



ADVANTEX

NEWS RELEASE

ADX: TSX

Advantex Announces Fiscal 2009 Second Quarter Results

- Advantex reports Net Profit for second consecutive quarter.
- 2009 second quarter:
 - Net Profit, improves \$350,000 vs. 2008 second quarter
 - Profit before non-cash items, improves \$406,000 vs. 2008 second quarter.
- Success of Advance Purchase Marketing (“APM”) program driving revenue gain. 2009 second quarter APM revenues up 31.5% vs. 2008 second quarter.

Toronto, January 27, 2009 – Advantex Marketing International Inc. (TSX:ADX), a leading specialist in loyalty marketing programs and merchant funding, today announced its results for the fiscal second quarter ended December 31, 2008. All references to quarters or years are for the fiscal periods and all currency amounts are in Canadian dollars unless otherwise noted.

“The second consecutive quarter of net profit and positive cash flow from operations generated by Advantex in 2009 are significant milestones given the current market conditions,” Mr. Ambrose said.

“These improved financial results are attributable to the initiatives that we have implemented during the past 30 plus months, including the growth of our APM program, improved operational efficiencies, and cost reductions,” Mr. Ambrose said.

“We are in a period of unprecedented decline and negative sentiment in stock markets. The management is of the opinion that Advantex’s share price does not reflect the improved financial performance,” he said.

The highlights of the financial performance are illustrated in the following table:

	Q2 F09	Q2 F08	INC/ (DEC)	YTD F09	YTD F08	INC/ (DEC)
Revenues	\$ 3.34 m	\$3.24 m	3.3 %	\$ 6.45 m	\$ 6.08 m	6.1 %
Gross Profit	\$ 2.21 m	\$ 1.80 m	23.0%	\$ 4.34 m	\$ 3.49 m	24.3 %
Contribution from Operations	\$ 523,351	\$ 27,641	\$ 495,710	\$ 1,103,141	\$ (17,360)	\$ 1,120,501
Net Profit / (Loss)	\$ 20,264	\$ (329,692)	\$ 349,956	\$ 75,341	\$ (695,979)	\$ 771,320

The increase in revenue is illustrated by the following table:

	Q2 F09	Q2 F08	INC/ (DEC)	YTD F09	YTD F08	INC/ (DEC)
CIBC Advantex Programs						
> APM (1)	\$ 1.46 m	\$ 1.11 m	\$ 0.35 m	\$ 3.22 m	\$ 2.36 m	\$ 0.86 m
> Marketing Only, including Infinite Hotel program (2)	\$ 0.92 m	\$ 0.80 m	\$ 0.12 m	\$ 1.68 m	\$ 1.66 m	\$ 0.02 m
	\$ 2.38 m	\$ 1.91 m	\$ 0.47 m	\$ 4.90 m	\$ 4.02 m	\$ 0.88 m
Online Shopping Malls (3)	\$ 0.96 m	\$ 1.30 m	\$ (0.34) m	\$ 1.53 m	\$ 2.02 m	\$ (0.49) m

1. The increase in APM revenues reflects higher transaction credits deployed with merchants. Average transactions credits deployed for the three and six months ended December 31, 2008 were 41.3% and 42.0% higher compared with corresponding periods in the previous year, while current year APM revenues increased 31.5% and 36.4% respectively over corresponding period in the previous year. APM program accounted for 43.7% of Company's revenues for the three months ended December 31, 2008 compared with 34.3% of revenues for the corresponding period in the previous year.

2. The Company launched the Infinite Hotel program, a marketing program introduced in partnership with CIBC, on September 1, 2008. Advantex earns a fee for marketing services provided to participating hotels. The revenues from this program offset the impact of decline in consumer spend at merchants participating in the Marketing Only program during the three and six months ended December 31, 2008 compared to corresponding period in the previous year.

3. Decrease reflects decline in consumer spend, and loss of Delta as a partner from August, 2008. In USD terms (base currency in which the Company earns its online revenues) the decrease in current year Q2 and YTD revenues compared with corresponding period in the previous year was 32.9% and 27.6% respectively but due to the favourable movement in exchange rates the decrease is partially mitigated in the reporting currency.

While revenue grew 3.3% in the 2009 second quarter, direct expenses (which include cardholders awards costs, marketing, and advertising on behalf of merchants, and other costs) declined 21.4% to \$1.1 million, compared with \$1.4 million a year earlier. As the result, the company's gross margin increased to 66.2% from 55.6% a year earlier, and gross profit rose 23.0 %.

Sales, general, and administrative (SG&A) expenses also were down in the 2009 second quarter by 4.6% percent to \$1.7 million from \$1.8 million in the 2008 period mainly as the result of achieving better operating efficiencies and the effectiveness of the company's cost-reduction efforts.

These improvements resulted in profit before non cash items of \$0.3 million in 2009 second quarter compared with a loss of \$0.1 million in 2008 quarter. The company recorded a net profit for the 2009 second quarter of \$20,264 (\$0.00 per share), compared with a net loss of \$329,692 (\$0.00 per share) in the 2008 quarter.

Company's Outlook is Cautiously Optimistic

"We are hopeful that we can maintain our momentum and the positive trends in our business despite the considerable uncertainty and turbulence affecting the Canadian and international economies," Mr. Ambrose said.

“The Company’s results will be subjected to seasonality that is reflective of seasonal consumer spend behaviour in the CIBC Advantex programs, and Online business. The third quarter is historically the weakest in terms of consumer spend at merchants participating in Advantex’s programs. In addition, the deteriorating economic conditions will adversely impact consumer spend behaviour at our merchants. As revenue is recognized at the time that purchases are made by consumers through the Advantex programs, the weakness in consumer spend will be reflected in Advantex revenues. However, the current economic conditions also provide a favourable environment for the Company to expand its APM program to credit-worthy merchants. APM, which represented 43.7% of the Company’s revenues for the three months ended December 31, 2008 was up from 34.3% for the corresponding period in the previous year, is the growth business for the Company. To meet untapped demand for this product requires the Company to have access to additional funds, and the difficult market conditions could hinder that access,” he said.

About Advantex Marketing International Inc.

Advantex is a specialist in the marketing services industry, managing white-labeled rewards accelerator programs for major affinity groups through which their members earn bonus frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives, and secured future sales through its Advance Purchase Marketing model. Advantex partners include more than 700 restaurants, online retailers, golf courses, small inns and resorts, and major organizations, including CIBC, United Airlines, Alaska Airlines, and Lufthansa Airlines. Advantex is traded on the Toronto Stock Exchange under the symbol "ADX". For additional information on Advantex, please visit www.advantex.com.

Forward-Looking Information

This Press Release contains certain “forward-looking information”. All information, other than information comprised of historical fact, addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. Such forward looking information includes, without limitation, information regarding the Company’s belief that Transaction Credits are likely indicators of future revenue; the Company’s expectation that its annualized SG&A cost saving measures, implemented mid March, 2008, will be realized during Fiscal 2009; management’s expectations with respect to reaching agreement with CIBC to expanding the APM program including into retail fashion establishments in Fiscal 2009, and its ability to continue to access financing under its existing line of credit facility with respect to expanding APM program in both the current categories (dining, golf, small inns and spa) allowed under the current CIBC agreement, and in the retail fashion category ; the Company’s anticipated increase in the number of Merchant Partners with which it will do business; the Company’s anticipated revenues from the ‘Infinite Hotel’ program, the Company’s continued investment in information technology systems required to keep pace with partner and marketplace standards; the number of retailers the Company expects to target for its programs, including the regional markets in which the Company intends to focus on; the impact on the Company’s revenues that increased merchant participation would have; the Company’s intentions with respect to retaining future earnings in the foreseeable future; 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. 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, changes in general economic and market conditions, changes to regulations affecting the Company's activities, uncertainties relating to the availability and costs of financing needed in the

future, delays in finalizing the retail contract, continuation of listing on the TSX, and other factors, including without limitation, those listed under “Risks and Uncertainties” and “Economic Dependence” in the Company’s interim and year end filings. 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.

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ADVANTECH MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three month and six month period
Ended December 31, 2008

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of this report.

An auditor has not performed a review of these consolidated financial statements.

ADVANTECH MARKETING INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(unaudited – note 1)

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
ASSETS		
Current:		
Cash and cash equivalents	\$7,595	\$144,794
Accounts receivable	1,231,232	804,673
Transaction credits	7,317,969	7,300,912
Prepaid expenses and sundry assets	<u>230,249</u>	<u>114,978</u>
	<u>8,787,045</u>	<u>8,365,357</u>
Long-term:		
Property, plant and equipment	761,740	745,456
TOTAL ASSETS	<u>\$9,548,785</u>	<u>\$9,110,813</u>
LIABILITIES		
Current:		
Loan payable (note 4)	\$164,783	\$663,448
Accounts payable and accrued liabilities	<u>3,342,186</u>	<u>2,664,079</u>
	<u>3,506,969</u>	<u>3,327,527</u>
Long-term:		
Other liability	85,955	205,955
Non-convertible debentures payable (note 5)	2,469,738	2,422,097
Convertible debentures payable (note 6)	<u>4,473,786</u>	<u>4,443,115</u>
	<u>7,029,479</u>	<u>7,071,167</u>
	<u>10,536,448</u>	<u>10,398,694</u>
SHAREHOLDERS' DEFICIENCY		
Capital Stock		
Class A preference shares	3,815	3,815
Common shares	<u>24,106,281</u>	<u>24,106,281</u>
	24,110,096	24,110,096
Contributed surplus (note 3)	542,090	507,023
Equity portion of debentures	2,114,341	2,114,341
Warrants (notes 5 and 6)	374,554	184,744
Deficit	<u>(28,128,744)</u>	<u>(28,204,085)</u>
	<u>(987,663)</u>	<u>(1,287,881)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	<u>\$9,548,785</u>	<u>\$9,110,813</u>

(see accompanying notes)

ADVANTECH MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF PROFIT/(LOSS) AND COMPREHENSIVE PROFIT/(LOSS)
(unaudited – note 1)

	Three Months Ended		Six Months Ended	
	<u>December 31</u>		<u>December 31</u>	
	2008	2007	2008	2007
REVENUE	3,342,760	3,236,840	6,452,946	6,081,527
Direct expenses	<u>1,130,878</u>	<u>1,438,816</u>	<u>2,114,329</u>	<u>2,592,049</u>
GROSS PROFIT	<u>2,211,882</u>	<u>1,798,024</u>	<u>4,338,617</u>	<u>3,489,478</u>
OPERATING EXPENSES				
Selling and marketing	806,806	795,594	1,489,562	1,587,001
General and administrative	<u>881,725</u>	<u>974,789</u>	<u>1,745,914</u>	<u>1,919,837</u>
	1,688,531	1,770,383	3,235,476	3,506,838
CONTRIBUTION FROM OPERATIONS	523,351	27,641	1,103,141	(17,360)
Stock-based compensation	<u>18,000</u>	<u>16,200</u>	<u>35,067</u>	<u>32,400</u>
PROFIT/(LOSS) BEFORE AMORTIZATION AND INTEREST	505,351	11,441	1,068,074	(49,760)
Amortization of property, plant and equipment	68,628	72,618	139,972	120,052
Interest expense				
Stated interest expense – loan payable, non-convertible debentures, and other	107,485	10,167	248,174	10,167
Stated interest expense - convertible debentures	151,233	158,796	302,466	318,269
Accretion charge on debentures and amortization of deferred financing charges	<u>157,741</u>	<u>99,552</u>	<u>302,121</u>	<u>197,731</u>
NET PROFIT / (LOSS) AND COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD	<u>\$20,264</u>	<u>\$(329,692)</u>	<u>\$75,341</u>	<u>\$(695,979)</u>
NET PROFIT / (LOSS) PER COMMON SHARE	<u>\$0.00</u>	<u>\$(0.00)</u>	<u>\$ 0.00</u>	<u>\$(0.01)</u>

(see accompanying notes)

ADVANTECH MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF DEFICIT
(unaudited – note 1)

	Three Months Ended		Six Months Ended	
	<u>December 31</u>		<u>December 31</u>	
	2008	2007	2008	2007
BALANCE AT THE START OF PERIOD	(28,149,008)	(27,202,801)	(28,204,085)	(26,836,514)
Net profit/(loss) for the period	<u>20,264</u>	<u>(329,692)</u>	<u>75,341</u>	<u>(695,979)</u>
BALANCE AT THE END OF PERIOD	<u>(28,128,744)</u>	<u>(27,532,493)</u>	<u>(28,128,744)</u>	<u>(27,532,493)</u>

(see accompanying notes)

ADVANTECH MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited – note 1)

	Three Months Ended <u>December 31</u>		Six Months Ended <u>December 31</u>	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net profit/(loss) for the period	\$20,264	\$(329,692)	\$75,341	\$(695,979)
Items not affecting cash				
Amortization of property, plant and equipment	68,628	72,618	139,972	120,051
Accretion charge on debentures	111,193	78,186	209,088	154,999
Amortization of deferred financing charges	46,548	21,366	93,033	42,732
Stock-based compensation	<u>18,000</u>	<u>16,200</u>	<u>35,067</u>	<u>32,400</u>
	264,633	(141,322)	552,501	(345,797)
Changes in non-cash working capital items				
Accounts receivable	211,066	(593,573)	(426,559)	(651,925)
Transaction credits	(885,903)	(257,278)	(17,057)	(22,834)
Prepaid expenses and sundry assets	(108,960)	67,638	(115,271)	88,161
Accounts payable and accrued liabilities	<u>185,352</u>	<u>413,808</u>	<u>678,107</u>	<u>280,196</u>
	(598,445)	(369,405)	119,220	(306,402)
Decrease in Long-term other liabilities	<u>(40,000)</u>	<u>(64,067)</u>	<u>(120,000)</u>	<u>(178,200)</u>
Cash provided by/(utilized in) operating activities	(373,812)	(574,794)	551,721	(830,399)
FINANCING ACTIVITIES				
Proceeds from non-convertible debenture, net	-	1,920,000	-	1,920,000
Financing charges – non convertible debenture	-	-	(1,833)	-
Proceeds from initial draw of credit facility	-	706,490	-	706,490
Credit facility costs	-	(177,330)	-	(177,330)
Loan payable	<u>46,767</u>	<u>-</u>	<u>(530,830)</u>	<u>-</u>
	46,767	2,449,160	(532,663)	2,449,160
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(86,569)	(116,904)	(156,257)	(269,914)
MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE PERIOD				
	(413,614)	1,757,462	(137,199)	1,348,847
Cash and cash equivalents at the beginning of the period	421,209	502,380	144,794	910,995
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$7,595	\$2,259,842	\$7,595	\$2,259,842
ADDITIONAL INFORMATION				
Interest paid	\$453,000	\$300,000	\$558,000	\$300,000

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended December 31, 2008
(Unaudited – note 1)

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries (“Advantex” or the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by Canadian GAAP for annual consolidated financial statements.

The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for interim periods. Operating results for the six months ended December 31, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2009. The accounting policies used in the preparation of these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for fiscal 2008.

These interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended June 30, 2008. Certain prior period amounts have been reclassified to conform to the current period’s presentation.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Change in accounting policies

General Standards of Financial Statement Preparation

In June 2007, the Canadian Institute of Chartered Accountants (“CICA”) amended Handbook Section 1400 “General Standards of Financial Statement Presentation” to include requirements to assess an entity’s ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company adopted the amendment to this standard on July 1, 2008. The adoption of this amendment did not have an impact on the Company’s consolidated financial results or position.

Capital Disclosures, Financial Instruments – Disclosures, and Financial Instruments - Presentation

Effective July 1, 2008, the Company adopted the new CICA Handbook Sections 1535 “Capital Disclosures”, 3862 “Financial Instruments – Disclosures”, and 3863 “Financial Instruments – Presentation”. The comparative consolidated financial statements have not been restated as these new standards have been applied prospectively. There has been no impact on accumulated other comprehensive income.

Capital disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section, in note 7 to these interim consolidated financial statements.

Financial instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861 “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section, in note 8 to these interim consolidated financial statements.

The Company has classified each of its significant categories of financial instruments as follows:

- *Cash and cash equivalents* are classified as held-for-trading. Changes in fair value for the period are recorded in earnings as interest income.
- *Accounts receivable and other receivables* are classified as loans and receivables.
- *Borrowings under accounts payable and accrued liabilities* are classified as other financial liabilities.
- *Convertible debentures, non-convertible debentures, and loan payable* are classified as other financial liabilities and recorded at amortized cost using the effective interest method.
- *Debt issuance and transaction costs related to other financial liabilities* are netted against the carrying value of the debt and amortized over the term of the debt using the effective interest method.

Future change in accounting policies

Financial Statement Concepts

In February 2008, the CICA amended Section 1000 “Financial Statement Concepts” to clarify the criteria for recognition of assets and liabilities, the relationship between incurring expenditures and creating assets, the future economic benefit criterion necessary for recognition of an asset, and the timing of expense recognition. This amendment is effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company will apply the amendments beginning July 1, 2009.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064 “Goodwill and Intangible Assets”. Section 3064 replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. This new section provides additional guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company will apply this new standard beginning July 1, 2009. The Company is evaluating the impact that the adoption of this new standard will have on its consolidated financial statements.

International Financial Reporting Standards (“IFRS”)

On February 13, 2008, the CICA’s Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises in Canada. Companies will be required to provide comparative information under IFRS for the previous fiscal year. The implementation of IFRS will be

applicable for the Company for the July 1, 2011 to September 30, 2011 quarter, for which the current and comparative financial information will be presented under IFRS. The Company is currently evaluating the impact that the adoption of IFRS will have on its consolidated financial statements.

3. STOCK OPTIONS

As at December 31, 2008 there were 11,611,357 employee stock options outstanding at exercise prices between \$0.045 to \$0.14, expiring between July 2009 and March 2013.

During the six months ended December 31, 2008, 285,249 stock options were forfeited or expired.

The Company has recorded \$35,067 of stock-based compensation expense during the six months ended December 31, 2008 related to the fair value of stock options issued during prior years. There was a corresponding increase in contributed surplus.

4. LOAN PAYABLE

The amount outstanding under this facility at December 31, 2008 was \$293,450. The loan payable amount disclosed on the Balance Sheet is net of the unamortized financing fees of \$128,667.

5. NON-CONVERTIBLE DEBENTURES PAYABLE

The balance of non-convertible debentures payable is disclosed under long-term liabilities and is net of unamortized financing charges. Movements in the balance during the six months ended December 31, 2008 are as follows:

	Debt Portion (net of deferred financing charges)	Equity portion (warrants)
Balance at June 30, 2008	\$2,422,097	\$184,744
Amortization of issuance costs (net of additional issuance costs of \$1,833)	16,302	-
Accretion charge	<u>31,339</u>	<u>-</u>
Balance at December 31, 2008	<u>\$2,469,738</u>	<u>\$184,744</u>

6. CONVERTIBLE DEBENTURES PAYABLE

The balance of convertible debentures payable is disclosed under long-term liabilities and is net of unamortized financing charges. Movements in the balance during the six months ended December 31, 2008 are as follows:

	Debt Portion (net of deferred financing charges)
Balance at June 30, 2008	\$4,443,115
Amortization of issuance costs	42,732
Accretion charge	177,749
Issuance of warrants	(189,810)
Balance at December 31, 2008	<u>\$4,473,786</u>

In connection with an amendment to the agreement for the convertible debentures on September 24, 2008, the Company agreed to issue 9.990 million warrants to holders of convertible debenture on a pro rata basis based on the outstanding principal amounts of the convertible debentures. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.045 at any time prior to December 9, 2011. The fair value of the warrants was determined as \$189,810.

In accordance with Canadian Institute of Chartered Accountants Handbook Section 3855 "Financial Instruments – Recognition and Measurement", the debt and equity portions of the convertible debentures was re-computed based on estimated relative fair value of the debt and equity components.

The Black-Scholes pricing model was used to determine the fair value of the warrants. The following assumptions were used in the Black-Scholes option pricing model.

Common share price	\$0.035
Exercise price of warrants	\$0.045
Expected life of the warrant	3 years
Expected volatility	87%
Risk-free interest rate	3%

7. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages Loan Payable, Non-Convertible debentures, Convertible debentures, and Capital Stock which is explained in detail in the audited financial statements for year ended June 30, 2008. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth.

The Company is subject to financial covenants which are measured on a quarterly basis. The Company is in compliance with all financial covenants.

8. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. Accounts receivable and transaction credits are net of applicable allowance for doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The ageing of accounts receivable and transaction credits at the reporting date was:

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Current	\$7,851,960	\$7,694,911
Over 120 days	<u>\$697,241</u>	<u>\$410,674</u>
	<u>\$8,549,201</u>	<u>\$8,105,585</u>

Currency risk

The Company is exposed to foreign exchange risk as a portion of its revenue is earned in US dollars and it has assets and liabilities that will be settled in US dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.

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

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Cash and cash equivalents	\$ 71,265	\$112,253
Accounts receivable	\$764,746	\$656,849
Accounts payable and accrued liabilities	\$506,208	\$153,300

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when due.

The Company deploys available funds to merchants under its APM program, which are disclosed as transactions credits on the balance sheet. The Company generally acquires transaction credits that are estimated to be fully extinguishable within 30-120 days. The Company maintains adequate cash balances to meet liabilities when due.

Fair value

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

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