ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended September 30, 2017

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	At September 30, 2017	At June 30, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		$ 426,376	$ 367,357
Accounts receivable		252,157	180,517
Transaction credits	5	5,546,596	5,549,712
Inventory	6	32,573	35,038
Prepaid expenses and sundry assets		87,958	82,413
		$ 6,345,660	**$ 6,215,037**
Non-current assets			
Property, plant and equipment		$ 64,172	$ 72,142
Intangible assets		-	921
		$ 64,172	**$ 73,063**
Total assets		**$ 6,409,832**	**$ 6,288,100**
Liabilities			
Current liabilities			
Loan payable	7	$ 4,628,336	$ 4,476,421
Accounts payable and accrued liabilities		3,373,256	3,232,134
12% Non-convertible debentures payable	8	5,159,000	5,159,000
		$ 13,160,592	**$ 12,867,555**
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		(35,324,314)	(35,153,009)
Total deficiency		**$ (6,750,760)**	**$ (6,579,455)**
Total liabilities and deficiency		**$ 6,409,832**	**$ 6,288,100**

Economic and Financial dependence (note 2 a), Going concern (note 2 b), 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 months ended September 30, 2017 and 2016
(expressed in Canadian dollars)

	Note	2017	2016
		$	$
Revenues	15	$ **2,006,169**	$ **2,604,270**
Direct expenses	14/15	613,479	877,358
		1,392,690	1,726,912
Operating expenses			
Selling and marketing	14/15	480,198	505,707
General and administrative	14/15	749,084	892,544
Earnings from operations before depreciation, amortization and interest		**163,408**	**328,661**
Interest expense:			
Stated interest expense - loan payable, and debentures	7/8	325,822	338,994
Non-cash interest expense on debentures	8	-	60,227
		(162,414)	(70,560)
Depreciation of property, plant and equipment, and amortization of intangible assets		8,891	78,845
Net loss and comprehensive loss		$ **(171,305)**	$ **(149,405)**
Loss per share			
Basic and Diluted	13	$ **(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 months ended September 30, 2017 and 2016
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2016	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,946,662)**	**$ (5,373,108)**
Net loss and comprehensive loss	-	-	-	-	(149,405)	(149,405)
Balance - September 30, 2016	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (34,096,067)**	**$ (5,522,513)**
Balance - July 1, 2017	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (35,153,009)**	**$ (6,579,455)**
Net loss and comprehensive loss	-	-	-	-	(171,305)	(171,305)
Balance - September 30, 2017	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (35,324,314)**	**$ (6,750,760)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow (unaudited)
For the three months ended September 30, 2017 and 2016
(expressed in Canadian dollars)

	Note	2017	2016
		$	$
Operational activities			
Net loss for the period		$ (171,305)	$ (149,405)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets		8,891	78,845
Accretion charge for debentures	8	-	60,227
		(162,414)	(10,333)
Changes in items of working capital			
Accounts receivable		(71,640)	212,268
Transaction credits		3,116	1,099,515
Inventory		2,465	563
Prepaid expenses and sundry assets		(5,545)	(16,084)
Accounts payable and accrued liabilities		141,122	(121,716)
		69,518	1,174,546
Net cash (used in) provided by operating activities		**$ (92,896)**	**$ 1,164,213**
Financing activities			
Utilization (Repayment) of loan payable	7	$ 151,915	$ (724,974)
Net cash generated from (used in) financing activities		**$ 151,915**	**$ (724,974)**
Increase in cash and cash equivalents during the period		**$ 59,019**	**$ 439,239**
Cash and cash equivalents at beginning of the period		367,357	658,678
Cash and cash equivalents at end of the period		**$ 426,376**	**$ 1,097,917**
Additional information			
Interest paid		$ 169,780	$ 183,378
For purposes of the cash flow statement, cash comprises			
Cash		$ 426,376	$ 1,092,917
Term deposits		-	5,000
		$ 426,376	$ 1,097,917

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

The company's revenues and gross profit are dependent on a merchant based loyalty program ("CIBC/TD program") the company operates in partnership with Canadian Imperial Bank of Commerce ("CIBC") and Toronto Dominion Bank ("TD").

	Fiscal 2017	Fiscal 2016
	% of company Total	
CIBC/TD program revenues	83.1%	85.2%
CIBC/TD program gross profit	89.2%	90.8%

Status of agreements with CIBC and TD

The company has a two decade relationship with CIBC. The most recent renewal of partnership was in September 2013 for an initial three year term expiring September 30, 2016 ("new agreement'). On April 14, 2016 the company announced extension of the new agreement until December 31, 2016, on September 20, 2016 extension of the new agreement until September 30, 2017, on June 21 2017 extension of the new agreement until March 31, 2018. In addition to CIBC's right to terminate the new agreement at any time by providing at least six months prior written notice to the company, the new agreement can be terminated by CIBC forthwith under certain circumstances.

The company renewed its agreement with TD for one year ending in June 2018. The agreement had an initial term of two years expiring June 2016 and subsequently renewed for one year ending in June 2017. In addition to TD's right to terminate the agreement at any time by providing at least four months prior written notice to the company, the agreement can be terminated by TD immediately under certain circumstances.

Status of agreement with Aimia Canada Inc. ("Aimia")

The Aeroplan program, which is dependent on the company's agreement with Aimia, generated 16.4% and 10.6% respectively of company's revenues and gross profit during year ended June 30, 2017 (2016 – 14.1%

and 8.8% respectively). In November 2014 the company renewed its agreement (“agreement”) with Aimia for a five year term ending April 30, 2019. The agreement can be terminated by Aimia under certain conditions during the term of the agreement. The company and Aimia are finalizing the restructuring of the commercial terms of the agreement.

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

Financial Dependence

The company is funded by debt. The sources of debt are loan payable, and non-convertible debentures.

Loan payable

The company has access to a line of credit facility under its loan payable (note 7). The loan payable agreement (“agreement”) was established in 2007. The loan payable is used exclusively to expand the company’s APM product (“transaction credits” on statements of financial position) which is a significant driver of merchant participation in the CIBC/TD program. The agreement is subject to automatic renewal for periods of one year unless earlier terminated by either party upon 180 days’ notice prior to end of term. The current term of the loan payable expires in December 2018. The loan payable is repayable on demand.

In addition to loan payable, since February 2017 the provider of loan payable has given the company access to a $100,000 overdraft facility. The facility is used for working capital needs. The term of this facility expires December 31, 2017. The interest rate on the overdraft facility and loan payable is the same. It is repayable on demand.

Non-convertible debentures

The 12% non-convertible debentures payable (“new 12% debentures”) were issued by the company on December 30, 2013 (note 8) with an initial maturity date of September 30, 2016.

At June 30, 2016 the company was in breach of all its financial covenants. In September 2016 the company secured a waiver to the breach of all its financial covenants at June 30, 2016 and extension of the maturity date to December 31, 2016. In December 2016 the company secured an extension of the maturity date to March 31, 2017. In March 2017 the company secured an extension of the maturity date to June 30, 2017. In June 2017 the company secured an extension of the maturity date to September 30, 2017. In September 2017 the company secured an extension of the maturity date to October 31, 2017. In October 2017 the company secured an extension of the maturity date to December 31, 2017 but not a waiver to the breach of financial covenants at September 30, 2017.

The company has been in breach of all its financial covenants since September 2016.

If the company breaches a financial covenant or is unable to pay either interest or 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 pay interest or 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 has a decade old relationship with the primary holder (about 60%) of the new 12% debentures – a Toronto based firm investing on behalf of its managed accounts. The primary holder of the new 12% debentures is also the primary shareholder of the company as it beneficially owns or exercises control or direction through about 15% of the company’s common shares (as of November 20, 2017) held

on behalf of its managed accounts. The primary holder of the new 12% debentures in its capacity as exclusive financial advisor was, until September 2017, assisting the company in its efforts to refinance the new 12% debentures. The arrangement ended in September 2017.

Related parties holdings at September 30, 2017 of the new 12% debentures were about $1.2 million (about 24% of the new 12% debentures). (Note 11).

2 b. Going concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties. The company has a shareholders' deficiency of $6,750,760 and negative working capital of $6,814,932 as at September 30, 2017. There is uncertainty surrounding:

1. The re-financing of the new 12% debentures maturing December 31, 2017; and
2. The access to existing and additional working capital in the form of debt and or equity to meet operational needs including payments to its partners CIBC, TD and Aimia, payment of new 12% debentures interest for period January 1, 2017 to maturity and to support the growth of the company.

As a result, this may cast significant doubt on the validity of going concern assumption and the company's ability to continue as a going concern after September 30, 2017 and hence the ultimate use of accounting principles applicable to a going concern.

The company's future success is dependent on retaining its existing relationships with CIBC, TD, and Aimia; continued access to its existing levels of debt capital; additional capital in the form of debt or equity; ensuring profitability; and generating positive cash flows from operations. The company's business plan includes renewal of its agreements with CIBC, TD, and Aimia; refinancing of its current loans; the receipt of waivers or agreement amendments where breaches occur; and raise of additional capital. While in the past the company has been successful in renewal of its agreement with CIBC, TD, and Aimia, refinancing its debentures and loan payable, obtaining waivers or agreement amendments, there can be no assurance these initiatives will continue to be successful. In addition, there can be no assurance the company will be successful in securing additional capital which is required to meet operational needs including payments to its partners CIBC, TD and Aimia, payment of new 12% debentures interest for period January 1, 2017 to maturity and to support the growth of the company.

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.

The company has had partnership and competitive challenges since early Fiscal 2014. The company has had declining merchant participation levels since Fiscal 2013 and the company's new 12% debentures mature December 31, 2017 and will have to be re-financed.

In response to this situation the company has developed a financial restructuring plan ('Plan"). The Plan requires accommodations from the company's employees, its affinity partners and its financial backers. Successful implementation would enable the company to re-finance the new 12% debentures and provide working capital to support a gradual sustained recovery of its business. Some measures have been implemented while others are in process. The company expects the Plan to be fully implemented by December 31, 2017. The company believes implementing the Plan is the best way to ensure it is able to transition to the next phase of recovery of its business.

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, 2017, 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 November 29, 2017.

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 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 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.* IFRS 9 will be effective for the company's fiscal year beginning on July 1, 2018 with earlier adoption permitted.

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. *IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control.* IFRS 15 will be effective for the company's fiscal year beginning on July 1, 2018 with earlier adoption permitted.

IFRS 16, Leases

In January 2016, IASB issued IFRS 16, Leases which replaces IAS 17, Leases, IFRIC 4, Determining whether an Agreement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 will be effective for the company's fiscal year beginning on July 1, 2019 with earlier adoption permitted provided the new revenue standard, IFRS 15 Revenue from Contracts with customers, has been applied, or is applied at the same date as IFRS 16.

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 is as follows:

	At September 30, 2017	At June 30, 2017
	$	$
Transaction credits	$ 6,201,032	$ 6,078,872
Allowance	(654,436)	(529,160)
Per statement of financial position	**$ 5,546,596**	**$ 5,549,712**

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

	At September 30, 2017	At June 30, 2017
	$	$
Impaired transaction credits	$ 699,140	$ 613,754
Allowance	(654,436)	(529,160)
Impaired transaction credits not allowed for	**$ 44,704**	**$ 84,594**

Movement on allowance for impaired transaction credits

	At September 30, 2017	September 30, 2016
	$	$
Balance brought forward at start of period	**$ 529,160**	**$ 642,087**
Allowance created during the period	142,050	181,500
Impaired accounts written off against allowance	(16,774)	(23,065)
Balance carried forward at end of period	**$ 654,436**	**$ 800,522**

6 Inventory

Inventory comprises

	At September 30, 2017	At June 30, 2017
	$	$
Processing terminals	32,573	35,038
Total	**$ 32,573**	**$ 35,038**

Processing terminals

The processing terminals are sold to merchants participating in the company's Aeroplan and Caesar programs. These units facilitate issuance of bonus rewards to Aeroplan and Caesar's Total Rewards members on completing qualifying purchases at participating merchants.

7 Loan payable

	At September 30, 2017	At June 30, 2017
	$	$
Balance at start of period	**$ 4,476,421**	**$ 5,533,267**
Increase/(Decrease) in borrowing	151,915	(1,056,846)
Balance at end of period	**$ 4,628,336**	**$ 4,476,421**

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

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

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

The loan payable agreement is subject to automatic renewal for periods of one year unless earlier terminated by either party upon 180 days' notice prior to end of term. The current term of the loan payable expires in December 2018.

The interest cost during the year ended September 30, 2017 was $169,780 (2016 $183,378).

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

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 on a quarterly basis a defined level of designated current assets, and interest coverage.

At June 30, 2016 the company was in breach of all its financial covenants. In September 2016 the company secured a waiver to the breach of all its financial covenants at June 30, 2016 and extension of the maturity date to December 31, 2016. In December 2016 the company secured an extension of the maturity date to March 31, 2017. In March 2017 the company secured an extension of the maturity date to June 30, 2017. In June 2017 the company secured an extension of the maturity date to September 30, 2017. In September 2017 the company secured an extension of the maturity date to October 31, 2017. In October 2017 the company secured an extension of the maturity date to December 31, 2017 but not a waiver to the breach of financial covenants at September 30, 2017.

The company has been in breach of all its financial covenants since September 2016.

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.

Movement on the new 12% debentures

	Debt portion
	$
Balance at June 30, 2015	**$ 4,864,802**
Accretion charge for the year	233,971
Balance at June 30, 2016	**$ 5,098,773**
Accretion charge for the year	60,227
Balance at September 30, 2016, June 30, 2017 and September 30, 2017	**$ 5,159,000**

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

	Period ended September 30, 2017		Period ended September 30, 2016	
	Stated interest	Accretion charge	Stated interest	Accretion charge
	$	$	$	$
new 12% debentures	$ 156,042	$ -	$ 155,616	$ 60,227

9 Share capital

Authorized and Issued share capital. No change during the three months ended September 30, 2017.

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, 2017	1,490,000	$ 0.05
Outstanding and Exercisable at September 30, 2017	1,490,000	$ 0.05
Outstanding and Exercisable at September 30, 2016	4,100,000	$ 0.03

The outstanding and exercisable employee stock options at June 30, 2017 and September 30, 2017 were issued at exercise price of $0.05, and have a remaining contractual life until March 19, 2018.

The number of employee stock options available for future issuance as at June 30, 2017 and September 30, 2017 was 15,198,546.

Potentially Dilutive Securities

Upon exercise of the employee stock options exercisable as at September 30, 2017, the company is committed to issuing 1,490,000 common shares.

11 Related party transactions

Directors and Officers

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

	At September 30, 2017		At June 30, 2017	
	$		$	
Director, Chief Executive Officer - K. Ambrose	$	500,000	$	500,000
Director, Chairman of the Board of Directors - S. Burns	$	50,000	$	50,000
Director - W.Polley	$	50,000	$	50,000
Director - M. Lavine	$	500,000	$	500,000
Chief Financial Officer - M.Sabharwal	$	115,000	$	115,000
	$	**1,215,000**	**$**	**1,215,000**

12 Commitments and contingencies

Commitments

As at September 30, 2017, the company is committed to minimum payments with respect to existing leases for equipment and premises:

	Equipment		**Premises**		**Total**	
	$		$		$	
Not later than one year	$	48,069	$	77,671	$	125,740
Later than one year and not later than five years	$	17,624	$	304,211	$	321,835
Later than five years	$	-	$	-	$	-
Total	**$**	**65,693**	**$**	**381,882**	**$**	**447,575**

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). In August 2017 the company renewed its lease for the company's head office for five year term ending August 31, 2022.

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.

Legal matters

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

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.

Basic and Diluted EPS are tabulated.

	Period ended September 30, 2017	Period ended September 30, 2016
	$	$
Net loss and comprehensive loss	$ (171,305)	$ (149,405)
Basic and Diluted EPS		
Average number of issued common shares during the period	139,071,218	139,071,218
Basic EPS	**$ (0.00)**	**$ (0.00)**

The company's potentially dilutive common shares comprise stock options granted to employees (position as at September 30, 2017 and September 30, 2016 tabulated under note 10).

The computation for diluted EPS for 3 months ended September 30, 2017 and September 30, 2016 is not provided because the effect of potential exercise of the dilutive common shares would be anti-dilutive.

14 Nature of expenses

	Period ended September 30, 2017	Period ended September 30, 2016
	$	$
Direct expenses		
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; and c) cost of sales of digital marketing services; and	$ 481,575	$ 697,764
Expense for provision against impaired accounts receivable and transaction credits	131,904	179,594
	$ 613,479	**$ 877,358**
Selling and Marketing, and General & Administrative		
Salaries and wages including travel	$ 916,233	$ 1,086,383
Professional fees	114,706	103,739
Facilities, processing, and office expenses	187,454	197,107
Other	10,889	11,022
	$ 1,229,282	**$ 1,398,251**

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 manages 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 manages for Aimia.

Financial information by reportable segment for period ended September 30, 2017 and 2016 is tabulated.

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

For the period ended September 30, 2017

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	1,708,296	287,967	9,906	-	2,006,169
Direct expenses	444,895	162,918	5,666	-	613,479
	1,263,401	125,049	4,240	-	1,392,690
Selling & marketing	444,155	5,018	31,025	-	480,198
General & administrative	637,861	107,524	3,699	-	749,084
Earnings (loss) from operations before depreciation, amortization and interest	181,385	12,507	(30,484)	-	163,408
Interest - loan payable	169,780	-	-	-	169,780
Interest - Non convertible debentures payable	132,873	22,398	771	-	156,042
Depreciation and amortization	7,571	1,277	43	-	8,891
Segment profit/(loss)	(128,839)	(11,168)	(31,298)	-	(171,305)

For the period ended September 30, 2016

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	2,121,992	471,022	11,223	33	2,604,270
Direct expenses	574,427	294,244	8,687	-	877,358
	1,547,565	176,778	2,536	33	1,726,912
Selling & marketing	445,590	30,550	29,567	-	505,707
General & administrative	727,265	161,432	3,847	-	892,544
Earnings (loss) from operations before depreciation, amortization and interest	374,710	(15,204)	(30,878)	33	328,661
Interest - loan payable	183,378	-	-	-	183,378
Interest - Non convertible debentures payable	175,874	39,039	930	-	215,843
Depreciation and amortization	64,245	14,261	339	-	78,845
Segment profit/(loss)	(48,787)	(68,504)	(32,147)	33	(149,405)