enforceability of the remaining provisions which will continue in full force and effect, without amendment.

2 Directors

2.1 Place

Meetings of the board of directors (the **board**) may be held at the registered office of the Corporation or any other place within or outside Canada.

2.2 Notice

a) Subject to 2.2(b) hereof, a schedule of meetings (**regular meetings**) of the board shall be circulated to each director and agreed upon by the board prior to the commencement

of a calendar year. Written confirmation (including by email, fax or mail) of the date, time and location of a regular meeting and the general nature of the business to be transacted thereat will be sent to directors one week in advance of regularly scheduled meetings. Another meeting of the board may be called by any director with 24 hours' notice prior to the time fixed for the meeting, which notice shall include the same information as would be contained in a confirmation.

b) For the first meeting of the board to be held following the election of directors at an annual or special meeting of the shareholders, or for a meeting of the board at which a director is appointed to fill a vacancy on the board, no notice of such meeting need be given to the newly elected or appointed director(s) in order for the meeting to be duly constituted, provided a quorum of the directors is present.

2.3 Nominations of Directors

a) Subject only to the Act and the Articles, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders, if one of the purposes for which the special meeting was called was the election of directors:

   i. by or at the direction of the board, including pursuant to a notice of meeting;

   ii. by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or

   iii. by any person (a **Nominating Shareholder**): (A) who, at the close of business on the date of the giving of the notice provided for below in this Section 2.3 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Section 2.3.

b) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation at the principal executive offices of the Corporation.

   To be timely, a Nominating Shareholder's notice to the Secretary of the Corporation must be made:

   i. in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement (the **Notice Date**) of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the fifteenth (15th) day following the Notice Date; and

   ii. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

in no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

c) To be in proper written form, a Nominating Shareholder's notice to the Secretary of the Corporation must set forth:

   i. as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and

   ii. as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

d) The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

e) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 2.3; provided, however, that nothing in this Section 2.3 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

f) Notwithstanding any other provision of this Section 2.3, notice given to the Secretary of the Corporation pursuant to this Section 2.3 may only be given by personal delivery, facsimile transmission or by email (to the Secretary of the Corporation), and shall be deemed to have been given and made only at the time it is served by personal delivery, email or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

g) Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this Section 2.3.

2.4 Quorum

The board may, from time to time, fix by resolution the quorum for meetings of the board or its committees. Until otherwise fixed, a quorum at any meeting of the board or its committees shall be two-fifths of the directors or members, as the case may be, in office, from time to time.

2.5 Chair

The chair of any meeting of the board shall be the first mentioned of the following officers who is a director and present at the meeting: the chair of the board, the chief executive officer or the president. If such officer is not present, the directors present will choose one of their number to be chair of the meeting.

2.6 Votes to Govern

All questions arising at any meeting of the board will be decided by a majority of votes. In the case of an equality of votes, the chair of the meeting is not entitled to a second or casting vote in addition to his original vote.

2.7 Remuneration and Expenses

The board may determine from time to time the remuneration, if any, to be paid to a director for his services as a director. The directors are also entitled to be reimbursed for travelling and other out-of-pocket expenses properly incurred by them in attending board meetings, committee meetings and shareholders meetings and in the performance of other duties of directors of the Corporation. The board may also award additional remuneration to any director undertaking special services on the Corporation's behalf beyond the services ordinarily required of a director by the Corporation.

A director may be employed by or provide services to the Corporation otherwise than as a director. Such a director may receive remuneration for his services as a director.

3 Protection of Directors, Officers and Others

3.1 Indemnity

Subject to the Act and any other applicable law, the Corporation shall indemnify each director and officer of the Corporation, each former director and officer of the Corporation, and each other individual who acts or acted at the Corporation's request as a director or officer or in a similar capacity of another entity against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by such person in respect of any civil, criminal, administrative, investigative or other proceeding to which he is made a party or involved in by reason of being or having been a director or officer of the Corporation or such other entity at the request of the Corporation or in a similar capacity (excluding any proceeding initiated by such individual other than to establish a right of indemnification), provided:

(a) the individual acted honestly and in good faith with a view to the best interests of the Corporation, or, as the case may be, to the best interest of the other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation's request; and

(b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds to believe that his conduct was lawful.

3.2 Advances for Costs

The Corporation shall, to the full extent permitted by law, advance monies to an individual referred to in Section 3.1 for costs, charges, and expenses of a proceeding referred to in Section 3.1 provided such individual shall repay the monies advanced if the individual does not fulfill the conditions of indemnification set out in the Act.

3.3 Indemnification Agreements

The Corporation is authorized to enter into any agreement evidencing and setting out the terms and conditions of, an indemnity in favour of any of the persons referred to in Section 3.1.

3.4 Director and Officer Insurance

The Corporation may purchase, maintain or participate in insurance against the risk of its liability to indemnify pursuant to these by-laws or otherwise.

3.5 Right not Exclusive

The right of any person to indemnification granted by these by-laws is not exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors, at law or otherwise.

4 Shareholders

4.1 Chair, Secretary and Scrutineer

a) The chair of any meeting of shareholders will be the first mentioned of such of the following officers who is present at the meeting and is a shareholder: chair of the board, chief executive officer, president or a vice-president. If no such officer is present within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote thereat will choose one of their number to be chair of the meeting. If present, the secretary of the Corporation shall be secretary of the meeting. If the secretary is absent, the chair of the meeting shall appoint another person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more persons, who need not be shareholders, may be appointed to act as scrutineers by the chair of the meeting.

b) The chair of a meeting of shareholders will conduct the meeting and determine the procedure to be followed at the meeting. The chair's decision on all matters or things, including any questions regarding the validity or invalidity of a form of proxy or other instrument appointing a proxy, is conclusive and binding upon the meeting of shareholders.

4.2 Quorum

All of the shareholders or two shareholders, whichever number be the lesser, personally present or represented by proxy, shall constitute a quorum of any meeting of any class of shareholders. No business shall be transacted at any meeting unless the requisite quorum be present at the time of the transaction of such business.

4.3 Adjournment

Where a quorum is present at a meeting of shareholders, the chair of the meeting may, in his or her sole discretion, adjourn the meeting from time to time and place to place without the consent

of the persons present who are entitled to vote at the meeting. Where no quorum is present at the time appointed for a meeting of shareholders or within such reasonable time thereafter as the shareholders present may determine, the chair of the meeting may adjourn the meeting from time to time and place to place only with the consent of the persons present who are entitled to vote at the meeting and subject to conditions as such persons may decide, but the shareholders present may not transact any other business. Any adjourned meeting is duly constitute if held in accordance with the terms of the adjournment and a quorum is present at the adjourned meeting. Any business may be considered and transacted at any adjourned meeting which could have been considered and transacted at the original meeting of shareholders.

4.4 Voting

a) Any question at a meeting of shareholders shall be decided by a show of hands unless a ballot is demanded or required. Where a ballot is required or demanded to decide any question at a meeting of shareholders, the ballot shall be taken in such manner as the chair of the meeting shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. The result of a ballot shall be the decision of the shareholders upon the question. Whenever a vote by any means other than by ballot is taken, a declaration by the chairperson of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

b)

c) A vote at a meeting of shareholders may be held by telephone or electronic or other means of communication facility made available by the Corporation. In the case of an equality of votes, the chair of the meeting will not be entitled to a second or casting vote.

4.5 Meeting Held by Telephonic, Electronic or Other Communications Facility

A meeting of shareholders may be held by telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during a meeting. A shareholder, proxyholder or shareholder's representative who participates through those means at a meeting or establishes a communication link to the meeting shall be deemed to be present at that meeting.

4.6 Representatives

The authority of an individual to represent a body corporate or association at a meeting of shareholders of the Corporation shall be established by depositing with the Corporation a certified copy of the resolution of the directors or governing body of the body corporate or association, as the case may be, granting such authority, or in such other manner as may be satisfactory to the chair of the meeting.

5 Execution of Instruments

a) Contracts, documents or instruments in writing may be signed on behalf of the Corporation, either manually, by facsimile or by electronic means by the Chairman of the Board, the Vice-Chairman of the Board, the Managing Director, an executive officer, the President, a Vice president together with the Secretary Treasurer, by two directors or any other person authorized by the directors from time to time (each such person is referred to as an **Authorized Signatory**). Voting rights for securities held by the Corporation may

be exercised on behalf of the Corporation by any one Authorized Signatory.

b) Any Authorized Signatory or other person authorized to sign any contract, document or instrument a in writing, may affix the corporate seal, if any, to any contract, document or instrument in writing.

6 Dividends and Other Distributions

A dividend or other distribution payable in money may be paid by cheque, by electronic means or by such other method as the board may determine. Payment will be made to or to the order of each registered holder of securities of the class in respect of which the payment is to be made. Cheques will be sent to a registered holder at the recorded address, unless the holder otherwise directs. In the case of joint holders, unless the joint holders otherwise direct, payment will be made to the order of all of such joint holders and, if applicable, sent to them at the recorded address. The sending of the payment by cheque, electronic means or such other method as the board may determine, in an amount equal to the dividend or other distribution to be paid less any tax which the Corporation is required to and does withhold, will satisfy and discharge the Corporation's liability for payment unless a cheque is not paid upon presentation. In the event of non-receipt of any payment by the person to whom it is sent, the Corporation may re-issue the payment on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as may be prescribed by the board or any person designated by the board from time to time. Any dividend or other distribution unclaimed after period of six years from the date on which the same has been declared to be payable shell be forfeited and shall revert to the Corporation.

7 Notices

(a) Except as otherwise provided herein, any notice (which term includes, any communication or contract, document or instrument in writing) to be given (which term includes, sent, delivered or served) pursuant to the Act, the articles or the by-laws or otherwise to a shareholder, director, officer, auditor (if any) or member of a committee of the board will be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to such person's recorded address, or if mailed to such person by prepaid mail at the person's recorded address or if otherwise communicated to such person by electronic means as permitted by the Act. The foregoing may not be construed so as to limit the manner or effect of giving notice by any other means of communication otherwise permitted by law. A notice so delivered will be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed will be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any electronic means will be deemed to have been given at the time specified under the Act.

(b) Where shares are registered in more than on person's name, any notice will be sent to the first person named in the register of shareholders only.

(c) Irregularities or errors in the notice not affecting the substance thereof or in the giving thereof as well as the unintentional omission to give notice to, or the non-receipt of any such notice by, any such person will not invalidate any action taken at any such meeting.

(d) Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever shall become entitled to any share, is bound by every notice in respect of such share which has been given to the shareholder from whom such person derives title to such share prior to such person's name and address being entered on the securities register (whether such notice was given before or after the happening of the

event upon which such person became so entitled) and prior to such person furnishing to the Corporation the proof of authority or evidence of such person's entitlement prescribed by the Act.

8 Repeal of Existing By-law No. A-1

As of the coming into effect of this By-Law No. A-2 , the existing By-law No. A-1 of the Corporation made as of the November 23, 1990 is repealed. Such repeal does not affect the previous operation of the by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under any such by-law prior to its repeal. All officers and persons acting under any such by-law which is repealed will continue to act as if appointed under the provisions of these by-laws.

9 Effective Date

These by-laws will come into force on the date when made by the board in accordance with the Act.