

POSERA-HDX LIMITED

ANNUAL INFORMATION FORM

For the fiscal year ended December 31, 2012

March 28, 2013

Table of Contents

Currency, Date of Information and Forward-Looking Statements	2
Corporate Structure	2
General Development of the Business – 3 Year History	4
Description of the Business	6
General	6
Risk Factors	9
Dividends	14
Capital Structure	14
General Description of Capital Structure	14
Market for Securities	15
Trading Price and Volume	15
Escrowed Securities	16
Directors and Officers	16
Name, Occupation and Security Holdings	16
Cease Trade Orders, Bankruptcies, Penalties or Sanctions	17
Conflicts of Interest	18
Legal Proceedings	19
Interest of Management and Others in Material Transactions	19
Transfer Agents and Registrars	19
Material Contracts	20
Interests of Experts	20
Additional Information	20
Audit Committee Information	21
Audit Committee Charter	21
Audit Committee Information	24
Relevant Education and Experience	24
External Auditor Service Fees	25

Currency, Date of Information and Forward-Looking Statements

Currency and Date of Information

All references to “dollars” or “\$” are to Canadian dollars unless otherwise indicated. Posera-HDX Limited is referred to in this document as the “Company”, “Corporation”, or “HDX”. The information contained in this document is as at December 31, 2012 unless otherwise indicated. Information regarding operations prior to October 7, 2011 is provided in respect of Posera-HDX Inc. (formerly Hosted Data Transaction Solutions Inc.) (the “Predecessor Corporation”). 2011 and 2010 financial information presented and discussed in this Annual Information Form is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All financial information prior to 2010 is prepared in accordance with previous Canadian Generally Accepted Accounting Principles in place prior to the adoption of IFRS (“CGAAP”). As such direct comparison may not be appropriate.

Forward-Looking Statements

This document may include certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with the Corporation's business and the environment in which the business operates. Any statements contained in this document that are not statements of historical facts may be deemed to be forward-looking, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, and similar expressions to the extent they relate to the Corporation or its management. The forward-looking statements are not historical facts, but reflect the Corporation's current expectations regarding future results or events based upon information currently available to the Corporation's management. The Corporation cannot be certain that actual results will be consistent with these forward-looking statements. Additionally, these forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” in this document. All forward-looking statements in this document are qualified by these cautionary statements. Accordingly, readers should not place undue reliance on forward-looking statements. HDX assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

Corporate Structure

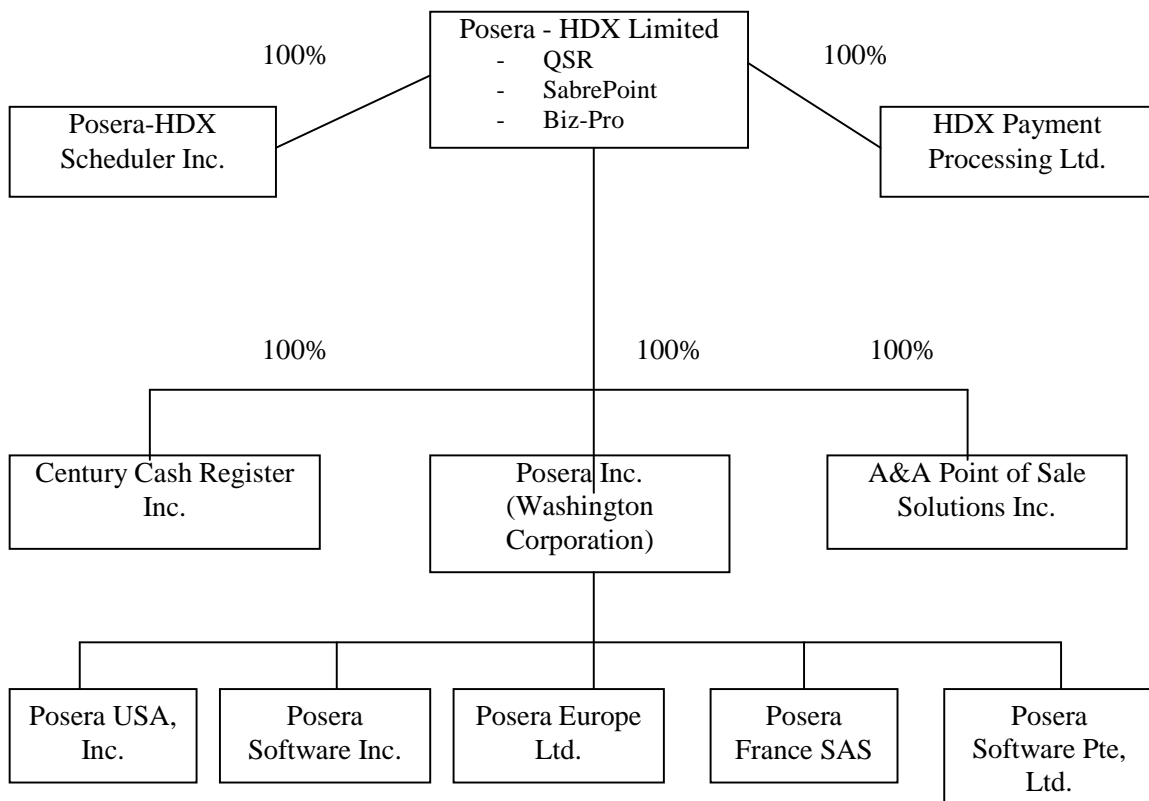
As a result of a shareholder and court approved plan of arrangement (the “Reorganization”), on October 7, 2011 the Corporation acquired substantially all of the assets of the Predecessor Corporation and completed a securities exchange with the holders of the securities of the Predecessor Corporation such that such securities holders became holders of securities of the Corporation. The securities exchange pursuant to the Reorganization was completed on the basis of one share/warrant/option of the Predecessor Corporation for one share/warrant/option of the Corporation.

The Predecessor Corporation was incorporated under the *Business Corporations Act* (Ontario) with the name Dexit Inc., by articles of incorporation effective October 22, 2001. At incorporation the Predecessor Corporation had an authorized share capital consisting of an unlimited number of common shares. By articles of amendment effective November 29, 2001, the reference to “common shares” was deleted, class A voting common shares (the “Common Shares”) and class B non-voting common shares (the “Non-Voting Shares”) were created and the Predecessor Corporation was authorized to issue an unlimited number of each such class of

shares. The Predecessor Corporation initially had restrictions in its articles that limited the ability to transfer shares and the number of shareholders. By articles of amendment effective August 11, 2003, the limitation on the number of shareholders of the Predecessor Corporation was removed. The articles of the Predecessor Corporation were further amended on June 17, 2004 to remove the restrictions on share transfer, and on June 23, 2005 to provide that the number of directors shall be a minimum of three and a maximum of ten. The articles of the Predecessor Corporation were further amended on July 31, 2007 to change the name of the corporation from “Dexit Inc.” to “Hosted Data Transaction Solutions Inc.” On January 1, 2010 the Predecessor Corporation, by way of articles of amalgamation, amalgamated with its wholly owned subsidiaries, Biz-Pro Ltd., SabrePoint Inc. and SabrePoint Services Inc. The articles of the Predecessor Corporation were further amended on September 17, 2010 to change the name of the corporation from “Hosted Data Transaction Solutions Inc.” to “Posera-HDX Inc.”

The Corporation was incorporated under the *Business Corporations Act* (Ontario) with the name 2293962 Ontario Limited. Pursuant to articles of arrangement dated October 7, 2011 the Corporation changed its name to Posera-HDX Limited. HDX’s head and registered office address is Suite 700, 350 Bay Street, Toronto, Ontario, M5H 2S6. The Corporation’s telephone number is (416) 703-6462 and web site address is www.hdxsolutions.com

Current Organizational Chart – by Legal Entity



General Development of the Business - 3 Year History

Since its inception, HDX has been building the foundation for growth both in Canada and internationally. Although the Corporation's cash replacement solution was only a concept when HDX was incorporated in October 2001, the objective of the Corporation was to build such a solution and deploy it through a network of strategic licensees in Canada and then internationally.

On January 20, 2010, HDX entered into a non-binding letter of intent to acquire Posera, Inc. ("Posera") of Seattle, Washington for \$10,600,000 subject to closing adjustments. On May 5, 2011 the Company completed the acquisition to acquire the shares of Posera. Posera, established in 1999, is an U.S. corporation that develops, deploys and supports a restaurant point of sale software known as Maitre 'D. Through its corporate offices in Seattle WA, Montreal Quebec, Paris France, Singapore, and Glasgow, UK, Posera has built a network of approximately 103 value added resale partner companies in 25 countries. There are approximately 600 representatives selling, supporting & installing Posera's Maitre 'D software worldwide and the solution has been deployed in over 20,000 locations in eight different languages around the world. Posera's customers include Quick, O'briens, St-Hubert, Pita Pit, Popeye's, Dunkin' Donuts, Pizza Delight, Baton Rouge, Scores, Hooters, Casey's, Supermac's, HDOS, KFC, Extreme Pita, Pizza Hut, among many others.

The above noted Posera acquisition price of \$10.6 million differs from the amount paid at closing of \$7.1 million. This difference transpired due to post-closing adjustments, retained debt, revaluation of the Posera rollover options, a change in the fair value of the Common Shares at closing and due to a liquidity discount applied to the share price as a result of a restriction placed on the Common Shares issued to Posera shareholders, which do not allow such shareholders to trade or transfer the shares for 24 months. The acquisition will allow the Company immediate access to new foreign markets and to approximately 103 resellers around the world.

In addition to a cash payment of \$3.2 million at closing and the assumption of outstanding Posera debt, the purchase price was paid by (i) the issuance of convertible debentures in the principal amount of US \$1.96 million, which are convertible into Common Shares for a period of two years at \$0.645 per Common Share; and (ii) the issuance of 2,319,494 Common Shares. Upon determination of the working capital adjustment to the purchase price on, October 29, 2010, HDX issued 2,492,962 additional Common Shares to Posera shareholders. The transaction also includes the issuance of options of the Company to acquire 1,999,907 Common Shares in exchange for currently outstanding options to acquire shares of Posera ("Rollover Options"). The Rollover Options have an exercise price of \$0.125 per Common Share. The Rollover Options expired in August 2011.

Throughout fiscal 2010 the Company also completed two smaller acquisitions, A&A Point of Sale Solutions Inc. ("A&A") of Ottawa and Century Cash Register Inc. ("Century") of Oakville. In addition to the completion of numerous acquisitions, management focused on identifying new customer opportunities, integrating the acquired entities, researching further acquisition opportunities and deploying common infrastructure to allow efficient and effective operations among its offices worldwide. Sales and marketing teams, technical teams, accounting and administrative teams were combined and cross-trained. As a result of the above listed activities for the year-ended December 31, 2010, the Company was able to grow significantly and achieved revenue of \$15,059,267, which represents an increase of 58.2% over the prior year \$9,518,681.

On October 7, 2011, the Company completed a reorganization, by way of a plan of arrangement, which resulted in all of the assets and liabilities of Posera – HDX Inc., except for the Dexit radio frequency identification device ("RFID") business assets and liabilities, and certain other assets

being transferred to Posera – HDX Limited. As part of the plan of arrangement security holders of Posera – HDX Inc. became the security holders of Posera – HDX Limited and Posera – HDX Inc. (renamed Dexit Inc), became a wholly owned subsidiary of Posera – HDX Ltd. (the “Reorganization”).

On October 28, 2011 Posera-HDX Limited completed the divestiture of all the issued and outstanding shares of Dexit Inc. The sale price was an aggregate of \$2,031,571 in cash, subject to certain post-closing adjustments. Of the \$2,031,571 sale price, \$1,831,571 was received on closing, with a \$200,000 holdback. The Company incurred net deal costs on the reorganization of Dexit and sale in the amount of \$93,981 (2010 - \$37,874), net of a recovery from the purchaser of \$125,000 (2010 - \$Nil). On October 31, 2012 the Company received the \$200,000 holdback receivable as part of the transaction. As part of the divestiture of Dexit Inc. the Company entered into a standard indemnification regarding the pre-closing liabilities of Dexit, under which the Company believes that an outflow of resources will be remote.

On December 15, 2011 Posera-HDX completed the acquisition of all the issued and outstanding shares of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.)(“HDXPP”). The purchase price was an aggregate of \$365,571, comprised of \$157,571 in cash and 1,000,000 common shares of Posera-HDX, which are subject to a hold-period such that such common shares are not freely tradable until December 15, 2013, and which shares had a fair-value of \$240,000. The Company incurred deal costs on the transaction of \$33,434 for the year-ended December 31, 2011 (2010 - \$13,033), which were included in General and Administrative Operating Expenditures as incurred.

Finally, on December 30, 2011, Posera-HDX completed the acquisition of certain assets of 2020 IT Solutions Corp. (“2020”), through a wholly owned subsidiary Posera – HDX Scheduler Inc. The purchase price was an aggregate of \$999,385, comprised of \$285,000 in cash, 1,045,488 common shares of Posera-HDX, which are subject to a hold-period, and are not freely tradable until February 1, 2013, with a fair-value of \$243,076, and a royalty payable on future sales of a certain technology acquired, whose fair-value was estimated at \$471,309 on the date of acquisition. The Company incurred deal costs on the transaction in the amount of \$29,099 for the year-ended December 31, 2011, which was expensed in the Statement of Operations as incurred.

The Company did not complete any transactions throughout the year-ended December 31, 2012, but Posera-HDX Ltd. continues to invest and focus on developing significant new revenue opportunities that are complimentary to the Company’s current operational foundation and synergistic with the Company’s intellectual property assets. New software as a service (“SaaS”) products and business modules with recurring revenue are under development. This is intended to allow the Company to deliver an enhanced range of services to the Company’s current client base and will bolster the Company’s ability to attract new customers.

Following the acquisition of HDXPP in December 2011, and following the announcement on June 14th, 2012 that the Company has been approved for membership to the Interac Association as an Indirect Connector to perform the functions of an Acquirer in the Shared Cash Dispensing (“SCD”) Service, Posera-HDX continues to make significant investments to enhance systems, facilities, and operating procedures in order to secure the necessary approvals to operate a payment processing switch and an ATM transaction processing switch. Through HDXPP, Posera - HDX owns and operates a Postillion payment switch developed by S1 Corporation. In addition, to the provision of SCD services, Posera-HDX plans to expand the payment switch to facilitate the processing of Point-of-Sale transactions for its merchant client base. HDXPP has retained team members and contractors with the appropriate industry expertise to allow the Company to further develop the payment processing division with an eye toward monetizing the Company’s investment in this division as quickly as possible. To take advantage of the convergence in retail

technologies currently underway, the Company continues to pursue merger and acquisition opportunities with complimentary organizations although none are specifically indentified at this time.

As a result of the above listed activities in addition to organic growth for the year-ended December 31, 2011, the Company was able to increase revenues by 17.5% to \$17,699,771 in 2011 from \$15,059,267 in 2010. Additionally the Company's profitability also improved during the year-ended December 31, 2011 with Normalized EBITDA profit(loss) of \$1,206,023 compared to a profit of \$567,608 for the year-ended December 31, 2010. For the year-ended December 31, 2012, the Company's revenue decreased 7.1% to \$16,446,106 in 2012 from \$17,699,771 in 2011. Additionally, the Company's Normalized EBITDA profit (loss) for the year-ended December 31, 2012 and 2011 was a loss of \$525,935 compared to a profit of \$1,206,023 for the year-ended December 31, 2011.

HDX continued significant software development and software deployment projects in 2010, 2011 and 2012. These projects have enhanced system capabilities and are designed to lay the groundwork for further system sales and wider solution deployment in coming years.

Description of the Business

General

In today's retail environment the consumer transaction is one fluid activity. Cash registers, POS systems, and the e-payment device are indiscernibly related technologies and they work together to perform one managed, uninterrupted, transaction.

HDX is in the business of managing merchant transactions with consumers and facilitating payment. HDX provides a one stop shop for merchants for touch screen point of sale systems, software, associated enterprise management tools and integrated real-time hosted data applications, including prepaid payment solutions. HDX also provides system hardware integration services, merchant staff training, system installation services, and post-sale software and hardware support services, with a focus on exceptional customer service.

HDX completed the acquisitions of Biz-Pro and SabrePoint in 2008 and Posera, A&A and Century in 2010. These businesses also manage merchant transactions with consumers and facilitate payments. HDX develops and deploys touch screen POS system software and associated enterprise management tools. In keeping with the common turnkey service and one-stop shop philosophy, HDX provides system hardware integration services, merchant staff training, system installation services, and post salt software and hardware support services.

The HDX Product offering includes:

- Touch Screen POS Systems for Quick Service
- Touch Screen POS Systems for Table Service, Bars, Fast Casual Dining
- Self-serve Customer Kiosks
- Mobile Wireless POS Terminals
- Fine Dining / Table Service POS Systems
- Integrated Digital Video Surveillance and Recording Systems
- Colour Video Monitor Systems for both QSR & TSR environments

HDX has software development, software and hardware support and sales and marketing teams with extensive relevant industry experience. Our strategy is to provide POS solutions tailored to

meet each customer chain's specific needs. HDX provides software programs that simplify financial reporting, improve scheduling, provide enhanced security, which allow the store managers more time on the floor building business and less time in the back office working on administrative functions.

HDX focuses on selling the Fingerprints ® Point of Sale solution, which is fast, flexible, and reliable. HDX's systems maximize restaurant revenues and profits and are backed by a full-service support team of POS specialists. Many different touch-screen register configurations are available and customer choice is enhanced through peripheral selections. Fingerprints includes an interface to HDX optional video security package that is complete with "receipt / transaction text insertion".

HDX also focuses on selling the Maitre'D ® Point of Sale and Corporate Solution, both Directly to end users as well as through a distribution channel of 103 resellers worldwide.

HDX also offers private branded, closed loop, stored value, electronic payment solutions, as well as other payments related hosted data solutions. The HDX private branded, closed loop, stored value payment solutions is currently marketed to cash-centric retail locations (such as coffee shops, corporate and institutional cafeterias, and quick-service restaurants), and other merchants where transaction speed is important to their business. HDX offers consumers a quick and convenient means to pay for goods and services.

The Company as of December 31, 2012 employs 142 people in total. Of the 142 employees, 114 employees work across Canada, spread amongst four Ontario offices, Montreal and smaller regional locations. The Company also employs 28 international employees with 13 in Seattle, United States, 10 in Glasgow, Scotland, 3 in Paris, France and 2 in Singapore.

Competitive Conditions – in principal markets

The market in which Posera operates is highly competitive. Posera competes primarily on the basis of price, product quality, ability to meet customer demands, product selection, efficiency, customer service and technical support. Some of Posera-HDX competitors have greater capital resources, more efficient technologies, or may have lower costs and may be able to sustain longer periods of price competition.

Increased competition could cause a reduction in Posera-HDX sales volumes and profitability or increase its expenditures, any one of which could have a material adverse effect on its financial results.

New Products

Through the completion of the acquisition of Posera Inc. in fiscal 2010, the Company now develops and sells the Maitre'D suite of software products. The current functionality of the Maitre'D software suite allows it to be installed both in stand-alone single outlet operations and as a corporate solution for chains with hundreds of locations. Maitre'D software includes functionality for table service and floor management, order entry and management, credit and debit processing for wired and wireless devices, inventory management, staff scheduling as well as many others.

Through the completion of the acquisition of HPP in late 2011, the Company has now acquired a payment processing platform. The HPP platform is an S1 Corporation solution for Mobile Banking, Retail Payments, Merchant Acquiring, and Payments Processing which are used by

leading banks and retailers world-wide. HPP's robust and secure hosting environment and operational PCI-PADSS certified processing solution will give Posera-HDX the ability to provide payment processing alternatives to our customers. This is aimed at enhancing existing client relationships where the Company we currently provides point-of-sale solutions, business control systems, business intelligence tools and closed loop consumer payment systems.

Through the completion of the acquisition of the hospitality sector software application assets of 2020 in late 2011, the Company is now able to provide a product to its customers to allow them to maintain a quality of service while managing a part-time workforce with high turnover, which is a difficult problem for business operators. Ensuring food safety for consumers while minimizing waste and spoilage is mandatory for any restaurant's success. Accordingly, our clients have expressed a need to manage their work force and food costs to a very granular level within very tight daytime segments. These applications have industry-wide appeal and offer excellent return on investment for business operators. As the Company offers these tools as hosted, subscription based solutions, no site visits are required for integration to our point of sale applications. Chains can be deployed very quickly as managers can be trained remotely via webinar. This allows the Company's restaurant clients to reduce up-front implementation costs and achieve an immediate return on their investment. The Company believes that the cost of monthly subscription fees paid to implement the Company's solution pale in comparison to the labour and food cost savings available.

Components and Supply Chain

Sales are generally made of systems which include proprietary software plus hardware sourced from third party providers to provide a complete solution for each customer. The third party hardware providers are generally national or international point-of-sales and peripherals manufacturers or distributors.

Importance of Intellectual Property

The Company has developed its own proprietary point-of-sale software which has the trade-names of Fingerprints and Maitre'D. These products enable the Company to ensure the quality of our point-of-sale solutions for our customers. We are committed to continuing to invest in ensuring the quality of our intellectual property solutions for our customers. We believe that investments of this kind position us to meet increasingly sophisticated demands from our customers.

Dependence on Foreign Operations

The Company develops its software in Canada, but for the year-ended December 31, 2012 approximately 36.2% (2011 – 34.7%) of the Company's revenues are derived from customers outside of Canada. The Company markets and sells our Maitre'D point-of-sale software worldwide through a direct and indirect sales and distribution channel. Our direct offices outside of Canada are located in Seattle, United States, Glasgow, Scotland, Paris, France and Singapore. Our indirect distribution channel provides sales and marketing coverage worldwide. For our international product Maitre'D, the Company's customer service and support is primarily administered primarily from our Montreal, Quebec office, however the Company does carry on some limited service and support from some of our sales offices outside of Canada.

Risk Factors

Operation as a Going Concern; Expenses May Increase Faster than Revenues

The continued operation of the Corporation as a going concern is dependent upon the Corporation's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities. The Corporation has a history of losses. While the Corporation continues to review its operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is no assurance that the Corporation will be successful in such efforts; if the Corporation is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If HDX does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Corporation cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

Market Acceptance by Merchants

The success of HDX products and any new services the Company may launch is dependent upon its ability to attract and retain a critical mass of merchants in potentially diverse geographic locations. The sales cycle for a new merchant can be lengthy. Merchants may not be willing to invest the time and resources necessary to achieve the necessary education and integration required to successfully deploy HDX technology.

Concentration of Purchase Decision

HDX focuses its sales efforts for certain quick service restaurant chains on the franchisees as they are the primarily the decision makers of whether to implement our point-of-sale solution. At any point in time the franchisor could mandate a point-of-sale solution to its franchisees that could impact HDX's ability to sell to that specific quick service restaurant chain.

Key Management Personnel

The Corporation depends on the services of its key technical, management and sales and marketing personnel. The loss of the services of any of these persons could have a material adverse effect on HDX's business, results of operations and financial condition. HDX's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and HDX cannot provide assurance that it will be able to attract, engage, hire or retain technical, managerial, sales and marketing personnel in the future with the right qualifications, at the times needed, and/or at competitive costs. The Corporation's inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect its future growth and profitability.

Ability to Manage Growth

The Company intends to grow in the foreseeable future and to pursue existing and potential market opportunities, including acquisitions. Such growth may place significant demands on its management and operational resources, particularly with respect to:

- recruiting and retaining skilled technical, marketing and management personnel in an environment where there is intense competition for skilled personnel;
- managing and delivering upon multiple commitments in compressed timeframes;
- managing a larger, more complex international organization;
- expanding HDX's facilities and other infrastructure in a timely manner to accommodate a significantly larger international workforce;
- maintaining and expanding an effective research and development group;
- expanding HDX's sales and marketing efforts;
- providing adequate training and supervision to maintain HDX's high quality standards;
- expanding HDX's treasury and accounting functions to meet the demands of a growing company;
- implementing appropriate governance mechanisms to cope with multiple legal and regulatory environments;
- strengthening HDX's financial and management controls in a manner appropriate for a larger enterprise; and
- preserving HDX's corporate culture, values and entrepreneurial environment.

In order to manage expected growth effectively, the Corporation must concurrently develop more sophisticated operational systems, procedures and controls. If HDX fails to develop these systems, procedures and controls on a timely basis, its business, financial condition and operating results could be materially affected in an adverse manner.

Possible Failure to Realize Anticipated Benefits of the Posera Acquisition

The Company completed the acquisition of Posera in fiscal 2010 to strengthen the position of the Company in the point-of-sale and payments industries and to create an opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of the acquisition of Posera depended in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining Posera's operations with those of the Company. The integration required the dedication and a substantial management effort, time and resources which did divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process has resulted in the loss of some key employees; this though has not resulted in the disruption of ongoing business, customer and employee relationships that would have adversely affected the Company's ability to achieve the anticipated benefits of the acquisition of Posera.

Foreign Exchange Risk

The Company presents its statements in Canadian dollars (CDN); however, the Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the US dollar (USD), Great Britain Pound (GBP) and the Euro Currency (EUR). The cash flows from operations are exposed to foreign exchange risk as software sales are denominated in foreign currencies, and the majority of the operating expenses are in Canadian dollars. In addition, the convertible debenture incurred as consideration for the Posera acquisition is to be repaid in US dollars. In addition, the Posera entity derives a large portion of its sales in US currency.

International Operations Risk

The Company has operations in various jurisdictions through the world and also generates a portion of its revenues through international sales efforts. Operating on a global basis exposes the Company to a number of risks, including;

- the political, security and economic instability of those foreign jurisdictions in which the Company has operations;
- changes in and compliance with local laws and regulations, including export control laws, tax laws, labour laws, employee benefits, transfer pricing, currency restrictions and similar requirements;
- differences in tax regimes and potentially adverse tax consequences of operating in foreign jurisdictions;
- difficulty in accounts receivable collection;
- difficulty in intellectual property protection; and
- foreign currency fluctuations.

Any of these factors could have a material adverse impact on the Company's business, results of operations and financial condition.

Possible Failure to Realize Anticipated Benefits of Future Acquisitions

The Company may in the future complete acquisitions to strengthen its position in the point-of-sale and payments industries and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Company's ability to achieve the anticipated benefits of these and future acquisitions.

Intense Competition

The point-of-sale and payments industries are highly competitive and are rapidly changing. HDX may be significantly affected by new product introductions and geographic expansion by existing competition. Barriers to entry into this market may be relatively low, and HDX expects that competition will intensify in the future. Specific factors upon which the Corporation competes include, but are not limited to, functionality of its applications, technological sophistication, ease of use, timing for implementation, ubiquity of its offering, quality of support and services, and price. HDX's potential competitors include financial institutions, other companies selling point-of-sale systems and software, credit card companies, retailers, telecommunication and mobile communication companies, technology providers and gasoline retailers. Many of these potential competitors have significantly greater financial, technical, marketing and other resources than HDX has. Many of them also have longer operating histories, greater name recognition and stronger relationships with merchants and consumers who use or might use a low-value-payment service. HDX may not be able to compete successfully with these competitors.

Technology and Development Risk

The HDX approach utilizes technology principally architected and developed by the Company. HDX has also contracted with or identified a number of key suppliers for the various software and hardware components that comprise HDX's solutions. There can be no assurances that the Corporation will meet its targeted development or integration timelines, secure licences for key aspects of its solutions such that it will be able to offer solutions at competitive pricing, or that the Corporation can continue to enhance and improve the responsiveness, functionality and features of its technology and enable the solutions to scale at a reasonable cost. In addition, there is a risk that third parties may have applied for or been granted patents for certain processes or technology which HDX has already deployed or intends to deploy, in which case HDX may incur additional costs or be prohibited from using or implementing certain product features or processes in one or more countries. HDX solutions incorporate complex technology and software. Accordingly, they may contain errors, or "bugs", that could be detected at any point. Such errors could materially and adversely affect HDX's reputation, or that of its licensees, resulting in claims and/or significant costs to HDX, and/or cause consumers, merchants, licensees and other parties to abandon HDX's solutions and impair HDX's ability to market and sell solutions and services in the future. The costs incurred in correcting any errors and satisfying any such claims may be substantial and could adversely affect HDX's operating margins. While the Corporation plans to continually test its solutions for errors and work with customers and merchants through its maintenance support services to identify and correct bugs, errors may be found in the future.

Regulatory and Legal Risk

HDX takes in funds pre-paid by consumers and then facilitates the payment of such funds to the merchants to settle consumers' purchase transactions, or to pay fees related to the HDX prepaid solution. HDX intends to earn income on these funds in the normal course of its business. In this context, there could be a risk that in one or more jurisdictions HDX would become subject to requirements regulating deposit-taking, pre-paid funds, trusts or payment services which could be onerous or could require the Corporation to modify its business model. Some of HDX's activities are subject to legislation governing the use of personal information. These privacy laws have only recently been introduced in Canada and may change over time. Changes in these laws or non-compliance could require HDX to incur significant costs, financial penalties or suspend or discontinue operation of the prepaid solution. If and when HDX introduces new products or services or variations on existing products and services, or introduces products or services into additional regulatory jurisdictions, there is a risk that regulatory requirements in one or more jurisdictions may delay such introductions, or may make such introductions uneconomic, onerous, impossible, or require changes to the Corporation's business model, any of which may materially adversely affect the Corporation's future growth and profitability.

Risks Associated with Additional Financing

The Corporation may need to raise additional financing. There can be no assurance that the Corporation will be successful in raising sufficient capital on acceptable terms, if at all. If it is unable to raise capital it may not be able to execute on its business plan or respond to competitive pressures. If the Corporation is able to raise additional capital, it may be on terms and conditions which result in significant dilution to existing shareholders.

Protection of Intellectual Property

HDX depends, to a certain extent, on its ability to develop and maintain proprietary aspects of its technology and business methods. It seeks to protect its software, documentation and other

written materials under trade secret and copyright law, as well as with confidentiality provisions in contracts with its customers, suppliers, contractors and employees all of which afford limited protection. HDX has applied for several trademark registrations for its trademarks. Despite the measures HDX has taken to protect its intellectual property, there can be no assurance that these steps will be adequate, that HDX will be able to secure patents for all its inventions or trademark registrations for or the rights to use its trademarks, respectively, in Canada, the U.S. or other countries, that third parties will not breach the confidentiality provisions in HDX's contracts or infringe or misappropriate its copyrights, patents, trademarks and other proprietary rights, or that third parties have not already obtained prior rights in one or more jurisdictions to the same or similar trademarks to those of HDX or any other intellectual property sought to be protected by HDX.

Third Party Claims that HDX's Solution Infringes on their Intellectual Property

HDX is not currently aware of any claims asserted by third parties that HDX infringes on their intellectual property. However, in the future, a third party may assert a claim that HDX infringes on their intellectual property. The Corporation cannot predict whether third parties will assert these types of claims against it or against the licensors of technology to HDX, or whether those claims will harm its business. If HDX is forced to defend against these types of claims, whether they are with or without any merit or whether they are resolved in favour of or against HDX or its licensors or licensees, HDX may face costly litigation and diversion of management's attention and resources. As a result of these disputes, HDX may have to develop costly non-infringing technology or enter into licensing agreements. These agreements, if necessary, may not be available on terms acceptable to HDX, or at all, which could increase its expenses or make its solution less attractive.

Common Share Price Fluctuations and Liquidity

The market price of the Common Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including:

- HDX's ability to achieve and sustain profitability;
- actual or anticipated fluctuations in HDX's results of operations;
- changes in estimates of HDX's future results of operations by HDX or securities analysts;
- announcements of technological innovations or new products or services by HDX or its competitors;
- lack of a liquid market for the Common Shares;
- general industry changes in the payments industry or related markets; or
- other events or factors.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the industry, in which HDX specifically operates, may adversely affect the market price of the Common Shares. If the market value, trading activity or public distribution of the Common Shares listed on the Toronto Stock Exchange ("TSX") were to no longer meet the listing requirements of the TSX, or if the Corporation's financial condition or operating results were to no longer meet the listing requirements of the TSX, then the TSX could delist the Common Shares. Volatility in the market price of the Common Shares could increase the possibility of individual or class action litigation. This type of litigation, whether well-grounded or not and regardless of the outcome, could result in substantial costs to the Corporation as well as a diversion of management's attention and

resources. In addition, if an active market for the Common Shares does not develop or is not sustained, the liquidity of an investment in the Common Shares may be limited.

Takeover of the Corporation

While the Corporation has not formally adopted a shareholder rights plan, HDX may introduce such a plan at any time, including in the event a takeover bid is made for the Corporation. The provisions of such a plan could make it more difficult for a third party to acquire a majority of the Common Shares, the effect of which may be to deprive shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Corporation. Conversely, in the event a shareholder rights plan is not adopted, the Corporation may be acquired by a third party for a lower price per Common Share than if a shareholder rights plan been in place, as such a plan could allow the Corporation more time to interest other or competing buyers and thereby realize a higher price per Common Share.

Indemnities

The Corporation has provided various indemnities, including without limitation, under lease agreements for the use of various operating facilities and under agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, licence agreements, employment agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, underwriting and agency agreements, information technology agreements and service agreements (including in agreements with respect to the sale of Dexit Inc.). Under the terms of these agreements, the Corporation agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, losses, suits, and damages arising in connection with the agreements as a result of breaches of the agreements or representations or as a result of litigation, claims or sanctions that may be suffered by the counterparty as a consequence of the transaction. In addition, indemnities have been provided to all directors and officers of the Corporation for various items including, but not limited to, all costs to settle suits or actions due to association with the Corporation, subject to certain restrictions. The Corporation has purchased directors' and officers' liability insurance to mitigate the cost of any such potential future suits or actions. The maximum amount of any potential future payments under these indemnities cannot be reasonably estimated, but could materially adversely affect investments in the Corporation.

Dividends

HDX has not declared or paid any dividends on the Common Shares to date. The Corporation's current policy is to retain earnings to finance expansion and to develop, licence and acquire new software products and to otherwise reinvest in the Corporation. Therefore, the Company does not anticipate paying dividends in the foreseeable future. HDX's dividend policy will be reviewed from time to time by its Board of Directors in the context of its earnings, financial condition and other relevant factors.

Capital Structure

General Description of Capital Structure

As at December 31, 2012, Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares, and 4,631,584 options, of which 4,266,584 were exercisable at an exercise price to purchase common shares ranging from \$0.25 to \$2.70. As at March 28, 2013 Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares and 4,631,584 options, of

which 4,266,584 were exercisable at an exercise price to purchase common shares ranging from \$0.25 to \$2.70.

The Common Shares are the only authorized class of shares of the Company. Each Common Share is entitled to one vote at meetings of HDX's shareholders, except for meetings at which only holders of another specified class are entitled to vote separately as a class. The holders of the Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors of HDX. Holders of the Common Shares are entitled to participate in any distribution of HDX's net assets upon liquidation, dissolution or winding up on an equal basis per Common Share. There are no pre-emptive, redemption, purchase or conversion rights attached to the Common Shares.

Market for Securities

Trading Price and Volume

The Common Shares have been listed on the Toronto Stock Exchange (the "TSX") under the trading symbol HDX since October 7, 2011 (from June 28, 2004 until October 7, 2011 the Class A common shares of the Predecessor Corporation were listed on the TSX). The following table sets out the market prices and the average daily volumes traded for the one-year period ended December 31, 2012.

Month	High (\$)	Low (\$)	Average Daily No. of Common Shares Traded	Monthly Trading Volume
January 2012	0.35	0.30	1,400	29,700
February 2012	0.35	0.30	1,900	38,000
March 2012	0.31	0.29	3,600	52,900
April 2012	0.30	0.20	17,000	310,400
May 2012	0.26	0.16	3,100	69,300
June 2012	0.29	0.16	16,000	336,400
July 2012	0.25	0.24	2,100	45,000
August 2012	0.25	0.15	2,200	48,500
September 2012	0.35	0.16	5,300	100,500
October 2012	0.32	0.20	2,900	63,200
November 2012	0.34	0.27	1,700	39,000

Month	High (\$)	Low (\$)	Average Daily No. of Common Shares Traded	Monthly Trading Volume
December 2012	0.30	0.17	7,200	133,900

Escrowed Securities

As at December 31, 2012, there were no securities of the Corporation held in escrow, as the final release of securities previously held in escrow occurred on December 29, 2005. Though not deemed escrowed securities, common shares issued for the acquisition A&A in 2010 have been subject to a 36 month hold period from their respective closing dates. Additionally, the common shares issued for the acquisition of HDXPP in December, 2011 are subject to a 24 month hold period from the closing date. Finally, the common shares issued for the acquisition of certain Hospitality assets of 2020 in December, 2011 were subject to a 13 month hold period from the closing date, which has now expired.

Directors and Officers

Name, Occupation and Security Holdings

Directors

The name, address and principal occupation of the directors of the Company are set out below:

Name and Municipality of Residence	Office Held and Principal Occupation(s) during the 5 Preceding Years	Director Since⁽¹⁾
Paul Howell Sarnia, Ontario	- CEO and Director of the Corporation - President and CEO of Howell Data Systems Inc.	November 2006
Loudon Owen Toronto, Ontario	- Managing Partner, McLean Watson Capital Inc. - Chairman of the Corporation since June 2009.	June 2006
Paul Fornazzari ⁽³⁾ Toronto, Ontario	- Partner of Gowling Lafleur Henderson LLP	June 2009
Michael Brown ⁽²⁾⁽⁴⁾ Toronto, Ontario	- President of Capital Markets Advisory	October 2011
David Del Chiaro ⁽²⁾⁽³⁾⁽⁴⁾ Forest, Ontario	- Former owner and operator of grocery stores and former Chairman of the Canadian Federation of Independent Grocers	October 2011
Gary Figueira ⁽²⁾⁽⁴⁾ Toronto, Ontario	- Retired as the Business Unit Executive for IBM's Retail Systems	October 2011

(1) For Messrs. Howell, Owen and Fornazzari includes period of time as a director of the Predecessor Corporation

(2) Member of the Audit Committee

(3) Member of the Human Resource, Corporate Governance and Nominating Committee

(4) Messrs. Brown, Del Chiaro and Figueira became directors upon consummation of the Reorganization.

The term of office of all directors of the Company will expire at the next annual meeting of the shareholders of the Company to be held in 2013.

Officers

The name, address and principal occupation of the executive officers of the Company are set out below:

Name and Municipality of Residence	Office Held and Principal Occupation(s) during the 5 Preceding Years
Paul Howell Sarnia, Ontario	- Officer of the Corporation since November 2006 - Currently Chief Executive Officer of the Corporation - Founder, President and CEO of Howell Data Systems Inc. from 1992 to present
Michel Cote Montreal, Quebec	- Officer of the Corporation since May 2010 - Currently President of the Corporation - Founder, Vice-President and General Manager of Posera Inc. from September 1999 to May 2010.
Kevin Mills Chatham, Ontario	- Officer of the Corporation since January 2008. - Chief Financial Officer of the Corporation effective February 2008. - Accountant at the Accounting Firm PricewaterhouseCoopers, LLP from September 2001 to January 2008.
Sol Korngold Toronto, Ontario	- Officer of the Corporation since January 2007 - Currently Chief Operating Officer of the Corporation - Director, Product Management at HDX from 2001 to January 2007
Allen Shulman Hampstead, Quebec	- Officer of the Corporation since August 2010 - Currently Senior Vice President, Corporate Business Development of the Corporation - Chief Financial Officer at Posera Inc. from September 2002 to present.

As at December 31, 2012, to the knowledge of the Corporation, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 10,027,978 Common Shares of the Corporation, representing approximately 20.7% of the issued and outstanding Common Shares of the Corporation on that date.

Each director holds office until the next annual meeting of shareholders of the Corporation and his/her election thereafter is subject to the approval of the shareholders of the Corporation at that meeting. New officers are appointed at the discretion of the Board of Directors, subject to the By-Laws of the Corporation.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of HDX, no director or executive officer of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is, or within the last 10 years before the date of this Annual Information Form was, a director or executive officer of any issuer which, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar

order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets;

with the exception that on December 23, 2011, Crystallex International Corporation (“Crystallex”), a reporting issuer in British Columbia, Alberta, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland, obtained an order from the Ontario Superior Court of Justice (Commercial List) for protection under the Companies' Creditors Arrangement Act (Canada) (“CCAA Order”), and on December 28, 2011, obtained an order from the United States Bankruptcy Court for the District of Delaware under Chapter 15 of the U.S. Bankruptcy Code recognizing the CCAA Order. These proceedings were commenced following the expropriation of Crystallex’s main mining asset by the Bolivarian Republic of Venezuela in 2011, and the subsequent institution of arbitration proceedings with the World Bank's International Centre for Settlement of Investment Disputes to seek restitution in the amount of US\$3.8 billion. In March 2012, Crystallex announced that it would not be in a position to prepare and file annual audited financial statements and other annual disclosure documents, required by Canadian securities laws in respect of the financial year ended December 31, 2011, by March 30, 2012 and, consequently, would be in default of its continuous disclosure filing requirements under Canadian securities laws. A temporary general cease trade order was issued in April 2012. The cease trade order prohibited the trading of Crystallex’s securities other than for trades made pursuant to debtor-in-possession (DIP) financing as approved by the Ontario Superior Court of Justice. Michael Brown served as an independent director of Crystallex from 2002 until June 2012, at which time he resigned as a director and became a member of the Crystallex advisory panel as required by the credit agreement governing the court-approved DIP financing into which Crystallex entered in 2012.

To the knowledge of the Company, no director or executive officer of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, within the last 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold his or her assets.

This disclosure also includes any personal holding companies of any of the persons referred to in the preceding paragraphs of this section titled “Cease Trade Orders, Bankruptcies, Penalties or Sanctions.”

Conflicts of Interest

The Corporation’s directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, such directors and officers of the Corporation may have a conflict of interest in negotiating terms respecting such participation. In the event that such conflict of interest arises at a meeting of the Corporation’s directors, a director who has such a conflict is required to disclose such conflict and abstain from voting for or against the approval of such participation or such terms.

To the knowledge of the Corporation, there are no existing or potential conflicts of interest between the Corporation and any director or officer of the Corporation, except as may otherwise be disclosed herein.

Legal Proceedings

There are no outstanding material legal proceedings to which the Corporation is a party or of which any of its properties is the subject matter, nor does the Corporation know of any material threatened or contemplated proceedings against it.

Interest of Management and Others in Material Transactions

The Company recognized revenue from a company controlled by the CEO, who is also a director of the Company, during the year ended December 31, 2012, based on amounts agreed upon by the parties, in the amounts of \$60,025 (2011 - \$56,614). The Company recognized operating expenses related to shared office space and employees, and purchased products of \$471,764 during the year ended December 31, 2012 (2011 - \$385,805) from a Company controlled by the CEO at the exchange amount based on amounts agreed to by the parties. As at December 31, 2012, the Company has a receivable position of \$12,133 (December 31, 2011 - \$21,066), and a payable of \$173,254 (December 31, 2011 - \$60,632), which will be settled between the related parties in the normal course of business.

During the year ended December 31, 2012, the Company received legal fees and disbursement invoices totaling \$63,589 (2011 - \$381,685) to a law firm, a partner of which is a director of the Company. As at December 31, 2012, the Company has a payable position of \$55,159 (December 31, 2011 - \$277,747) which will be settled between the related parties in the normal course of business.

Compensation of key management

Compensation awarded to key management includes the Company's directors, and members of the Executive team, which include the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer and Senior Vice-President of Corporate Development, is as follows:

	Year ended December 31, 2012	Year ended December 31, 2011
Salaries and short-term employee benefits	\$ 922,381	\$ 864,414
Share-based payments	185,691	170,469
Total	\$ 1,108,072	\$ 1,034,883

Transfer Agents and Registrars

The transfer agent and registrar for the Corporation's Common Shares is Equity Transfer and Trust Company at its principal office in Toronto, Ontario.

Material Contracts

Except as listed below, there are no material contracts which the Corporation entered into within the most recently completed financial year or which are still in effect, other than contracts entered into in the ordinary course of business:

Share Purchase Agreement. On April 23, 2010, the Corporation entered into a share purchase agreement with the shareholders of Posera to acquire all the issued and outstanding shares of Posera for a total purchase price (including the assumption of debt) equal to \$10.6 million.

Warrant Indenture. On April 27, 2010 the Corporation and Equity Transfer and Trust Company entered into a warrant indenture governing the issuance of common share purchase warrants issuable upon exercise of subscription receipts into common shares and common share purchase warrants.

Convertible Debentures. On May 5, 2010, in conjunction with the finalization of the Posera Inc. acquisition the Company issued convertible debentures in the principal amount of US \$1.96 million, which was reduced to US \$1.78 million as a result of post-closing adjustments. The debentures are convertible into Common Shares for a period of two years at \$0.645 per Common Share.

Business Purchase Agreement. On October 27, 2011, the Corporation entered into a business purchase agreement with DirectCash Acquisition Corp. pursuant to which it sold all of the shares of Dexit Inc. for \$2 million (subject to adjustments).

Interests of Experts

The Corporation's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated March 27, 2013 in respect of the Corporation's consolidated financial statements as at December 31, 2012. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and the rules of the Ontario Securities Commission.

Additional Information

Incorporated by reference into this Annual Information Form are the financial statements of the Corporation for the financial year-ended December 31, 2012 and the accompanying management's discussion and analysis.

Additional information relating to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's Management Proxy Circular for the Corporation's most recent annual meeting of shareholders held on June 28, 2012.

Copies of all materials incorporated by reference herein and additional information relating to the Corporation may be obtained on the System for Electronic Document Analysis and Retrieval (SEDAR), under the Corporation's name, at www.sedar.com

Audit Committee Information

Audit Committee Charter

Scope and purpose of the Committee

HDX management has the primary responsibility for the financial reporting process. The Board of Directors and its Audit Committee (the “Committee”) is responsible for overseeing the financial reporting process and ensuring its credibility. The Committee will also from time to time assume specified responsibilities beyond reporting process.

The Committee will review and recommend to the Board of Directors for approval the annual audited consolidated financial statements of HDX, and if they are to be published, the quarterly unaudited consolidated financial statements and related documents (including press releases if applicable) before publication. The Committee will discuss with the independent auditors the scope of their examination, monitor the progress of the independent audit and ensure the adequacy of accounting controls (which are the responsibility of management). The Committee will review the scope, results and performance of the Corporation’s internal audit department (if any).

The Committee will monitor, on behalf of the Board of Directors, the Corporation’s compliance with security policies and developments as they relate to the Corporation (e.g. safeguarding intellectual property, systems, money and other property). The Committee will, from time to time, recommend to the Board of Directors for approval changes in the policies related thereto.

The Committee is responsible for identifying the principal risks facing the Corporation and ensuring that risk management policies and procedures are in place to mitigate these risks.

Membership

The Committee shall consist of a minimum of three directors of the Corporation, including the Chair of the Committee, all of whom are outside directors and the majority of whom are unrelated directors. One member will carry appropriate accreditation to be recognized as a “financial expert”. The Chair of the Board of Directors and the Chief Executive Officer shall receive notice of and be entitled to attend meetings of the Committee, except in camera sessions to be held as part of every meeting.

Duties and Responsibilities

1. The Committee shall review and recommend to the Board of Directors for approval:
 - (a) The annual audited consolidated financial statements.
 - (b) Any quarterly reports to be issued to the shareholders and the unaudited consolidated financial statements contained therein.
 - (c) Documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or interim financial results (e.g.

prospectuses, press releases with financial results and Annual Information Form – when applicable) prior to their release.

- (d) The management discussion and analysis (MD&A) for release to shareholders and third parties.
- (e) The recommendations of management as to the appointment or reappointment of external auditors and the remuneration of external auditors. If a change in external auditors is proposed, the Committee will enquire as to the reasons for the change, including the response of the incumbent auditors.
- (f) Changes or additions to the Corporation's policies relating to security and/or safety of prepaid funds. Annually, the Committee will report to the Board of Directors on the appropriateness of the policy guidelines in place to administer the Corporation's security programs and safety of prepaid funds.
- (g) The identification of the principal risks facing the Corporation. Annually, the Committee will report to the Board of Directors on the appropriateness of the risk management policies and procedures in place to mitigate those risks.

2. The Committee, in fulfilling its mandate, will:

- (a) Review the scope of the external audit, including the fees involved.
- (b) Review factors that might impair, or be perceived to impair, the independence of the external auditors. Further, it will review any non-audit service provided by the external auditors and the fees related thereto, and have the right to require pre-approval of any such services.
- (c) Review the report of the external auditors on the annual audited consolidated financial statements.
- (d) Review problems found in performing the audit, such as limitations or restrictions imposed by management or situations where management seeks a second opinion on a significant accounting issue.
- (e) Review major positive and negative observations of the external auditors during the course of the audit.
- (f) Review with management and the external auditors, the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results.
- (g) Review emerging accounting issues and their potential impact on the Corporation's financial reporting.
- (h) Review with management, the external auditors and legal counsel, any litigation, claims or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Corporation, and whether these matters have been appropriately disclosed in the financial statements.
- (i) Review the conclusions reached in the evaluation of management's internal control systems by either the internal or external auditors, and management's responses to any identified weaknesses.

- (j) Review the scope of responsibilities and effectiveness of the internal audit group (if any) including internal audit reporting lines and their working relationship with the external auditors.
 - (k) Review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements.
 - (l) Review with management their approach with respect to business ethics and corporate conduct.
 - (m) Review the expenses of the Chair of the Board of Directors and President of the Corporation quarterly.
 - (n) Review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable).
 - (o) Monitor and make recommendations to the Board regarding “trust arrangements” performance to protect prepaid funds.
 - (p) Review annually the business continuity plans for the Corporation.
 - (q) Review the annual audit plans of the internal (if any) and external auditors of the Corporation.
 - (r) Review annually general insurance coverage of the Corporation to ensure adequate protection of major corporate assets including but not limited to Directors' & Officers' and “Key Person” coverage.
 - (s) Perform such other duties as required by the Ontario Business Corporations Act and applicable securities legislation and policies.
3. The Committee may approve the engagement of outside advisors for the Committee as required, following notice to and approval in advance of the expenditure by the Chair of the Board of Directors.

Accountability

The Committee shall report to the Board of Directors at its next regular meeting on all such action taken since the previous report.

Meetings

1. The Committee shall meet at such times and places as the Committee may determine, but no less than four times per year. At least annually, the Committee shall meet separately with management and with the external auditors.
2. Meetings may be conducted with members present, in person, by telephone or by video conference facilities.
3. A resolution in writing signed by all the members of the Committee is valid as if it had been passed at a meeting of the Committee.
4. The external auditors or any member of the Committee may call a meeting of the Committee.

5. The external auditors of the Corporation will receive notice of every meeting of the Committee.
6. The internal auditors (if any) shall report quarterly to the Committee on the results of internal audit activities and have a right of access to the Chair of the Committee should the need arise.

Audit Committee Information

At December 31, 2012, the Chair of the Audit Committee was Mr. D. Del Chiaro, and its other members were Mr. M. Brown and Mr. G. Figueira. In the view of the Board of Directors of the Corporation, all three members of the Audit Committee were and are independent, in that none has a direct or indirect material relationship with the Corporation within the meaning of Multilateral Instrument 52-110 Audit Committees (“MI 52-110”).

The Board of Directors has determined that every member of the Audit Committee, past and present, is financially literate. The Board has made this determination based on the education and breadth and depth of experience of each member of the Audit Committee.

Relevant Education and Experience

Mr. Del Chiaro has built and operated grocery stores from 1983 to 2009 and was a director on the board of the Canadian Federation of Independent Grocers for many years, serving on the Executive and as Chairman. Mr. Del Chiaro served on the board of the Peoples Telephone Company for eight years until its sale in 2006. Mr. Del Chiaro also served on the board of the Agriculture Adaptation Council of Canada. Mr. Del Chiaro has been involved in several businesses and is currently developing retail commercial properties in Ontario.

Mr. Brown is President of Capital Markets Advisory. Previously, he held positions with Macquarie Bank of Australia as President and CEO of Macquarie North America, and then as Vice Chairman. Prior to that, he was a Managing Partner with Gordon Capital Corporation, responsible for mining investment banking, and previously was head of equity research and an analyst with Deutsche Morgan Grenfell Canada. He has served as a member of the List Committee of the Toronto Stock Exchange and as a Governor of the Exchange. He is a Chartered Financial Analyst and registered Professional Engineer. Michael Brown is an advisor to Crystallex International Corporation and a director of Afri-Can Marine Minerals Corporation where he is Chairman of the Board.

Mr. Figueira is recently retired as the Business Unit Executive for IBM's Retail Systems Division for Canada and the English speaking Caribbean. In this position he was responsible for IBM's sales, marketing and support teams in these areas. Previously he was General Manager for Siemens Pyramid Canada and Director of Retail Systems for NCR Canada, with similar responsibilities as above. Mr. Figueira is currently the President of Lawrence Park Tennis Club and Past President of Sir Winston Churchill Park Tennis Club.

External Auditor Service Fees

	\$000's	
<u>Types of Fees</u>	<u>2012</u>	<u>2011</u>
Audit Fees	193	208
Audit-Related Fees	-	12
Tax Fees	-	-
All Other Fees	-	-
Total	<u>193</u>	<u>220</u>

Audit Fees includes fees for professional services rendered by the external auditors to perform the annual audit of the Corporation's financial statements, quarterly review of the Corporation's financial statements and accounting consultations and services required by the legislation such as comfort letters, consents, and statutory audits.

Audit-Related Fees includes fees for accounting consultations on proposed transactions, internal control reviews and a specified procedures surrounding the Company's transition to IFRS reporting.

Tax Fees includes fees for all services for tax compliance, tax planning and tax advice.