ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the fiscal years ended June 30, 2015 and 2014

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, 2015. 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, 2015, compared to the twelve months ended June 30, 2014. 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, 2015, and which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the Company's presentation and functional currency, unless otherwise noted. Some dollar amounts have been rounded and may not tie directly to the audited consolidated financial statements.

Overall Performance

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

On a combined basis, Advantex has contractual marketing access to millions of Canadian and US consumers with above-average personal and household income. The Company's merchant partner base currently consists of about 1,600 merchants participating in the three programs and operating across Canada and the US in diverse business segments: restaurants; golf courses; independent inns, resorts and selected hotels; spas; retailers of men's and ladies fashion, footwear and accessories; retailers of sporting goods; florists and garden centres; 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 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. Merchants participating in the Caesars program pay an agreed monthly participation fee.

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

12 months ended June 30, 2015

The Company's results for the Fiscal year ended June 30, 2015 ("Fiscal 2015") reflect two operating environments.

During the first nine months of Fiscal 2015 the Company had to deal with a radically changed business environment. For 3 and 9 months ended March 31, 2015, the structural and one-time adjustments that affected the results of Fiscal 2015 were:

1. Structural. The Company continued to be impacted by the June 2014 change to the CIBC-Aeroplan relationship which saw TD take over about half of CIBC's aero based credit cards. This added complexity and the cost and resources needed to build a new loyalty marketing program created a difficult selling and merchant retention environment for its core program;
2. Competitive. The working capital feature of the CIBC/TD program's Advance Purchase Marketing ("APM") product was under significant pricing pressure from competitors;
3. Restructuring. In January the Company announced a plan to adjust its headcount to the prevailing and expected medium term activity level. The resulting non-recurring cost is in terms of severances. Most of these changes affected management positions. Sales positions that will regenerate the eventual growth of the Company were not affected;
4. Reserve for delinquent accounts. For the past few quarters the Company had seen an increase in delinquencies by its merchants due to challenging economic conditions. Until the first quarter of the current fiscal year the Company pursued legal action against delinquent accounts. Towards end of the second quarter the Company switched to using a collection agency with hands on experience in collections. and
5. Investment. The Company launched a loyalty program in February 2015 with Caesars in Philadelphia, US. The Caesars program is an expansion opportunity for the Company in the US. The set-up and launch had a financial cost.

During the final three months of Fiscal 2015 the Company introduced changes in response to its market conditions:

1. Structural. A new, upgraded and combined CIBC/TD loyalty marketing program was launched. It presents merchants with a much stronger value proposition and the Company believes it is now in a better position to retain and further expand its merchant base;
2. Competitive. With the support of its financial partner Accord Financial Inc. ("Accord") the Company returned the product to a competitive position in terms of pricing and features;
3. Restructuring. In the final phase changes to the Aeroplan and Caesars business were implemented;
4. Reserve for delinquent accounts. Given the prevailing economic realities and input of the collection agency the Company reassessed the collection prospects and took a prudent approach with a significant write down of delinquent accounts. The new process to deal with delinquent accounts is quicker on follow up, potentially improving the prospects of collection. The second benefit is that it is cost effective compared to the legal process. The Company regularly re-visits its under-writing processes and believes that together with its financial partners it has adequate due diligence processes and analytics to determine which merchants are eligible to receive advances from the Company and consequently expects to mitigate the impact of future merchant delinquencies on its operational performance.
5. Investment. Currently approximately 70 merchants are participating in the Caesars program. The Company has the go-ahead to expand the program to Atlantic City.

The chart demonstrates the improvement to the overall business during the fourth quarter of Fiscal 2015, and the expectation of positive impact on the Company's performance resulting from increase in the Company's CIBC/TD merchant portfolio in the six months since April 2015, improvement in margin and reduction in the Selling General & Administrative ("SG&A") expenses during quarter ended June 30, 2015 compared to the nine months ended March 31, 2015.

Core business - CIBC/TD program - 85% + of Company Gross profit	
Increase in Merchant population	80
Improvement in Margin	25%
Company	
Cash burn from operations* during nine months ended March 31, 2015 stopped during fourth quarter of Fiscal 2015	Fourth quarter of Fiscal 2015. Cash generated from operations* at break even
Impact on Company	
Expected improvement in annual CIBC/TD program revenues due to increase in merchant population of past six months and revenue trends of fourth quarter of Fiscal 2015	$ 953,602
Expected increase in annual CIBC/TD program gross profit per margin trend of fourth quarter of Fiscal 2015	$ 735,121
Expected reduction in annual SG&A	$ 888,936

* Cash burn from operations and cash generated from operations* are non-GAAP financial measures which does not have any standardized meaning prescribed by the issuer's GAAP and are unlikely to be comparable to similar measures presented by other issuers. They are provided as additional information to assist readers in understanding a component of the Company's financial performance prior to one-time charges. In case of the Company, for the nine months ended March 31, 2015 cash burn from operations is arrived at by adding depreciation, non-cash interest and restructuring cost to net loss for the period and the data is disclosed in the interim financial statements for the three and nine months ended March 31, 2015. For 3 months ended June 30, 2015 cash from operations is arrived at by adding depreciation, non-cash interest and restructuring cost to net loss for the period and the information is disclosed in this document under the section Fourth quarter of Fiscal 2015 vs. Fourth quarter of Fiscal 2014.

The Company expects to increase the merchant population of its core program for the period October 2015 to June 2016 at the pace of the past six months.

During Fiscal year ending June 30, 2016 the Company will be paying out about $600,000 in severance payments. The payments will be completed by June 30, 2016 and consequently the cash flows will improve from July 2016.

A merchant, with several locations, participating in the Aeroplan program exited the program effective September 30, 2015. The revenue from this customer was about 18% of Fiscal 2015 Aeroplan program revenues. The Company expects to offset the impact by expansion of the program including into the independent grocery, a new business segment.

Affinity and Financial partners

The Company's ability to successfully overcome the challenges would not be possible without the support of its Affinity and Financial partners.

CIBC and TD have spent substantial funds to market the CIBC/TD program to their respective credit card holders.

Aeroplan and the Company continue to work together to break into the independent grocery business segment. This business segment attracts large consumer spending, is high frequency and we believe has the potential to double our existing business. We expect to go to market in December of this year.

Caesars has shown faith in the Company's performance and asked the program be extended to Atlantic City.

Our financial partner Accord's support allowed the Company to return the APM product to a competitive position. In October 2015, Accord and the Company extended their partnership for one year ending in December 2016.

The holders of the 12% Non-Convertible Debentures Payable maturing September 30, 2016 ("new 12% debentures) amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The Company met the amended financial covenants at June 30, 2015.

Highlights of financial performance for the Fiscal 2015 and Fiscal year ended June 30, 2014 ("Fiscal 2014")

The highlights of the financial performance for Fiscal 2015 compared to Fiscal 2014 is tabulated.

	Fiscal 2015	Fiscal 2014
	$	$
Revenue		
CIBC/TD program	10,916,883	14,025,317
Aeroplan program	2,313,518	2,504,637
Caesars program, misc	67,491	5,170
Revenues from Retail programs	**13,297,892**	**16,535,124**
Gross profit	**8,131,565**	**10,209,657**
Earnings from operations before depreciation, amortization, interest and restructuring ("EBITDA before restructuring") *	**208,659**	**1,850,953**
Earnings from operations before depreciation, amortization and interest ("EBITDA") *	**(792,662)**	**1,850,953**
Net (Loss) and Comprehensive (Loss)	**(3,070,603)**	**(762,628)**

* EBITDA before restructuring and EBITDA are non-GAAP financial measures which do not have any standardized meaning prescribed by the issuer's GAAP and are unlikely to be comparable to similar measures presented by other issuers. These are provided as additional information to assist readers in understanding components 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, 2015, earnings from operations before depreciation, amortization and interest is the nearest equivalent to EBITDA and EBITDA before restructuring is computed by adding back the restructuring cost to earnings from operations before depreciation, amortization and interest.

Income Statement – Fiscal 2015 compared to Fiscal 2014

Revenues

- The difficult operational environment explained under the *12 months ended June 30, 2015* 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 Fiscal 2015 Aeroplan program revenues are 7.6% lower compared to Fiscal 2014 reflecting a decline in merchant participation. As well during Fiscal 2014 Aimia provided the Company with the business of one of its re-seller which filed for bankruptcy and revenues from that business included some one-time business.

Direct expenses

- For the CIBC/TD program during Fiscal 2015 declined 22.4% while the revenues declined 22.2%.
    1. 34.6% decline in cost of consumer rewards reflects a decline in merchant population and rate reductions. Fiscal 2014 reflects investment in merchant incentives to retain and grow our merchant base;
    2. 32.9% decline in marketing spending primarily reflects decline in merchant population. Furthermore, CIBC and TD directly spent significant amounts during Fiscal 2015 to market the program to their credit card holders. The Company's marketing spending consequently was lower compared to corresponding period in the previous year; and
    3. During Fiscal 2015 and 2014 the Company saw an increase in delinquencies by its merchants due to challenging economic conditions. Given the prevailing economic realities and input of a hands on collection agency the Company works with since the end of the second quarter of Fiscal 2015, the Company reassessed the collection prospects and took a prudent approach with a significant write down of delinquent accounts in Fiscal 2015. The expense for delinquent accounts in Fiscal 2015 is up 10.4% compared to Fiscal 2014. The Company believes that together with its financial partners it has adequate due diligence processes and analytics to determine which merchants are eligible to receive advances from the Company. The Company has scaled back its APM program in business segments with high historical delinquency rates.

- Aeroplan program. The direct expenses decline 5.4% compared to decline in revenue of 7.6%.

Gross profit

- The overall Company gross margin for Fiscal 2015 at 61.1% is flat compared to Fiscal 2014.
- The decline in gross profit (Fiscal 2015 $8,131,565 compared to Fiscal 2014 $10,209,657) reflects decline in revenues.

Selling expenses

- CIBC/TD and Aeroplan programs. The decline tracked the decline in revenues
- CIBC/TD program. Decline of 18.7% compared to 22.2% decline in revenues.
- Aeroplan program. Decline of 19.1% compared to a decline in revenues of 7.6%.
- Caesars program. Fiscal 2015 reflected costs connected to launch of the program.

General and Administrative. Fiscal 2015 was flat compared to Fiscal 2014.

Restructuring cost. Fiscal 2015 reflects the costs of severances (Fiscal 2014 $nil restructuring cost).

Interest cost

- Stated interest expense on loan payable reflects the lower utilization of funds under this line of credit facility. The lower utilization of line of credit facility reflects decline in merchant participation.
- Stated interest expense on debentures reflects reduction in the debt. 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 its 14%

non-convertible debentures payable ("14% debentures") and 12% non-convertible debentures payable ("old 12% debentures").

- Fees payable ($58,500 Fiscal 2015 compared to $6,500 in Fiscal 2014) on the new 12% debentures are connected to changes in Fiscal 2014 to the debenture agreement and is described in the section 12% Non-Convertible Debentures Payable in this document.

The above factors resulted in an increase in net loss. Fiscal 2015 $ 3,070,603 compared to $715,245 for Fiscal 2014.

Balance Sheet – Fiscal 2015 compared to Fiscal 2014

The decline in merchant participation and the provision for delinquent accounts is reflected in the decline in transaction credits. Fiscal 2015 $7,819,647, Fiscal 2014 $10,278,706 and Fiscal 2013 $13,632,654. The decline in transaction credits is the primary reason for decline in current and total assets of Fiscal 2015 and Fiscal 2014. The amount due on the loan payable was on a decline reflecting decline in merchant participation. Fiscal 2015 $5,711,525, Fiscal 2014 $6,454,174 and Fiscal 2013 $7,099,371.

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 its 14% debentures and 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.

A detailed look at the results for Fiscal year 2015 compared to Fiscal year 2014 is set out in the following sections.

Outlook

The Company's strengths are its Affinity partnerships with CIBC, TD, Aimia and Caesars, its merchant portfolio and its unique product offerings which seamlessly connect, through the Company's proprietary technology, merchants to consumers. Loyalty marketing is a multi-billion dollar business in North America and Advantex is well positioned to gain a wider share of this market with its proprietary technology and its outstanding partners.

The Company believes that its long term prospects are positive because it has a unique product for the small independent merchant space. Working capital and loyalty marketing at affordable prices. Its systems and processes can rapidly onboard new affinity partners and are scalable.

Since the beginning of April 2015 the Company is increasing merchant participation in the CIBC/TD program. While it expects to eventually reach merchant participation levels of Fiscal years 2012 and 2013, both years in which the Company reported net profits, it will be gradual re-build. The next twelve months will be a difficult operating environment for the Company reflecting modest growth in a weak economy. The Company expects to generate sufficient cash from operations, adequate to meet its operational requirements and settle severances consequent to the rightsizing of the business in Fiscal 2015. The Company believes it has the support of its Affinity and Financial partners, its staff and is confident in its ability to successfully overcome the challenges.

Results of Operations

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
	$	$	$
Revenues	**13,297,892**	**16,535,124**	**(3,237,232)**
Direct expenses	5,166,327	6,325,467	(1,159,140)
Gross profit	**8,131,565**	**10,209,657**	**(2,078,092)**
Selling and General & administrative expenses	7,922,906	8,358,704	(435,798)
Earnings from operations before depreciation, amortization, interest and restructuring cost	**208,659**	**1,850,953**	**(1,642,294)**
Cash interest on loan payable and debentures	1,605,981	1,884,080	(278,099)
Earnings from operations before depreciation, amortization and non cash interest expense on debentures (accretion charges) and restructuring cost	**(1,397,322)**	**(33,127)**	**(1,364,195)**
Depreciation and Amortization	444,785	473,979	(29,194)
Non cash interest expense on debentures	227,175	208,139	19,036
Loss before restructuring cost	**(2,069,282)**	**(715,245)**	**(1,354,037)**
Restructuring cost	1,001,321	-	1,001,321
Net loss	**(3,070,603)**	**(715,245)**	**(2,355,358)**
Other Comprehensive loss - translation loss	-	(47,383)	47,383
Comprehensive loss	**(3,070,603)**	**(762,628)**	**(2,307,975)**
Basic and diluted earnings per share	(0.02)	-	

YTD Fiscal 2015 restructuring cost is discussed in the section Overall Performance in this document.

Extract from the Statement of Financial Position

	At June 30, 2015	At June 30, 2014	(Decrease) / Increase
	$	$	$
Current assets	9,761,353	13,173,537	(3,412,184)
Total assets	10,405,080	13,940,849	(3,535,769)
Shareholders' deficit	(4,465,665)	(1,395,062)	3,070,603

The change in current assets and total assets reflects:

1. A decline in transaction credits of $2,459,059. This reflects lower merchant participation in the CIBC/TD program's APM product. 1,022 merchants at June 30, 2014 and 893 at June 30, 2015; and
2. Decrease in cash and cash equivalents of $653,196 primarily reflective of the net loss for Fiscal 2015.

The movement in Shareholders deficit reflects net loss for Fiscal 2015.

Extracts from the Statement of Cash Flow

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
	$	$	$
Net loss	(3,070,603)	(715,245)	2,355,358
Adjustments for non cash expenses	671,960	634,417	37,543
Net loss after adjustment for non cash expenses	(2,398,643)	(80,828)	(2,317,815)
Changes in items of working capital	2,833,502	4,087,721	(1,254,219)
Net cash (used) in financing activities supporting working capital	(766,855)	(3,562,678)	2,795,823
Net cash provided by (used in) operations	(331,996)	444,215	(776,211)
Net cash (used in) investing activities	(321,200)	(402,218)	81,018
Effect of exchange rate changes on cash and cash equivalents	-	136	(136)
Decrease/(Increase) in cash and cash equivalents	(653,196)	42,133	(695,329)
Cash and cash equivalents at start of year	1,815,805	1,773,672	42,133
Cash and cash equivalents at end of year	1,162,609	1,815,805	(653,196)

Changes in working capital

During Fiscal 2015 the changes primarily reflect a decline in transaction credits, net of provision for delinquent accounts, of $2,459,059 which is a reflection of a decline in merchant participation. Fiscal 2014 primarily reflects a decrease in transaction credits, net of delinquent accounts, of $3,353,948 which is a reflection of decline in merchant participation and an increase in accounts payable and accrued liabilities of $799,635.

Investing activities

These are discussed in section Capital Resources in this document.

Changes in financing activities

Fiscal 2015 reflects decline in the utilization of loan payable and this is the direct outcome of the decline in the merchants participating in the CIBC/TD program's APM product. Fiscal 2014 reflects the debenture re-financing, a reduction in debentures of $2,736,967 and decline in utilization of loan payable which is the direct outcome of decline in merchants participating in the CIBC/TD program's APM product.

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, 2015, and have been included to provide additional analysis for the reader.

Revenue

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

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

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

The Aeroplan program operates the Re-seller product.

The Caesars program operates the Participation fee product.

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

Advance Purchase Marketing ("APM"): The Company acquires the rights to cash flow from future 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.

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

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

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

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

1. Number of participating merchants;
2. Market penetration of the CIBC/TD credit cards;
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 product is higher compared to Marketing Only.

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

The revenues from the Caesars program are dependent on the number of participating merchants. The program expansion was launched in February 2015 in the Philadelphia market. During Fiscal 2015 the merchants participating were carried over from the pilot launch in Memphis and soft launch in November 2014 in the Philadelphia market. About 70 merchants are participating in the program as of date hereof.

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

The revenue trends are provided in the tabulation.

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
Average # of merchants participating during the year			
CIBC/TD program	952	1,126	
Aeroplan program	666	743	
	1,618	1,869	
	$	$	%
Revenues			
CIBC/TD program	10,916,883	14,025,317	(3,108,434)
Aeroplan program	2,313,518	2,504,637	(191,119)
Caesars program	67,446	5,125	62,321
Misc.	45	45	-
	13,297,892	**16,535,124**	**(3,237,232)**

CIBC/TD program

During Fiscal 2015 the Company was impacted by the June 2014 change to the CIBC-Aeroplan relationship which saw TD take over about half of CIBC's aero based credit cards. This added complexity and the cost and resources needed to build a new loyalty marketing program created a difficult selling and merchant retention environment for its CIBC/TD program, resulting in decline in merchant participation to March 2015. By April 2015 the Company's new, upgraded and combined CIBC/TD loyalty marketing program was launched with a much stronger value proposition. From beginning of April 2015 the merchant participation is back on growth track.

During Fiscal 2014, the merchant participation also declined from previous year level. This was the result of lower attractiveness of the program in the lead up to above noted June 2014 change and increased competition in the credit card space by Canadian banks.

A weak economy continued to impact both Fiscal years.

The decline in merchant participation is reflected in lower Fiscal 2015 CIBC/TD program revenues compared to the previous year.

Aeroplan program

Fiscal 2014 reflects revenues from a tire re-seller chain which ended its participation during the three months ended June 30, 2014. This created a significant effect on the Aeroplan reseller population, but a proportionately modest impact on revenues. During Fiscal 2014 Aimia provided the Company with the business of one of its re-seller which filed for bankruptcy and revenues reflect the pickup from this business. The pickup included some one-time business.

For above reasons Fiscal 2015 revenues are lower compared to Fiscal 2014.

Direct Expenses

In the CIBC/TD program, 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.

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

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

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
	$	$	%
Revenues			
CIBC/TD program	10,916,883	14,025,317	-22.2%
Aeroplan program	2,313,518	2,504,637	-7.6%
Caesars program	67,446	5,125	
Misc.	45	45	
	13,297,892	**16,535,124**	**-19.6%**
Direct expenses			
CIBC/TD program	3,800,461	4,896,481	-22.4%
Aeroplan program	1,350,336	1,426,845	-5.4%
Caesars program	15,530	2,141	
	5,166,327	**6,325,467**	**-18.3%**

CIBC/TD program

The program costs are tabulated:

Consumer rewards	1,707,248	2,609,758	-34.6%
Marketing and advertising	668,431	996,578	-32.9%
Expense for delinquent accounts	1,424,782	1,290,145	10.4%
	3,800,461	4,896,481	-22.4%

The decline in cost of consumer rewards reflects a decline in merchant population and rate reductions. The first rate reduction was effective January-March 2014 and there was a subsequent reduction in March 2015. Fiscal 2014 reflects investment in merchant incentives to retain and grow our merchant base.

Decline in marketing spending primarily reflects decline in merchant population. Furthermore, CIBC and TD directly spent significant amounts during Fiscal 2015 to market the program to their credit card holders. Point of sale material, program websites were refreshed in case of CIBC and created for first time by TD. The Company's marketing spending consequently was lower compared to corresponding period in the previous year.

During Fiscal 2015 and 2014 the Company saw an increase in delinquencies by its merchants due to challenging economic conditions. Until the first quarter of Fiscal 2015 the Company pursued legal action against delinquent accounts. Towards end of the second quarter the Company switched to using a collection agency with hands on experience in collections. Given the prevailing economic realities and input of the collection agency the Company reassessed the collection prospects and took a prudent approach with a significant write down of delinquent accounts. The Company believes that together with its financial partners it has adequate due diligence processes and analytics to determine which merchants are eligible to receive advances from the Company. The Company has scaled back its APM program in business segments with high historical delinquency rates.

Aeroplan program

The program costs are tabulated. The decline in consumer rewards reflects decline in revenues.

Aeroplan program			
Consumer rewards	1,273,498	1,360,743	-6.4%
Misc., including expense for delinquent accounts	76,838	66,102	
	1,350,336	1,426,845	-5.4%

Gross Profit

Company gross profit was lower in Fiscal 2015 compared to the previous year reflecting a decline in both programs, CIBC/TD and Aeroplan, gross profits.

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
	$	$	%
CIBC/TD program	7,116,422	9,128,836	-22.0%
Aeroplan program	963,182	1,077,792	-10.6%
Caesars program	51,916	2,984	
Misc.	45	45	
	8,131,565	10,209,657	-20.4%

The decline in gross profits of the CIBC/TD and Aeroplan programs reflects decline in revenues. The gross margins of Fiscal 2015 are flat to Fiscal 2014.

	Fiscal 2015	Fiscal 2014
CIBC/TD program	65.2%	65.1%
Aeroplan program	41.6%	43.0%

Selling Expenses

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

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
	$	$	%
Revenues			
CIBC/TD program	10,916,883	14,025,317	-22.2%
Aeroplan program	2,313,518	2,504,637	-7.6%
Caesars program	67,446	5,125	
Misc.	45	45	
	13,297,892	**16,535,124**	**-19.6%**
Selling expenses			
CIBC/TD program	2,629,400	3,233,939	-18.7%
Aeroplan program	404,341	499,787	-19.1%
Caesars program	396,689	69,552	
	3,430,430	**3,803,278**	**-9.8%**
Remuneration of sales staff	2,998,617	3,166,248	
Remuneration of sales staff as % of selling expenses	87.4%	83.3%	

CIBC/TD program

Fiscal 2015 reflects, 1) lower headcount during Q1 Fiscal 2015 which was soon after the launch of the TD program in mid-June 2014 and 2) the re-organization of sales group in Q3 Fiscal 2015.

Aeroplan program

Following acquisition of merchant portfolio announced February 1, 2013 the Company developed the selling organization to operate and develop its growth. During the fourth quarter of Fiscal 2015 there was a re-organization of the sales group.

Caesars program

Fiscal 2015 selling expenses reflect investment to support the set-up and launch of the Caesars program in Philadelphia, US. Fiscal 2014 selling expenses reflect costs connected to the pilot program in Memphis.

Re-organization of sales groups

The re-organization of the CIBC/TD and Aeroplan programs sales groups is expected to successfully sell and manage merchant participation and enable the Company to expand its merchant portfolio.

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 2015	Fiscal 2014	(Decrease) / Increase
	$	$	%
Change in revenues			-19.6%
G&A			
Compensation for non-sales staff	3,432,745	3,540,504	-3.0%
Less: software development costs capitalized (details provided under section Capital Expenditures in this document)	(264,103)	(285,451)	
	3,168,642	3,255,053	
Expenses connected to Caesars program	-	90,000	
All other G&A	1,323,834	1,210,373	
	4,492,476	4,555,426	-1.4%

Compensation

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

For six months ended December 31, 2014 the compensation cost was 7.4% higher compared to corresponding period in the previous year. Increase reflected investment in infrastructure to support the growth plans of the Company. In January 2015 the Company announced a plan to adjust its headcount to prevailing and expected medium term activity level. The plan affected management positions. Consequently the current year compensation costs are comparable to corresponding periods in the previous year. The plan does not compromise the Company's ability to conduct business and implement its growth plan.

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

Fiscal 2015 and Fiscal 2014 include expense for vacation pay of $90,000 and $60,000 respectively. The accrual in both years was created in the fourth quarter.

Fiscal 2015 and Fiscal 2014 include capitalization of $264,103 and $285,451 respectively of internal costs expended on software development connected to ensuring operability of the Company's merchant based programs sponsored by CIBC, TD and Aimia. A significant portion of the capitalization during YTD Fiscal 2015 relates to operationalizing the TD agreement.

Others Expenses

Fiscal 2015 are flat to Fiscal 2014 including expenses to launch Caesars pilot program. The pilot program success led to launch of program in Philadelphia.

Restructuring cost

The Company announced in January 2015 its plan to adjust the headcount to prevailing and expected medium term activity level. The plan primarily effected management positions. The plan was implemented in two phases. Phase one, restructuring the Canadian operations was completed by March 31, 2015. Phase two, which was the smaller of the two phases, was connected primarily to the US operations and was completed by June 30, 2015. The restructuring cost of $1,001,321 reflects the severances of staff and is fully provided in year ended June 30, 2015.

Three and nine months ended March 31, 2015 reflected restructuring cost of $805,892. This represented the severances of staff.

Interest Expense

The interest expense is tabulated:

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
	$	$	%
Stated ("Cash") interest expense			
Loan payable	928,401	1,073,903	
14% debentures	-	123,084	
old 12% debentures	-	370,205	
new 12% debentures	619,080	310,388	
new 12% debentures - fees payable	58,500	6,500	
	1,605,981	1,884,080	-14.8%
Non cash interest on 14% debentures, old debentures and new 12% debentures (accretion charges)	227,175	208,139	
Total interest expense	1,833,156	2,092,219	-12.4%

The Company deployed the funds available to it under loan payable and 14% debentures with merchants activated under its CIBC/TD program's APM product. 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 product. After the repayment of the 14% debentures and old 12% debentures, 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 product. The funds deployed are reflected as transaction credits on the consolidated statement of financial position.

Stated interest expense on loan payable reflects the lower utilization of funds under this line of credit facility. The lower utilization of line of credit facility reflects decline in merchant participation.

Fees payable on the new 12% debentures are described in the section 12% Non-Convertible Debentures Payable in this document.

Refer to sections 14% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable, in this document, for the refinancing completed, in Fiscal 2014, 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.

Net Income/(Loss)

Highlights of Fiscal 2015 compared to the previous year are tabulated:

	Fiscal 2015	Fiscal 2014	(Decrease) / Increase
	$	$	$
Revenues	13,297,892	16,535,124	(3,237,232)
Gross profit	8,131,565	10,209,657	(2,078,092)
Earnings from operations before depreciation, amortization and interest	(792,662)	1,850,953	(2,643,615)
Net (Loss)	(3,070,603)	(715,245)	(2,355,358)
Basic and diluted earnings per share	(0.02)	-	

The $3,237,232 drop in the Company's revenues reflects mainly the decline in CIBC/TD revenues of $3,108,434. Gross profit decline of $2,078,092 reflects the $2,012,414 decline in gross profit from CIBC/TD program consequent to revenue decline of CIBC/TD program. Fiscal 2015 SG&A expenses are lower ($435,798) compared to Fiscal 2014. Fiscal 2015 earnings from operations before depreciation, amortization and interest reflect $1,001,321 of restructuring cost which represents the severances of staff and is discussed under section Restructuring cost in this document. Lower interest cost ($259,063) – see Interest Expense section – and depreciation and amortization expense ($29,194) offset the drop of $2,643,615 in earnings from operations before depreciation, amortization and interest.

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

Working Capital and Liquidity Management

The utilization of liquidity during Fiscal 2015 compared to Fiscal 2014 is illustrated in the tabulation:

	Fiscal 2015	Fiscal 2014
	$	$
Funds available to expand the CIBC/TD program's APM product (Transaction credits) and meet working capital requirements		
Net loss	(3,070,603)	(715,245)
Adjustments for non cash expenses	671,960	634,417
Net loss after adjustment for non cash expenses	(2,398,643)	(80,828)
Cash balances at start of the year	1,815,805	1,773,672
Decrease in utilization of loan payable	(742,649)	(645,197)
Decrease in accounts receivable	348,743	-
Increase in accounts payable and accrued liabilities	74,514	799,635
Effect of exchange rate on cash balances	-	136
	(902,230)	1,847,418
Utilization		
Decrease in transaction credits under APM product	(2,459,059)	(3,353,948)
Cash balances at end of year	1,162,609	1,815,805
Increase in accounts receivable	-	209,529
Change in other working capital items	48,814	(143,667)
Capital expenditures	321,200	402,218
Debentures		
Repayment of 14% and old 12% debentures	-	7,895,967
Proceeds from refinancing of new 12% debentures net of cost to close transaction/subsequent amendments	24,206	(4,978,486)
	(902,230)	1,847,418

The cash and cash equivalents, and accounts receivable as at June 30, 2015 include $356,162 of amounts received/receivable from our Affinity partners CIBC and TD to be invested in marketing the program (June 30, 2014 $360,170; June 30, 2013 $nil). Accounts payable and accrued liabilities as at June 30, 2015 and 2014 reflect the corresponding liability.

Changes in working capital – Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During Fiscal 2015 the changes primarily reflect a decline in transaction credits, net of provision for delinquent accounts, of $2,459,059 which is a reflection of a decline in merchant participation. Fiscal 2014 primarily reflects a decrease in transaction credits, net of delinquent accounts, of $3,353,948 which is a reflection of decline in merchant participation and an increase in accounts payable and accrued liabilities of $799,635. The Company believes that increasing the amount of the transaction credits deployed with merchants under the CIBC/TD program's APM product will result in higher revenue and, consequently, improve the Company's financial results and cash flows. Generally, the change in transaction credits partially reflects the change in the number of merchants participating in the APM product, as well as the amount of transaction credits deployed with its existing merchants.

Investing activities. These are discussed in section Capital Resources in this document. Capital expenditures for Fiscal 2015 and Fiscal 2014 relate primarily to the investment in the Company's IT infrastructure and software development. The investments are necessary to support the Company's growth and program expectations of its partners. The capital expenditures for the following Fiscal year are expected to be similar to Fiscal 2015.

In the fourth quarter of Fiscal 2015 the Company was able to secure leasing arrangements to meet the cost of IT hardware and its operationalizing. The financial commitments on these leases is provided in the section Contractual obligations in this document.

The Company carries cash balances sufficient to meet its operational needs, debenture interest and sustain and expand merchant participation in the APM product. 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 CIBC/TD program's APM product and deploying advances to existing and new merchants, the following is the additional considerations.

1. As at June 30, 2015, as noted earlier in this section, also included in cash and cash equivalents are funds totaling $281,412 provided by Affinity partners CIBC and TD (at June 30, 2014 $360,170);
2. As at June 30, 2014, 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 this document), in order to offset the temporary decline in revenues and liquidity for the period June 16 to launch of the TD program. The Company repaid both of these obligations on the due dates.

The Company's operations are funded by debt – loan payable and new 12% debentures (see sections Loan Payable and 12% Non-Convertible Debentures Payable in this document). To continue its current operations and fund growth during Fiscal year ending June 30, 2016, 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 2016. At present, the need for capital to expand the APM product is satisfied by the loan payable (facility credit limit of $8.5 million and utilization at June 30, 2015 and 2014 of $5.7 million and $6.5 million respectively). However, there are limitations including; a credit limit of $8.5 million; it is a demand facility; it requires the Company to co-fund 15% of the transaction credits deployed with merchants under the APM product; and is only available to expand the APM product.

All other working capital requirements are met by new 12% debentures. In December 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 new 12% debentures mature September 30, 2016. The new 12% debentures agreement requires the Company to meet on a quarterly basis certain financial covenants. At March 31, 2015 the Company was in breach of all its financial covenants and the Company secured a waiver of the breach at March 31, 2015. The debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The Company met the amended financial covenants at June 30, 2015.

The capital expenditures for the following Fiscal year are expected to be similar to Fiscal 2015. In the fourth quarter of Fiscal 2015 the Company was able to secure leasing arrangements to meet the cost of IT hardware and its operationalizing. The financial commitments on these leases is provided in the section Contractual obligations in this document. The Company expects to secure lease arrangements for significant expenditures during Fiscal year ending June 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, including the APM product, as described under the section General Risks and Uncertainties in this document.

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

The 12% non-convertible debentures, issued in December 2013 and maturing September 30, 2016, are secured by a general security interest over the assets of the company and carry financial covenants that the Company has to meet on monthly and 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 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 Company met the financial covenants until the quarter ended December 31, 2014. At March 31, 2015 the Company was in breach of all its financial covenants and the Company secured a waiver of the breach at March 31, 2015. On June 30, 2015 the new 12% debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The Company met the amended financial covenants at June 30, 2015. The re-set levels were derived from the Company's financial forecasts. The Company has a decade old relationship with the primary holder – controlling over 50% - of the new 12% debentures. The primary holder of the new 12% debentures is also the principal shareholder of the Company and as at September 30, 2015 beneficially owns or exercises control and direction over 21,872,690 common shares of the company representing just under 16% of the issued and outstanding common shares of the Company. In addition, directors and officers of the company hold another 25% of the new 12% debentures.

The audited consolidated financial statements for year ended June 30, 2015 have been prepared in accordance with accounting principles applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a Company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties. There is uncertainty surrounding the new 12% debentures as the Company may not meet its financial covenants subsequent to year end and the Company has not generated significant positive cash flows from operations during year ended June 30, 2015. As a result, this may cast significant doubt on the validity of going concern assumption and the Company's ability to continue as a going concern after June 30, 2015 and hence the ultimate use of accounting principles applicable to a going concern.

The Company's future success is dependent on new financing, ensuring profitability and generating positive cash flows from operations. The Company's business plan includes refinancing of its current loans, the re-setting of its covenants and the receipt of waivers or agreement amendments where breaches occur. In October 2015, the Company renewed until December 2016 its agreement with Accord Financial Inc. (section Loan Payable in this document) respecting the $8.5 million credit facility. While the Company has been successful in obtaining additional financing, new 12% debentures waivers and amendments to date, there can be no assurance these initiatives will continue to be successful.

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

Contractual Obligations

Contractual obligations as at June 30, 2015 were due as follow.

	Payments Due by Period			
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years
	$	$	$	$
Loan payable	5,711,525	5,711,525	-	-
New 12% debenture	5,159,000	-	5,159,000	-
Operating leases	289,891	133,437	156,454	-
	11,160,416	5,844,962	5,315,454	-

In addition, new 12% debenture interest of $619,080 is payable during 12 months ending June 30, 2016, Payable in two instalments, due December 15, 2015 and June 15, 2016.

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. The lease expires in September, 2017.

Additional commitments

In November 2014 the company renewed its agreement ("renewed agreement") with Aimia for a five year term ending April 30, 2019. The renewed agreement enables the company to operate Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. Per the renewed agreement the company has an annual commitment to purchase minimum aeroplan miles. The annual commitment is tabulated.

The company met the calendar 2014 purchase commitment of $1,700,000. It sold the aeroplan miles and this is reflected as revenue of the Aeroplan program.

The company will not meet its calendar 2015 purchase commitment. Per the renewed agreement, the shortfall will be carried forward and added to the company's commitment for calendar 2016. The company with Aimia's support is working to open independent grocery, a high frequency and issuance business segment and provides an opportunity to the company to meet its calendar 2016 commitment.

Calendar year	Annual commitment
2015	$1,870,000
2016	$2,057,000
2017	$2,262,700
2018	$2,488,970

After June 30, 2015 the company signed two leases for IT equipment. The company is committed to minimum payments of $119,681.

Loan Payable

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

The facility was established in December 2007. On October 7, 2015, the Company announced that this agreement has now been extended to December 2016.

The facility has a limit of $8.5 million. Interest is calculated daily on the amount outstanding and charged monthly at an interest rate 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.

The Company had utilized $5.7 million of the facility as at June 30, 2015 (as at June 30, 2014 $6.5 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 repaid the 14% debentures.

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 which was now payable in two equal instalments due October 15, 2014 and November 15, 2014. The Company agreed to pay a fee of $65,000 to the debenture holders for the above changes to the new 12% debentures. The Company paid the interest and the fees on the due dates. The Company met the revised financial covenants as at June 30, 2014. The Company met its quarterly financial covenants as at September 30, 2014 and December 31, 2014.

At March 31, 2015 the Company was in breach of all its financial covenants and the Company secured a waiver of the breach at March 31, 2015. The debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The Company met the amended financial covenants at June 30, 2015.

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, 2015, June 30, 2014, and June 30, 2013.

(in millions of dollars, except per share amounts)			
	F 2015	F 2014	F 2013
Revenues	13.3	16.5	16.9
Net income/(loss)	(3.1)	(0.7)	-
Basic earnings per share	-	-	-
Diluted earnings per share	-	-	-
Total assets	10.4	13.9	17.3
Current liabilities	10.0	10.7	18.3
Long-term liabilities	4.9	4.7	-
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 2015	F 2014	F 2013
	$ (0.2)	$ 2.5	$ 5.9

Composition of total assets is tabulated:

	F 2015	F 2014	F 2013
	$	$	$
Cash and cash equivalents	1,163,000	1,816,000	1,774,000
Accounts receivable	460,000	809,000	599,000
Transaction credits	7,820,000	10,279,000	13,633,000
Inventory	145,000	91,000	140,000
Prepaid expenses and sundry assets	173,000	179,000	273,000
Property, plant and equipment	166,000	237,000	300,000
Intangibles	478,000	530,000	540,000
	10,405,000	13,941,000	17,259,000

Transaction credits, and cash and cash equivalents account for the significant share of total assets, representing 87%, 87% and 89% respectively for year-end Fiscal 2015, 2014, and 2013. 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 participating merchants, in the respective years. The Company believes that on a go-forward basis, after the merchant count decline in Fiscal 2015 and 2014 mainly due to the transition from CIBC to CIBC and 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 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 2015, Fiscal 2014 and Fiscal 2013 also reflect:

a) As at June 30, 2015 included in cash and cash equivalents are funds totaling $281,412 provided by Affinity partners CIBC and TD and to be invested in marketing the program (at June 30, 2014 $360,170);
b) 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 c) funds ($360,170) provided by CIBC/TD for investment in marketing the program; and
c) 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 2015 and Fiscal 2014.

The results for Fiscal 2014 and Fiscal 2013 were:

(In millions of dollars)	**F 2014**	**F 2013**
Net Income / (Loss)	$ (0.7)	$ 0.0

Highlights of Fiscal 2014 compared to Fiscal 2013:

1. Marginal decline in revenues – Fiscal 2014 $16.5 million compared to $16.9 million from continuing operations for Fiscal 2013.
2. Operational Highlights.

	Revenues	Gross profit	SG&A	Earnings from operations before depreciation, amortization and interest	Stated and Non cash interest	Net (loss)
F 2014	16.5	10.2	8.3	1.9	1.9	(0.7)
F 2013	16.9	11.4	8.1	3.3	2.0	-
Better/(Worse)	(0.4)	(1.2)	(0.2)	(1.4)	0.1	(0.7)

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. 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. During Fiscal 2014, the merchant participation declined from previous year level. This was the result of lower attractiveness of the program in the lead up to change in June 2014 to the Company's program. Until June 2013 the Company's core program was solely operated in partnership with CIBC. From the announcement of the change in the CIBC-Aimia relationship and the sale by CIBC of a part of its aeroplan miles reward credit card portfolio to TD to the Company announcing an agreement with TD in June 2014, the Company's core program had diminished attractiveness for merchants. Slowed down selling and adversely effected retention. Reflected in lower merchant participation and revenues. A weak economy was a factor in Fiscal 2014.
4. Fiscal 2014 gross profit was lower vs. Fiscal 2013, reflecting decrease in revenues and lower gross margin (Fiscal 2014 at 61.7% vs. 67.2% for Fiscal 2013).
5. Fiscal 2014 selling, general and administrative expenses were flat vs. Fiscal 2013.
6. Working capital was $2.4 million as at June 30, 2014 compared to $5.9 million as at June 30, 2013. The movement of cash and cash equivalents, and working capital is provided in below noted tabulation. (in millions of dollars)

	Cash	Working capital **
	$ M	$ M
As at July 1, 2013	**1.8**	**5.9**
Income before non cash expenses *	(0.1)	-
Changes from non-cash working capital items	4.1	(4.1)
Financing activities - loan payable	(0.6)	0.6
Financing activities - debentures	(3.0)	-
Purchase of property, plant, equipment and intangibles	(0.4)	-
Changes in cash balances	-	(0.0)
Movement - July 1, 2013 to June 30, 2014	**(0.0)**	**(3.5)**
As at June 30, 2014	**1.8**	**2.4**

* 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 2014 and Fiscal 2013 is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment, and intangible assets; accretion charge for debentures; and unrealized foreign exchange gain (Fiscal 2014) – to net (loss) for the year (Fiscal 2014) / net profit for the year (Fiscal 2013) , which are disclosed in the audited consolidated financial statements for year ended June 30, 2014 and June 30, 2013 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

(In millions of dollars, except per share amounts)					
F 2015					
	Q1	Q2	Q3	Q4	
	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Total
	$	$	$	$	$
Revenues	3.5	3.8	2.7	3.3	13.3
% of Annual Revenues	26%	29%	20%	25%	100%
Net income/(loss)	-	(0.1)	(2.6)	(0.4)	(3.1)
Basic and diluted earnings per common share	-	-	-	-	(0.02)
F 2014					
	Q1	Q2	Q3	Q4	
	Sep 30, 2013	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Total
	$	$	$	$	$
Revenues	4.5	4.6	3.6	3.8	16.5
% of Annual Revenues	27%	28%	22%	23%	100%
Net income/(loss)	-	0.1	(0.4)	(0.4)	(0.7)
Basic and diluted earnings per common share	-	-	-	-	-

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 2015 (Q4 F 2015) vs. Fourth Quarter of Fiscal 2014 (Q4 F 2014)

Overview

Tabulation of financial performance- Q4 F 2015

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	2,587,639	632,906	28,951	45	3,249,541
Direct expenses	592,857	439,004	8,583	-	1,040,444
Gross profit	1,994,782	193,902	20,368	45	2,209,097
Gross margin	77.1%	30.6%	70.4%		68.0%
Selling & Marketing	601,787	47,955	137,073		786,815
G&A					1,027,236
Earnings from operations before depreciation, amortization, interest and restructuring cost					395,046
Stated interest					390,857
Accretion charges					56,796
Depreciation					116,139
(Loss) before restructuring cost					(168,746)
Restructuring cost					195,429
Net (loss) and Comprehensive (loss)					(364,175)

Tabulation of financial performance – Q4 F 2014

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	3,123,840	624,060	5,125	45	3,753,070
Direct expenses	1,226,139	320,911	2,141	-	1,549,191
Gross profit	1,897,701	303,149	2,984	45	2,203,879
Gross margin	60.7%	48.6%	58.2%		58.7%
Selling & Marketing	799,141	196,609	69,553	-	1,065,303
G&A					1,046,259
Earnings from operations before depreciation, amortization and interest					92,317
Stated interest					421,267
Accretion charges					52,195
Depreciation					68,898
Loss before restructuring cost					(450,043)
Restructuring cost					-
Net (loss)					(450,043)
Translation adjustment					(47,383)
Net (loss) and Comprehensive (loss)					(497,426)

The tabulations for Q4 Fiscal 2015 and Q4 Fiscal 2014 are derived from segment reporting per consolidated financial statements for year ended June 30, 2015 less segment reporting per interim financial statements for nine months ended March 31, 2015. The Aeroplan program in above Q4 Fiscal 2015 and Q4 Fiscal 2014 tabulations reflects only the revenues and costs of the re-seller product which is the primary driver of Aeroplan program revenues. Nine months ended March 31, 2014 Aeroplan program revenues and direct costs included revenues and costs from merchants participating in APM and Marketing Only products which have been re-classed to CIBC/TD program to conform to presentation in Q4 Fiscal 2015. The re-classed revenues and direct cost are $289,784 and $124,248 respectively. In Fiscal 2014 Caesars program was reported as part of Corporate.

Analysis of Q4 F 2015 compared to Q4 F 2014

CIBC/TD program

During Q4 F 2015 the average number of participating merchants was 872 compared to 1,095 during Q4 Fiscal 2014, a decline of 20.4%. This is reflected in the revenue decline of 17.2%.

Direct costs are tabulated:

	Q4 F 2015	Q4 F 2014	(Decrease) / Increase
	$	$	%
Consumer rewards	398,595	476,713	-16.4%
Marketing and advertising	132,626	191,524	-30.8%
Expense for delinquent accounts	61,636	557,902	-89.0%
	592,857	1,226,139	-51.6%

Decline in consumer rewards reflected decline in revenues of 17.2%.

Decline in marketing spending primarily reflects decline in merchant population. Furthermore, CIBC and TD directly spent significant amounts during Fiscal 2015 to market the program to their credit card holders. Point of sale material, program websites were refreshed in case of CIBC and created for first time by TD. The Company's marketing spending consequently was lower compared to corresponding period in the previous year.

Many of merchants participating in the CIBC/TD program experienced difficult business conditions over the past year during Fiscal 2014. The result was a higher delinquency rate than expected on the APM product, under which Advantex buys merchants' future credit card receivables at a discount to face value and the Company took an appropriate increase in its reserve and this is reflected in higher expense during Q4 F 2014. As explained in the section Overall Performance in this document the Company increased its reserve during 3 and 9 months ended March 31, 2015.

Aeroplan program

While the Q4 F 2015 revenues are flat compared to Q4 F 2014, the gross margin for Q4 F 2015 at 30.6% is lower compared to Q4 F 2014 reflecting comparatively higher sales to lower margin merchants during the quarter.

For the Fiscal 2015 the margin is 41.6% compared to 43.0% for Fiscal 2014.

G&A

Q4 F 2015 and Q4 F 2014 include accrual for vacation pay of $90,000 and $60,000 respectively.

Restructuring cost

By the date of its MD&A for the 3 and 9 months ended March 31, 2015 the Company had completed the restructuring of its Canadian operations. During the fourth quarter of Fiscal 2015 the Company re-organized primarily its Caesars organization and the resulting severance is reflected as the restructuring cost.

Net (loss)

Lower SG&A in Q4 F 2015 compared to Q4 F 2014 more than offsets the restructuring cost in Q4 F 2015 and this results in a lower net loss in Q4 F 2015 compared to Q4 F 2014.

Capital Resources

Expenditures for property, plant and equipment and intangible assets for Fiscal 2015 were $321,200ompared to $402,218 for Fiscal 2014.

Expenditures include capitalization of internal costs expended on software development connected to ensuring operability of the Company's merchant based programs sponsored by CIBC, TD, Aimia and Caesars.

Fiscal 2015 internal costs capitalized total $264,103 compared to $285,451 during Fiscal 2014. The capitalization during Fiscal 2015 and 2014 mainly relates to operationalizing the TD agreement and enhancing the operability of the Company's merchant based programs. The costs are being amortized over the shorter of useful life of the software and term of Affinity partner agreement.

For the next Fiscal year the Company expects capital expenditures to be similar compared to Fiscal 2015 trends. The expenditures 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.

The Company signed leases for IT equipment. The financial commitments are disclosed in section Contractual Obligations in this document. There are no other commitments.

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

Critical Accounting Estimates

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

The Company's significant accounting policies are disclosed in note 4 to the audited consolidated financial statements for year ended June 30, 2015.

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 15 to the audited consolidated financial statements for year ended June 30, 2015, 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, continuation of its agreement with Aimia, 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 loan payable, and 12% 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 APM product the Company generally acquires the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are estimated to be fully extinguishable within 30 – 210 days. Until these transaction credits have been extinguished through designated cardholder spend at participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 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 to collection agency, for legal action,, whether the Company's attempt to debit the merchant's bank account for payments due to the Company has been rejected, the underlying reason for the rejections, and the Company's historical experience on recoveries.

The maximum exposure to credit risk is the 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, 2015 $	June 30, 2014 $
Transaction credits	8,606,883	11,361,349
Accounts receivable	475,339	809,189
Allowance	(802,129)	(1,082,643)
Per statement of financial position	8,280,093	11,087,895
Maximum exposure to credit risk	8,280,093	11,087,895

	June 30, 2015	June 30, 2014
	$	$
Impaired transaction credits	1,136,791	2,167,222
Allowance	(787,236)	(1,082,643)
Impaired transaction credits not allowed for	349,555	1,084,579

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 2015 and Fiscal 2014 is tabulated.

	Fiscal 2015	Fiscal 2014
Outstanding at the start of the year	10,190,000	10,441,430
Expired	-	(161,430)
Forfeited	(1,600,000)	(90,000)
Granted	-	-
Outstanding at the end of the year	8,590,000	10,190,000

The number of stock options available for future issuance as at June 30, 2015 compared to June 30, 2014 is as follows:

	Fiscal 2015	Fiscal 2014
Maximum number reserved for issuance	16,688,546	16,688,546
Less: Outstanding at end of period	(8,590,000)	(10,190,000)
Number of options available for future issuance	8,098,546	6,498,546

There was no stock based compensation expense during Fiscal 2015 (the expense in Fiscal 2014 was $Nil).

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 and June 30, 2015 is tabulated. The number of common shares is provided by the Company's transfer agent CST Trust Company.

	Number of common shares
Balance as at June 30, 2013	97,025,368
Issued as part of the new 12% debenture re-financing (section 12% Non-Convertible Debentures Payable in this document)	42,045,850
Balance as at June 30, 2014	139,071,218
Balance as at June 30, 2015	139,071,218

	At June 30, 2015	At June 30, 2014
Issued and outstanding common shares	139,071,218	139,071,218
Employee outstanding employee stock options	8,590,000	10,190,000
	147,661,218	149,261,218

As of date hereof, the Company was committed to issuing 8,040,000 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, 2015 and June 30, 2014
	new 12% debentures
Director and Chief Executive officer – Kelly Ambrose	$500,000
Director and Chairman of the Board of Directors – Stephen Burns	$ 50,000
Director - Marc Lavine (first term; elected director December 18, 2013)	$500,000
Director – Rob von der Porten (first term; elected director December 18, 2013)	$ 50,000
Director – William Polley	$ 50,000
Director – Barry Wainstein (first term – appointed director March 17, 2014)	$ 25,000
Chief Financial Officer – Mukesh Sabharwal	$115,000

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, of the Company on behalf of their respective managed accounts.

Economic Dependence

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

The Company has an eighteen year partnership with CIBC. In September, 2013 the Company renewed its existing arrangement with CIBC, and signed an 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. 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 Aeroplan 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 credit cards and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of CIBC credit cards 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. In November 2014 the Company renewed its agreement ("renewed agreement") with Aimia for a five year term ending April 30, 2019. The renewed agreement can be extended for one additional period of five years by mutual consent. Per the renewed agreement the Company has an annual commitment to purchase minimum aeroplan miles which is tabulated under section Contractual Obligations in this document. Under the renewed agreement, the Company will market the Aeroplan program to independent merchants throughout Canada, enabling them to offer Aeroplan Miles to their customers. The renewed agreement can be terminated by Aimia under certain conditions during the term of the renewed agreement.

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

	Fiscal 2015			Fiscal 2014	
	$	% of Company Total		$	% of Company Total
CIBC/TD program revenues	10,916,883	82.1%		14,025,317	84.8%
CIBC/TD program gross profit	7,116,422	87.5%		9,128,836	89.4%

- During Fiscal 2014 the CIBC/TD program revenues reflect the Company's partnership with CIBC only. During Fiscal 2015 CIBC/TD program revenues reflect the Company's partnerships with CIBC and TD; CIBC continues to be a significant component of revenues.

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 Aeroplan 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 and operationalizing 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 maturing September 30, 2016, and loan payable. The term of the loan payable expires in December 2016.While the Company utilizes the funds generated from its operations to expand its APM product - 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; see section Working Capital and Liquidity Management in this document for a fuller discussion. The loan payable is a demand facility. Consequently, general market conditions or the financial status of the Company in terms of its profitability, cash flows and strength of its consolidated balance sheet may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the Company.

The Company believes that increasing the amount of the transaction credits deployed with merchants under its CIBC/TD program's APM product will result in higher revenue and, consequently, improve the Company's financial results and cash flows. The Company requires additional debt financing 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 product the Company acquires the rights to cash flow from future designated credit card transactions ("future sales") at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). These transaction credits are generally estimated to be fully extinguishable within 30 – 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 to a collection agency, for legal action, whether the Company's attempt to debit the merchant's bank account for payments due to the Company has been rejected, the underlying reason for the rejections, and the Company's historical experience on recoveries. Deterioration in either the credit environment or the Company's monitoring processes and a resulting increase in bad debts would adversely impact the financial status of the Company thereby affecting its attractiveness as a borrower and its ability to access existing or additional or alternative debt or debt at economic terms and this could materially and adversely affect the Company.

The Company's activities are funded by two sources of debt. The 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 fiscal year ended June 30, 2015, the Company incurred interest expense of $928,401 on utilization of loan payable. Had the interest rate, for the fiscal year ended June 30, 2015, been 10% higher the interest expense on loan payable would have been $1,021,241, an increase of $92,840.

During the past eight 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 in the value proposition to merchants of its CIBC/TD program; ability to retain and expand its merchant base; belief that its APM product is competitive; expectation from its sales group to increase merchant portfolio; expectations of collections from delinquent accounts; ability to manage the risk connected to collection of transaction credits; expectation that Caesars program is an expansion opportunity in the US; expectation of positive impact on the financial performance resulting from increase in merchant portfolio, margin improvement and cost control; expectations of margins; expectation of increase in merchant population and the pace of growth; estimation of the size of the loyalty market and ability to secure a share of the market; ability to respond effectively to competition; belief that it has a unique product; expectations of financial performance in the next twelve months; expectations of its long-term prospects; expectation of the timing of the launch of the aeroplan program in the grocery segment and its impact on the business; expectations of medium term activity level; belief that increasing the amount of the transaction credits deployed with merchants under the CIBC/TD program's APM product will improve the financial performance; belief that at present the capital to expand the APM product is satisfied by the loan payable and new 12% debentures; belief in its ability to meet contractual obligations and financial covenants; expectations of capital expenditures for the next fiscal year; belief that expanding affinity partnerships lessen dependence on any single partner in terms of business continuity and prospects; ability to pass on the cost of increase in interest cost to merchants participating in the APM product; belief in the appropriateness of its tax filings and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions regarding, among other things, continued Affinity partner participation; continued support from its provider of loan payable and holders of 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 and capital required to operate at those levels; future interest rates; and the appropriateness of its tax filing position.

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

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

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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