ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended December 31, 2015

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.

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

	Note	December 31, 2015	June 30, 2015
		$	$
Assets			
Current assets			
Cash and cash equivalents		$ 500,213	$ 1,162,609
Accounts receivable		660,594	460,446
Transaction credits	5	9,033,805	7,819,647
Inventory	6	43,598	144,874
Prepaid expenses and sundry assets		218,507	173,777
		$ 10,456,717	**$ 9,761,353**
Non-current assets			
Property, plant and equipment		$ 134,696	$ 165,735
Intangible assets		316,862	477,992
		$ 451,558	**$ 643,727**
Total assets		**$ 10,908,275**	**$ 10,405,080**
Liabilities			
Current liabilities			
Loan payable	7	$ 6,554,057	$ 5,711,525
Accounts payable and accrued liabilities		3,977,243	4,294,418
12% Non-convertible debentures payable	8	4,980,414	-
		$ 15,511,714	**$ 10,005,943**
Non-current liabilities			
12% Non-convertible debentures payable	8	**$ -**	**$ 4,864,802**
Total liabilities		**$ 15,511,714**	**$ 14,870,745**
Shareholders' deficiency			
Share capital	9	$ 24,530,555	$ 24,530,555
Contributed surplus		4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(33,176,993)	(33,039,219)
Total deficiency		**$ (4,603,439)**	**$ (4,465,665)**
Total liabilities and deficiency		**$ 10,908,275**	**$ 10,405,080**

Economic and Financial dependence (note 2a), Going concern (note 2b), Commitments and contingencies (note 12)

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

Approved by the Board

Director: Signed "William Polley"

William Polley

Director: Signed "Kelly Ambrose"

Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of (loss) and Comprehensive (loss) (unaudited)
For the three and six months ended December 31, 2015 and 2014
(expressed in Canadian dollars)

	Note	Three months ended December 31		Six months ended December 31	
		2015	2014	2015	2014
		$	$	$	$
Consolidated Statements of (loss)					
Revenues	15	**$ 3,096,423**	**$ 3,799,990**	**$ 6,091,677**	**$ 7,329,587**
Direct expenses	15	1,026,581	1,209,064	1,909,650	2,158,562
		2,069,842	2,590,926	4,182,027	5,171,025
Operating expenses					
Selling and marketing		692,320	990,814	1,431,748	1,822,937
General and administrative		849,568	1,180,873	1,757,953	2,312,582
Earnings from operations before depreciation, amortization and interest		**527,954**	**419,239**	**992,326**	**1,035,506**
Interest expense:					
Stated interest expense - loan payable, and debentures	7, 8	396,865	397,612	780,336	842,074
Non-cash interest expense on debentures	8	58,146	55,477	115,612	114,246
		72,943	(33,850)	96,378	79,186
Depreciation of property, plant and equipment, and amortization of intangible assets		103,045	110,229	234,152	203,459
Net (loss) and comprehensive (loss)		**$ (30,102)**	**$ (144,079)**	**$ (137,774)**	**$ (124,273)**
Earnings per share					
Basic and Diluted	13	**$0.00**	**$0.00**	**$0.00**	**$0.00**

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)
For the three and six months ended December 31, 2015 and 2014
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2014	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (29,968,616)**	**$ (1,395,062)**
Net (loss) and comprehensive (loss)	-	-	-	-	(124,273)	(124,273)
Balance - December 31, 2014	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (30,092,889)**	**$ (1,519,335)**
Balance - July 1, 2015	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,039,219)**	**$ (4,465,665)**
Net (loss) and comprehensive (loss)	-	-	-	-	(137,774)	(137,774)
Balance - December 31, 2015	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,176,993)**	**$ (4,603,439)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow (unaudited)
For the six months ended December 31, 2015 and 2014
(expressed in Canadian dollars)

	Note	December 31, 2015	December 31, 2014
		$	$
Operational activities			
Net (loss) for the period		$ (137,774)	$ (124,273)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets		234,152	203,459
Accretion charge for debentures	8	115,612	114,246
		211,990	193,432
Changes in items of working capital			
Accounts receivable		(200,148)	86,059
Transaction credits		(1,214,158)	889,286
Inventory		101,276	(62,540)
Prepaid expenses and sundry assets		(44,730)	(82,661)
Accounts payable and accrued liabilities		(317,175)	(575,321)
		(1,674,935)	254,823
Net cash provided by operating activities		**$ (1,462,945)**	**$ 448,255**
Investing activities			
Purchase of property, plant and equipment, and intangible assets		$ (41,983)	$ (237,535)
Net cash (used in) investing activities		**$ (41,983)**	**$ (237,535)**
Financing activities			
Proceeds from loan payable	7	$ 842,532	$ (960,784)
Transaction costs respecting debentures financing		-	(24,206)
Net cash generated from / (used in) financing activities		**$ 842,532**	**$ (984,990)**
Increase / (decrease) in cash and cash equivalents during the period		**$ (662,396)**	**$ (774,270)**
Cash and cash equivalents at beginning of period		1,162,609	1,815,805
Cash and cash equivalents at end of period		**$ 500,213**	**$ 1,041,535**
Additional information			
Interest paid			
For purposes of the cash flow statement, cash comprises		$ 778,639	$ 1,131,824
Cash		$ 495,213	$ 1,036,535
Term deposits		5,000	5,000
		$ 500,213	$ 1,041,535

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

1 General information

Advantex Marketing International Inc. and its subsidiaries (together the company or Advantex) is a public company with common shares listed on the Canadian Securities Exchange (trading symbol ADX). Advantex operates in the marketing services industry. The company develops and manages loyalty programs for financial institutions and other major organizations through which their customers earn frequent flyer miles or points on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing and customer incentives. At its sole discretion the company pre-purchases merchants' future sales through its Advance Purchase Marketing (APM) product. Advantex is incorporated and domiciled in Canada, and the address of its registered office is Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

2 a. Economic and Financial Dependence

Economic Dependence

During year ended June 30, 2015 about 82% (2014 85%) of the company's revenues were generated by a merchant based loyalty program operated in partnership with financial institutions, Canadian Imperial Bank of Commerce ("CIBC") and Toronto Dominion Bank ("TD") during 2015 and entirely CIBC during 2014. The agreements with CIBC and TD enable the company to develop and manage merchant based loyalty program ("CIBC/TD program") under which the company markets participating merchants to the entire portfolio of designated CIBC and TD aeroplan credit cards. On behalf of participating merchants the company awards incremental rewards - over and above those issued by CIBC and TD – to holders of designated credit cards when they complete purchases at their establishments. The company earns its revenue when CIBC and TD aeroplan credit cards holders complete purchases at participating merchants.

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

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

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

During year ended June 30, 2015 the company earned 18% (2014 – 15%) of its revenues from the Aeroplan program. This segment is dependent on the company's agreement with Aimia Canada Inc. ("Aimia"). The company operates Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. In November 2014 the company renewed its agreement ("renewed agreement") with Aimia for a five year term ending April 30, 2019. The 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 (note 12). The renewed agreement can be terminated by Aimia under certain conditions during the term of the agreement.

The company successfully completed, during fiscal year ended June 30, 2014, a pilot merchant based loyalty program, in a test market in the USA, for Caesars Entertainment Corporation ("Caesars"). The company and Caesars signed a multi-year agreement to launch a full program ("program") on a graduated basis across the US. The agreement expires December 31, 2017. The program expansion was first launched in February 2015 in Philadelphia market.

The company's segment reporting is provided in note 15.

Financial Dependence

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

The company has access to a line of credit facility under its loan payable (note 7). The loan payable is used exclusively to expand the company's APM product ("transaction credits" on consolidated statements of financial position). In October 2015 the term of the loan payable was renewed for a one year term expiring in December 2016. The relationship was established in 2007.

On December 30, 2013, the company re-financed its two debentures – 14% non-convertible debentures payable and 12% non-convertible debentures payable – totalling $7.9 million into a single 12% non-convertible debentures payable ("new 12% debentures") (note 8) for $5.2 million. The new 12% debentures mature September 30, 2016. The company has a decade old relationship with the primary holder of the new 12% debentures – a Toronto based firm investing on behalf of its managed accounts. Related parties holdings at December 31, 2015 of the new 12% debentures were about $1.2 million (note 11). 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 September 30, 2015 and December 31, 2015.

2 b. Going concern

As described in Note 8, new 12% 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, September 30, 2015 and December 31, 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 December 31, 2015 beneficially owns or exercises control and direction over 21,862,690 common shares of the company representing 15.7% of the issued and outstanding common shares of the company. In addition, directors and officers of the company hold another 23.5% of the new 12% debentures.

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties. There is uncertainty surrounding the new 12% debentures as the company may not meet its financial covenants subsequent to December 31, 2015 and the company has not generated significant positive cash flows from operations during year ended June 30, 2015 and the six months ended December 31, 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 December 31, 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. (note 7) 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.

3 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore, should be read in conjunction with the audited consolidated financial statements and notes for the company's year ended June 30, 2015, which are available on SEDAR at www.sedar.com.

These interim consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on February 23, 2016.

Accounting standards issued but not yet applied

The IASB has issued the following applicable standards which have not yet been adopted by the company. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated interim financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standards:

IFRS 9 Financial Instruments

In July 2014, the IASB completed IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods and services. IFRS 15 will require enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (particularly, service revenue and contract modifications) and improve guidance for multiple –element arrangements. IFRS 15 will be effective for the Corporations fiscal year beginning on July 1, 2018 with earlier adoption permitted.

The company has not yet assessed the impacts of adopting these standard on its consolidated financial statements.

4 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

5 Transaction credits

Under its APM product the company acquires the rights to cash flow from future designated credit card transactions at a discount from participating merchants ("transaction credits"). These transaction credits are generally estimated to be fully extinguishable within 30 – 210 days. The company, in the normal course of business, is exposed to credit risk on the transaction credits.

The transaction credits are net of applicable allowance for impaired accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

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

	December 31, 2015	June 30, 2015
		$
Transaction credits	9,417,364	8,606,883
Allowance	(383,559)	(787,236)
Per statement of financial position	9,033,805	7,819,647

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

	December 31, 2015	June 30, 2015
	$	$
Impaired transaction credits	557,238	1,136,791
Allowance	(383,559)	(787,236)
Impaired transaction credits not allowed for	173,679	349,555

6 Inventory

Inventory comprises

	December 31, 2015	June 30, 2015
Digital display units	-	79,440
Processing terminals	43,598	65,434
Total	**$43,598**	**$144,874**

Inventory is stated at the lower of cost and net realizable value.

<u>Digital display units</u>

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

During the three months ended September 30, 2015 the company and supplier agreed to convert the inventory to amounts the company can use to pay for its future purchases, from the supplier, of digital marketing software which is part of the company's product offering. The amount is re-classified into accounts receivable at September 30, 2015.

For the six months ended December 31, 2015 $26,320 of accounts receivable was recognized as an expense (2014 - $nil).

For the six months ended December 31, 2015 $4,410 of inventory was recognized as an expense (2014 - $8,860)

<u>Processing units</u>

The processing units are issued to merchants participating in the company's Aeroplan and Caesars programs. These units facilitate issuance of bonus rewards to members of Aeroplan and Caesars Total Rewards programs on their completing qualifying purchases at participating merchants. The company relieves inventory and recognizes the expense upon the issuance of terminal to the merchant.

7 Loan payable

	December 31, 2015	June 30, 2015
Opening balance	**$5,711,525**	**$6,454,174**
Increase (decrease) in borrowing	842,532	(742,649)
Closing balance	**$6,554,057**	**$5,711,525**

This line of credit facility ("facility") is provided by Accord Financial Inc. ("Accord"). The facility limit is $8.5 million. The term of facility is to December 2016. In certain circumstances the amount outstanding under the facility is repayable on demand to Accord.

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

Interest is calculated daily on the amount outstanding and charged monthly at a per annum interest rate equivalent to prime rate of a certain Canadian bank plus 11.5%. The interest cost during the period ended December 31, 2015 was $468,252 (2014 - $471,490).

8 12% Non-convertible debentures payable

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

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

Under the agreement, the proceeds of the new 12% debentures are to be used for working capital purposes. The new 12% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The significant financial covenants of the new 12% debentures require the company to meet (i) commencing the quarter ended December 31, 2013, on a quarterly basis a defined level of designated current assets, and interest coverage, and (ii) commencing January 31, 2014, on a monthly basis a defined level of credit card spend, on which the company earns its revenue, at merchants participating in its loyalty programs (as part of the re-set of the financial covenants, described later in this section, this financial covenant was cancelled effective April 2015). 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 this 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 met the revised financial covenants as at June 30, 2014, 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, September 30, 2015 and December 31, 2015.

Movement on the new 12% debentures

	Debt portion
Balance as at June 30, 2015	**$4,864,802**
Accretion charge for the period	115,612
Balance at December 31, 2015	**$4,980,414**

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

	Period ended December 31, 2015		Period ended December 31, 2014	
	Stated Interest	Accretion charges	Stated Interest	Accretion charges
new 12% debentures	$312,084	$115,612	$312,084	$114,246
new 12% debentures fees	$ -	$ -	$ 58,500	$ -
	$312,084	$115,612	$370,584	$114,246

9 Share capital

Authorized and Issued share capital. No change during the six months ended December 31, 2015.

10 Share-based payments

Employee stock options

The company has a stock option plan for directors, officers, employees and consultants. The number of employee stock options issuable per the company's stock option plan is 16,688,546.

	Number of employee stock options	Weighted average exercise price $
Outstanding and Exercisable at June 30, 2015	**8,590,000**	**0.03**
Outstanding and Exercisable at December 31, 2015	**8,040,000**	**0.03**

The outstanding and exercisable employee stock options at December 31, 2015 were issued at exercise prices ranging between $0.02 and $0.05, and have a weighted average remaining contractual life of under a year. The employee stock options expire at various periods between March 2016 and March 2018.

The number of employee stock options available for future issuance as at June 30, 2015 and December 31, 2015 was 8,098,546 and 8,648,546 respectively.

Outstanding and exercisable at December 31, 2014 totalled 10,190,000.

Potentially Dilutive Securities

Upon exercise of the employee stock options exercisable as at December 31, 2015, the company is committed to issuing 8,040,000 common shares.

11 Related party transactions

Directors and Officers

In December 2013 the directors and officers purchased new 12% debentures (note 8), on terms and conditions applicable to the other subscribers. The holdings of debentures are tabulated:

	December 31, 2015	**June 30, 2015**
Director and Chief Executive Officer – Kelly Ambrose	$500,000	$500,000
Director and Chairman of the Board of Directors – Stephen Burns	$ 50,000	$ 50,000
Director - Marc Lavine	$500,000	$500,000
Director – Rob von der Porten. Not a director effective December 11, 2015	$nil	$ 50,000
Director – William Polley	$ 50,000	$ 50,000
Director – Barry Wainstein. Not a director effective December 11,2015	$nil	$ 25,000
Chief Financial Officer – Mukesh Sabharwal	$115,000	$115,000

12 Commitments and contingencies

Commitments

As at December 31, 2015, the company is committed to minimum payments with respect to existing leases for equipment and premises:

	Equipment	Premises	Total
Not later than one year	$ 66,024	$ 95,381	$ 161,405
Later than one year and not later than five years	$ 92,180	$ 63,587	$ 155,767
Later than five years	$ -	$ -	$ -
Total	**$ 158,204**	**$ 158,968**	**$ 317,172**

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

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

Additional commitments

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 company re-sells the aeroplan miles to merchants participating in the Aeroplan loyalty program it operates for Aimia (note 2a). 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 did not meet its calendar 2015 purchase commitment. It purchased $1,297,100 of aeroplan miles compared to its commitment of $1,870,000. Per the renewed agreement, the shortfall of $572,900 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. In addition, the agreement allows the parties to negotiate a reduction to the annual commitment under certain circumstances. These circumstances are applicable to calendar 2016.

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

Taxation

As of date hereof, the company does not have a decision to the notice it has filed with Canada Revenue Agency to confirm the appropriateness of the company's treatment of HST/GST for the periods subsequent to fiscal 2007.

13 Earnings per share

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

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The company's potentially dilutive common shares comprise stock options granted to employees (position as at December 31, 2015 and December 31, 2014 tabulated under note 10).

	Three months ended December 31		Six months ended December 31	
	2015	2014	2015	2014
	$	$	$	$
Net (loss)	$ (30,102)	$ (144,079)	$ (137,774)	$ (124,273)
Average number of issued common shares during the period	139,071,218	139,071,218	139,071,218	139,071,218
In-the-money dilutive securities at December 31	-	-	-	-
Average number of common shares - issued and in-the- money dilutive securities	139,071,218	139,071,218	139,071,218	139,071,218
Basic EPS	-$ 0.00	-$ 0.00	-$ 0.00	-$ 0.00
Diluted EPS	N/A	N/A	N/A	N/A
The computation for Diluted EPS for three and six months ended December 31, 2015 and 2014 is not provided because the effect of potential exercise of the dilutive common shares would be anti-dilutive.				

14 Nature of Expenses

	Period ended December 31, 2015	Period ended December 31, 2014
	$	$
Direct expenses		
Covering costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; b) cost of sales related to sale of aeronotes; c) cost of sales of digital marketing services; and d) provision against accounts receivable and transaction credits	$ 1,909,650	$ 2,158,562
Selling and Marketing, and General & Administrative		
Salaries and wages including travel	$2,550,651	$3,324,957
Professional fees	$151,163	$234,197
Facilities, processing, and office expenses	$484,464	$533,274
Other	$3,423	$43,091
	$3,189,701	$4,135,519

15 Segment reporting

The company's reportable segments include: (1) CIBC/TD program, (2) Aeroplan program and (3) Caesars program. Where applicable, corporate and other activities are reported separately as Corporate.

The CIBC/TD program relates to the merchant-based loyalty program the company developed and managed for CIBC and TD.

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

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

For the period ended December 31, 2015

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	5,188,405	849,378	53,849	45	6,091,677
Direct expenses	1,376,323	510,501	22,826	-	1,909,650
	3,812,082	338,877	31,023	45	4,182,027
Selling & marketing	1,123,116	179,607	129,025		1,431,748
General & administrative	1,497,295	245,118	15,540	-	1,757,953
Earnings from operations before depreciation, amortization and interest	1,191,671	(85,848)	(113,542)	45	992,326
Interest - loan payable	468,252	-	-	-	468,252
Interest - Non convertible debentures payable	364,280	59,635	3,781	-	427,696
Depreciation and amortization	199,433	32,649	2,070	-	234,152
Segment profit/(loss)	159,706	(178,132)	(119,393)	45	(137,774)

For the period ended December 31, 2014

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	6,082,209	1,231,656	15,677	45	7,329,587
Direct expenses	1,483,814	673,657	1,091	-	2,158,562
	4,598,395	557,999	14,586	45	5,171,025
Selling & marketing	1,472,963	239,984	109,990		1,822,937
General & administrative	1,919,029	388,606	4,947	-	2,312,582
Earnings from operations before depreciation, amortization and interest	1,206,403	(70,591)	(100,351)	45	1,035,506
Interest - loan payable	471,490	-	-	-	471,490
Interest - Non convertible debentures payable	402,322	81,471	1,037	-	484,830
Depreciation and amortization	168,835	34,189	435	-	203,459
Segment profit/(loss)	163,756	(186,251)	(101,823)	45	(124,273)

16 Comparatives

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