Condensed Consolidated Interim Financial Statements of

POSERA – HDX Ltd.
(formerly Posera – HDX Inc.)

(Unaudited)
Three-months ended March 31, 2012 and 2011

POSERA-HDX LTD. *(formerly POSERA-HDX INC.)*

Interim Consolidated Statements of Financial Position

As at March 31, 2012 and December 31, 2011

(unaudited)

(in Canadian dollars)

		March 31, 2012		December 31, 2011
ASSETS (Notes 7)				
CURRENT				
Cash and cash equivalents	$	1,729,544	$	2,431,720
Accounts receivable (Notes 11)		2,343,414		3,241,359
Holdback receivable on the sale of Dexit Inc.		200,000		200,000
Current portion of lease receivable		26,891		30,639
Inventory		1,167,813		1,209,621
Investment tax credits receivable - refundable (Note 3)		804,645		694,602
Prepaid expenses		206,404		204,214
		6,478,711		8,012,155
NON-CURRENT				
Property, plant and equipment (Note 4)		209,424		250,876
Deposit on leased premises		34,410		34,411
Lease receivable		31,840		35,469
Investment tax credits receivable - non-refundable (Note 3)		1,075,737		1,013,879
Deferred income tax assets (Note 9)		80,942		72,500
Intangible assets (Note 5)		5,871,091		6,220,150
Goodwill (Note 6)		6,590,920		6,639,033
	$	20,373,075	$	22,278,473
LIABILITIES				
CURRENT				
Bank indebtedness	$	216,390	$	181,746
Accounts payable and accrued liabilities (Note 11)		1,944,681		2,736,843
Current portion of vehicle loans		17,416		25,749
Current portion of royalty payable		4,078		4,078
Current portion of notes payable (Note 7)		293,235		300,493
Income taxes payable		22,803		32,917
Conversion option (Note 8)		1,027		35,556
Deferred revenue		1,692,226		1,839,356
		4,191,856		5,156,738
NON-CURRENT				
Deferred income tax liability (Note 9)		1,419,090		1,472,190
Vehicle loans		28,678		42,126
Royalty payable		479,690		467,231
Notes payable (Note 7)		887,835		975,063
		7,007,149		8,113,348
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
SHARE CAPITAL (Note 10(a))		50,790,093		50,790,093
CONTRIBUTED SURPLUS (Note 10(b, c))		5,625,449		5,620,947
WARRANTS (Note 10(d))		766,973		766,973
DEFICIT		(43,726,324)		(42,951,007)
ACCUMULATED OTHER COMPREHENSIVE LOSS		(90,265)		(61,881)
		13,365,926		14,165,125
	$	20,373,075	$	22,278,473

See accompanying notes to financial statements

(Subsequent events, Note 14)

POSERA-HDX LTD. *(formerly POSERA-HDX INC.)*

Interim Consolidated Statements of Operation and Comprehensive Loss

For the three-months ended March 31, 2012 and 2011

(unaudited)

(in Canadian dollars, except for number of common shares)

	Three-months ended March 31 2012	2011
REVENUE (Note 11)	$ 3,630,044	$ 4,131,148
COST OF SALES (Note 11)		
Cost of inventory	646,908	870,330
Technology (Note 3)	461,687	285,421
Operations and support	1,210,730	1,132,048
TOTAL COST OF SALES	2,319,325	2,287,799
GROSS PROFIT	1,310,719	1,843,349
OPERATING EXPENSES (Note 11)		
Sales and marketing	894,064	800,237
General and administrative	1,136,599	1,136,538
TOTAL OPERATING EXPENSES	2,030,663	1,936,775
	(719,944)	(93,426)
OTHER EXPENSES (INCOME)		
Interest expense	72,275	81,656
Realized and unrealized loss on foreign exchange	32,512	35,404
Interest and other income	(1,942)	(2,132)
Gain on financial instruments at fair value through profit and loss (Notes 8)	(34,529)	(56,308)
TOTAL OTHER EXPENSES (INCOME)	68,316	58,620
NET LOSS BEFORE INCOME TAXES	(788,260)	(152,046)
INCOME TAX EXPENSE (RECOVERY)		
Current (Note 9)	37,155	4,590
Deferred (Note 9)	(50,098)	(40,935)
NET LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$ (775,317)**	**$ (115,701)**
Other comprehensive loss on foreign translation	(28,384)	(45,868)
NET COMPREHENSIVE LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$ (803,701)**	**$ (161,569)**
BASIC AND DILUTED LOSS PER SHARE (Note 10(e))	$ (0.02)	$ -
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	48,434	45,497

See accompanying notes to financial statements

POSERA-HDX LTD. *(formerly POSERA-HDX INC.)*

Interim Consolidated Statements of Changes in Equity

For the three-months ended March 31, 2012 and 2011

(unaudited)

(in Canadian dollars)

		Three-months ended March 31, 2012		2011
DEFICIT BEGINNING OF PERIOD	$	(42,951,007)	$	(44,436,903)
Net loss, attributable to owners of the parent		(775,317)		(115,701)
DEFICIT END OF PERIOD	**$**	**(43,726,324)**	**$**	**(44,552,604)**
ACCUMULATED OTHER COMPREHENSIVE LOSS BEGINNING OF PERIOD	$	(61,881)	$	(71,396)
Other comprehensive loss on foreign translation		(28,384)		(45,868)
ACCUMULATED OTHER COMPREHENSIVE LOSS END OF PERIOD	**$**	**(90,265)**	**$**	**(117,264)**
NET COMPREHENSIVE LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$**	**(803,701)**	**$**	**(161,569)**
SHARE CAPITAL BEGINNING OF PERIOD		50,790,093	$	49,882,776
Issued on exercise of stock options		-		45,787
SHARE CAPITAL END OF PERIOD (Note 10(a))		**50,790,093**	**$**	**49,928,563**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$	5,620,947	$	5,752,901
Exercise of stock options		-		(33,287)
Stock based compensation		4,502		14,500
CONTRIBUTED SURPLUS END OF PERIOD (Note 10(c))	**$**	**5,625,449**	**$**	**5,734,114**
WARRANTS BEGINNING OF PERIOD	$	766,973	$	766,973
WARRANTS END OF PERIOD (Note 10(d))	**$**	**766,973**	**$**	**766,973**

See accompanying notes to financial statements

POSERA-HDX LTD. *(formerly POSERA-HDX INC.)*

Consolidated Statements of Cash Flow

For the three-months ended March 31, 2012 and 2011

(unaudited)
(in Canadian dollars)

	Three-months ended March 31	
	2012	**2011**
NET OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss	$ (775,317)	$ (115,701)
Items not affecting cash		
Amortization of equipment (Note 4)	47,036	41,047
Amortization of intangible assets (Note 5)	320,407	323,071
Amortization of deferred lease	-	(8,461)
Deferred income tax recovery	(50,098)	(40,935)
Gain on financial instruments at fair value through profit and loss (Notes 8)	(34,529)	(56,308)
Stock-based compensation expense (Note 10(b,c))	4,502	14,500
Interest accretion	49,706	50,080
Unrealized loss on foreign exchange	23,586	12,246
	(414,707)	**219,539**
Changes in working capital items (Note 12)	(185,872)	(720,650)
	(600,579)	**(501,111)**
FINANCING		
Repayment of vehicle loans	(21,781)	(7,035)
Proceeds from the exercise of stock options (Notes 10(a,b, c))	-	12,500
Repayment of lease liability	-	(24,428)
Repayment of notes payable	(108,197)	(208,574)
	(129,978)	**(227,537)**
INVESTING		
Deposit on pending acquisitions	-	(25,000)
Acquisition of property, plant and equipment	(7,177)	(11,466)
Acquisition of intangible assets	(1,466)	-
	(8,643)	**(36,466)**
Foreign exchange gain (loss) on net cash and cash equivalents held in a foreign currency	**2,380**	**(11,753)**
NET CASH AND CASH EQUIVALENTS OUTFLOW	**(736,820)**	**(776,867)**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,249,974	1,111,821
NET CASH AND CASH EQUIVALENTS END OF PERIOD	**$ 1,513,154**	**$ 334,954**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING		
Cash and cash equivalents	$ 1,729,544	$ 537,483
Bank indebtedness	(216,390)	(202,529)
	$ 1,513,154	**$ 334,954**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION		
Interest paid	$ 22,376	$ 31,576
Interest received	1,942	2,132
Taxes paid	51,507	49,707
Investment tax credits received	-	-

See accompanying notes to financial statements

1. DESCRIPTION OF BUSINESS

Posera-HDX Ltd. ("Posera – HDX", "HDX" or the "Company"), is domiciled in Canada and is in the business of managing merchant transactions with consumers and facilitating payments emphasizing transaction speed, simplicity and accuracy. Posera - HDX develops and deploys touch screen point-of-sale ("POS") system software and associated enterprise management tools and has developed and deployed numerous POS applications. Posera - HDX also provides system hardware integration services, merchant staff training, system installation services, distribution of electronic cash registers to a network of value added resellers across Canada and post-sale software and hardware support services. Through Posera Inc. and its subsidiaries, collectively ("Posera"), the Company licenses, distributes and markets its hospitality POS software throughout the Americas, Europe & Asia.

Posera - HDX was founded in 2001 and is headquartered at 350 Bay Street, Suite 700, in Toronto, Canada M5H 2S6. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "HDX".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS. As such, these condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's annual consolidated financial statements for the year-ended December 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented. The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2012, as issued and outstanding as of the date the Board of Directors approved these statements.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain held for trading financial instruments, which are carried at fair market values.

The results for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year. The condensed consolidated interim financial statements were approved for issue by the Board of Directors on May 9, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reorganization

On October 7, 2011, the Company was formed as a result of 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 Ltd. The former security holders of Posera – HDX Inc. then became the security holders of Posera – HDX Ltd. Posera – HDX Inc. (renamed Dexit Inc), then became a wholly owned subsidiary of Posera – HDX Ltd. On October 28, 2011, Posera – HDX Ltd. then disposed of Dexit Inc.. This reorganization was accounted for as a capital reorganization transaction at predecessor values. As such these financial statements are a continuation of the previous financial statements of Posera – HDX Inc.

Consolidation

These condensed consolidated interim financial statements include the accounts of Posera – HDX Ltd. and its wholly owned subsidiaries. These subsidiaries are A&A Point of Sale Solutions Inc. ("A&A"); Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; Posera Singapore and Posera USA Inc. ("Posera"); Century Cash Register Inc. ("Century"); HDX Payment Processing Ltd. ("HDX Payment Processing"); and Posera – HDX Scheduler Inc. ("Posera – HDX Scheduler"), which have been included in the consolidated financial statements from April 5, 2010, May 5, 2010, June 1, 2010, December 15, 2011 and December 30, 2011 respectively. The subsidiary of Dexit Inc. (formerly Posera – HDX Inc.) ("Dexit"), which was formed as a result of the reorganization as disclosed above, was included in the consolidated financial statements until Dexit was disposed of on October 28, 2011.

Subsidiaries are those entities (including special purpose entities) over which the Company has the power to govern financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenditures, and gains and losses are eliminated.

Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian Dollars ("CAD").

Foreign Currency Translation

The functional currencies of all consolidated entities are CAD, with the exception of Posera Inc. and certain of its subsidiaries, which have functional currencies of the United States Dollar ("USD") (Posera Inc. and Posera USA Inc.), the U.K. Pound ("UKP") (Posera Europe Ltd.), the Euro (Posera France SAS), and the Singapore dollar ("SGD") (Posera Singapore). The Company translates the assets and liabilities of consolidated entities with differing functional currencies to CAD at the rate of exchange prevailing at the statement of financial position date and revenues and expenses of those operations using the average rates of exchange during the period. Gains and losses resulting from this translation are recorded in accumulated other comprehensive loss, a component of shareholders' equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency are recognized in the statement of operations

Segments

The Company has organized its business around different products and services. Each acquired business is a separate operating segment. The Company then aggregates the operating segments into reportable segments based on the similarities of the products and services that are offered to its customers, the types of customers that products and services are provided to, and the methods used to distribute products and provide services. The chief decision maker of the company was determined to be the Company's Chief Executive Officer (the "CEO"), and as such the Company determined its reportable segments based upon the reports the chief decision maker utilized to evaluate performance and allocate resources. Revenues from external customers are geographically allocated to countries based upon the place where the customers are located.

Business Combinations

Business combinations that occurred after January 1, 2010 have been accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3"), whereby acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are expensed as incurred, except for incremental costs of issuance of debt or equity instruments. The acquired identifiable assets and liabilities are recognized at their fair values at the acquisition date. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets acquired and liabilities assumed.

If the Company's interest in the net fair value of the acquired identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognized immediately as a bargain purchase gain in the Consolidated Statements of Operations.

Subsequent to initial recognition, measurement of contingent consideration depends on whether it is an equity instrument or a financial asset or liability. Subsequent changes in the fair value of the contingent consideration that is deemed to be a financial asset or liability is recognized in the statement of operations as gain on financial instruments through profit and loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company's activities. The Company derives revenues from the following sources:

a) Revenue from POS systems, digital video recording ("DVR") systems and POS parts and consumables is recognized when the Company has transferred to the customer the significant risks and rewards of ownership, the Company does not retain continuing managerial involvement with or effective control of the goods, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally met when the product has been installed. POS and DVR systems generally include a one year support contract. The Company allocates revenue to each component of the transaction using the relative fair value of each separately identifiable component. The Company defers the fair value of the support services under the agreement, as deferred revenue at the time of sale. Revenue on the support services is then recognized in line with the customer support contract policy below.

b) Revenue from customer support contracts is deferred and recognized as revenue on a straight-line basis over the term of the contract.

c) PCS and hosting service revenue are accounted for as services. Revenue is recognized when amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Generally PCS and hosting service revenue is recognized on a straight-line basis over the term of the contract.

d) Services revenue relates to the delivery of consulting and system integration services with revenue recognized upon delivery and acceptance by the customer. Software perpetual licenses are accounted for as sales of products as the customer has a perpetual right to use the software freely and the Company has no remaining obligations to perform after delivery of the software. The revenue from these products is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the software, the Company does not retain continuing managerial involvement with or effective control over the software, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions generally are met when the application software has been delivered.

(in Canadian dollars, except as noted)

3. INVESTMENT TAX CREDIT RECEIVABLE

Investment tax credits related to Scientific Research and Experimental Design and Electronic Business, were recorded in the Statements of Operations as a reduction in technology expenses in the amount of $171,901 during the three-months ending March 31, 2012 (2011 - $119,208). As of March 31, 2012, a subsidiary of the Company has refundable investment tax credits receivable totaling $804,645 (December 31, 2011 - $694,602) which is fully pledged for bank indebtedness, and non-refundable investment tax credits receivable totaling $1,075,737 (December 31, 2011 - $1,013,879) which expire according to the schedule below:

	March 31, 2012	December 31, 2011
2027	$ 191,307	$ 191,307
2028	243,660	243,660
2029	170,772	170,772
2030	161,198	161,198
2031	246,942	246,942
2032	61,858	-
Total	**$ 1,075,737**	**$ 1,013,879**

In order to receive the Investment Tax Credits the Company must file its tax returns no later than 18 months after the period to which the claim relates.

4. PROPERTY PLANT AND EQUIPMENT ("PP&E")

The following is a reconciliation of the net book value for PP&E:

	Cost	Accumulated Amortization	Net book value
Balance – December 31, 2011	**$ 663,826**	**$ 412,950**	**$ 250,876**
Acquisition of PP&E	7,177	-	7,177
Amortization of PP&E	-	47,036	(47,036)
Translation adjustment	(982)	611	(1,593)
Balance - March 31, 2012	**$ 670,021**	**$ 460,597**	**$ 209,424**

5. INTANGIBLE ASSETS

The following is a reconciliation of the net book value for Intangible Assets:

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2011	**$ 12,469,734**	**$ 6,249,584**	**$ 6,220,150**
Amortization	-	320,407	(320,407)
Acquisition	1,466	-	1,466
Translation adjustment	(20,063)	10,055	(30,118)
Balance - March 31, 2012	**$ 12,451,137**	**$ 6,580,046**	**$ 5,871,091**

(in Canadian dollars, except as noted)

6. GOODWILL

Reconciliation of Goodwill	
	Net book value
Balance - December 31, 2011	**$ 6,639,033**
Translation adjustment	(48,113)
Balance - March 31, 2012	**$ 6,590,920**

7. NOTES PAYABLE

#	Details	Carrying Value March 31, 2012	Carrying Value December 31, 2011
1	Bank loan with a nominal and effective interest rate at the Bank of Scotland base rate plus 2.5%, repayable in monthly principal installments of £500, secured by a letter of guarantee from the directors of Posera Europe Ltd. totaling £35,000 and is unsecured.	3,194	5,530
2	Loan from prior Posera shareholders, with a nominal interest rate of 5.00% and an effective interest rate of 9.50% due in full on April 30th 2013 and is unsecured.	184,466	187,771
3	Convertible debenture with a nominal interest rate of 3.95% and an effective interest rate of 9.50%, due in April, 2015, with monthly installments of USD $33,633 including interest. The debenture is convertible into 1,857,099 and 2,035,838 Common Shares as at March 31, 2012 and December 31, 2011 respectively, until May 5, 2012, at $0.645 per Common Share. The convertible debenture is secured with the Posera assets source code, all recodes, accounts, money and proceeds derived from the source code and any part thereof with a carrying value of $1,061,318 (December 31, 2011 - $1,154,665).	939,169	1,012,215
4	Note payable with a nominal and effective interest at a rate of 5.50%, with monthly payments of $5,560 including interest, ending January 1, 2013. A General Security agreement of the Company has been pledged as security for the note payable. The assets under the General Security Agreement have a carrying value of $22,373,075 (December 31, 2011 - $22,278,473).	54,241	70,040
	Total Notes Payable	**$ 1,181,070**	**$ 1,275,556**
	Current portion of the Notes Payable	293,235	300,493
	Long-term portion of the Notes Payable	**$ 887,835**	**$ 975,063**

(in Canadian dollars, except as noted)

8. CONVERSION OPTION

As part of the purchase price for the acquisition of Posera on May 5, 2010, the Company issued a convertible debenture, the terms of which are disclosed in Note 7. The conversion option is required to be presented as a derivative liability under IAS 32, with changes to the fair-value recorded in the Statements of Operations.

The following key assumptions were used in determining the fair-value at the respective dates:

	March 31, 2012	December 31, 2011
Fair value of Common Shares	$ 0.30	$ 0.33
Volatility	104.64%	104.86%
Risk free rate	0.95%	0.95%
Carrying Value	$1,027	$35,556

9. INCOME TAXES

Income tax expense has been recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year for each taxable entity, less a valuation adjustment in instances where it was not probable that any future income tax assets would be realized. The estimated average annual rate used for the three-months ended March 31, 2012, by taxable entity, ranged from 0% to 34%. Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 3.

10. SHARE CAPITAL

(a) Authorized and issued

Authorized

An unlimited number of Class A voting common shares ("Common Shares"), with no par value.

An unlimited number of Class B non-voting common shares ("Class B") – non-voting convertible into Common Shares at the option of the holder, on a share for share basis, with no par value. As at March 31, 2011 and December 31, 2011 there are nil Class B issued or outstanding.

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

Common Shares Issued	Reference	Number of Common Shares	$
Balance, December 31, 2011 and March 31, 2012		**48,434,422**	**50,790,093**

(b) Stock options and stock-based compensation

Since 2002, the Company has had a stock option plan ("the Old Plan") to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants. The maximum number of Common Shares that may be reserved for issue under the Old Plan is 2,000,000 Common Shares. Options under the Old Plan vest over various periods from the date of the granting of the option. All options granted under the Old Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The majority of options granted under the Old Plan were granted to former executives of the Company.

On September 20, 2011, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan has a rolling maximum number of Common Shares that may be issued upon the exercise of stock options, but shall not exceed 10% of the issued and outstanding Common Shares at the time of grant. Any increase in the total number of issued and outstanding Common Shares will result in an increase in the available number of options issuable under the Plan, and any exercises of options will make new grants available under the Plan. Options under the Plan vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The Plan was established on July 31, 2007, and reapproved on September 20, 2011 was enacted to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants.

The Company does not have any current intention to convert the options outstanding under the Old Plan into options under the Plan. The Company intends to maintain the Old Plan in place until all outstanding options under the Old Plan are exercised or have expired, at which time the Old Plan will terminate. The Company will not grant any new options under the Old Plan.

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

The following is a summary of the stock options granted and changes for the periods then ended.

	Number Outstanding	Weighted Average Exercise Price
Options outstanding – December 31, 2011	**3,344,593**	**$ 0.52**
Expired – employees and directors	(15,000)	0.83
Options outstanding – March 31, 2012	**3,329,593**	**$ 0.52**
Options exercisable – March 31, 2012	**3,129,593**	**$ 0.53**

The following table summarizes information about options outstanding as at;

March 31, 2012

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	179,682	2.38	0.25	179,682	0.25
0.30	483,333	3.48	0.30	483,333	0.30
0.34	637,563	4.46	0.34	637,563	0.34
0.40	290,304	3.66	0.40	290,304	0.40
0.45	552,665	0.37	0.45	552,665	0.45
0.50	400,000	3.61	0.50	200,000	0.50
0.94	762,596	1.14	0.94	762,596	0.94
2.00	12,050	1.23	2.00	12,050	2.00
2.70	11,400	2.78	2.50	11,400	2.50
	3,329,593	**2.50**	**$0.52**	**3,129,593**	**$0.53**

December 31, 2011

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	179,682	3.38	0.25	179,682	0.25
0.30	483,333	3.56	0.30	483,333	0.30
0.34	637,563	4.71	0.34	637,563	0.34
0.40	290,304	3.91	0.40	290,304	0.40
0.45	552,665	0.32	0.45	552,665	0.45
0.50	400,000	3.86	0.50	200,000	0.50
0.83	15,000	0.20	0.83	15,000	0.83
0.94	762,596	1.39	0.94	762,596	0.94
2.00	12,050	1.48	2.00	12,050	2.00
2.70	11,400	3.03	2.50	11,400	2.50
	3,344,593	**2.78**	**$0.52**	**3,144,593**	**$0.53**

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

Of the options outstanding and exercisable as at March 31, 2011 552,665 (December 31, 2011 – 552,665) options with an exercise price of $0.45 are broker compensation options, and as such are not factored into the 10% threshold as per the Plan discussed above.

The Company recognized an expense of $4,502 (2011 – $14,500) for the vesting of options issued to directors, officers, and employees for the three-months ended March 31, 2012, which is included in Operating Expenditures.

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in the respective period ended:

	Three-months March 31, 2012	Three-months March 31, 2011
Risk-free rate of return	1.43%	2.56%
Expected volatility (i)	105%	102%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 5%	0 - 5%

(i) The Company estimated the expected volatility on the date of grant through reference to the historical volatility of the Company's shares over a similar period.

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance December 31, 2011	**$ 5,620,947**
Stock-based compensation expense recognized during the period	4,502
Balance March 31, 2012	**$ 5,625,449**

(d) Warrants

The warrants outstanding are as follows:

	March 31, 2012		December 31, 2011	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at $0.65 per share expiring April 27, 2012	5,526,546	$ 766,973	5,526,546	$ 766,973
Total	**5,526,546**	**$ 766,973**	**5,526,546**	**$ 766,973**

(in Canadian dollars, except as noted)

10. SHARE CAPITAL (continued)

(e) Loss per share

The Company uses the treasury stock method of calculating the dilutive effect of options and warrants on loss per share. Stock Options, Broker Compensation options, Warrants and Convertible debenture are only included in the dilution calculation if the exercise price is below the average market price for the period. The following is a summary of stock options, broker compensation options, convertible debenture and warrants:

	Exercise price	Expiry	Number issued and outstanding	Reference
Stock options	Note 10(b)	Note 10(b)	2,776,478	-
Convertible debenture	$0.65	May 5, 2012	1,857,099	Note 14
Broker options	$0.45	April 27, 2012	552,665	Note 14
Warrants	$0.65	April 27, 2012	5,526,546	Note 14

11. RELATED PARTY TRANSACTIONS

The Company recognized revenue from a company controlled by the CEO, who is also a director of the company, during the three-months ended March 31, 2012, based on amounts agreed upon by the parties, in the amounts of $16,394 (2011 - $15,448). The Company recognized operating expenses and purchased products of $101,606 during the three-months ended March 31, 2012 (2011 - $149,969) from a Company controlled by the CEO at the exchange amount. As at March 31, 2012, the Company has a receivable position of $19,786 (December 31, 2011 - $21,066), and a payable of $14,682 (December 31, 2011 - $60,632), which will be settled between the related parties in the normal course of business.

During the three-months ended March 31, 2011, the company issued stock-based compensation, included in Note 10(b), to certain directors in the amount of $nil (2011 - $nil).

During the three-months ended March 31, 2012, the Company received legal fees and disbursement invoices totalling $nil, (2011 - $28,854) to a law firm, a partner of which is a director of the Company. As at March 31, 2012, the Company has a payable position of $43,421 (December 31, 2011 - $277,747) which will be settled between the related parties in the normal course of business.

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:

	Three-months March 31, 2012	Three-months March 31, 2011
Salaries and short-term employee benefits	$ 254,718	$ 216,041
Share-based payments	4,502	14,500
Total	**$ 259,220**	**$ 230.541**

(in Canadian dollars, except as noted)

12. CHANGES IN WORKING CAPITAL ITEMS

	March 31, 2012	March 31, 2011
Restricted cash	$ -	$ 4,408
Accounts receivable	879,957	224,728
Investment tax credit receivable	(171,929)	(175,278)
Income taxes payable	(10,291)	(46,275)
Lease receivable	7,377	(34,694)
Inventory	40,079	(294,234)
Prepaid expenses	(1,280)	(29,810)
Accounts payable and accrued charges	(785,688)	(341,250)
Customer liabilities	-	1,288
Deferred revenue	(144,097)	(29,473)
Total	**$ (185,872)**	**$ (720,650)**

13. SEGMENTED INFORMATION

The Company is divided into two reportable segments: Direct POS; POS Software, with other segments not meeting the aggregation criteria being grouped into other. The Direct POS segment focuses primarily on selling, installing and servicing POS hardware and software directly to end-users. The POS Software segment focuses primarily on developing, licensing, distributing and marketing POS software both directly to end-users, and indirectly through a dealer network. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the profit and loss from operations before income taxes, amortization, interest, realized and unrealized foreign exchange gains or losses, other gains or losses and other comprehensive income. The Company manages each segment separately and management at the time of the acquisitions were retained.

Disclosure by Segment

	Revenue for the three-months ended		Operating profit (loss)for the three-months ended (i)	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Direct POS	$ 1,731,074	$ 2,220,016	$ (113,352)	$ 134,879
POS Software	1,912,066	1,931,331	82,115	342,357
Other	487	-	(120,743)	-
Intersegment - POS Software	(13,583)	(20,199)	-	-
Total	**$ 3,630,044**	**$ 4,131,148**	**$ (151,980)**	**$ 477,236**

(i) Operating profit is earnings before corporate headquarters operating expenditures, interest earnings and expense, taxes, amortization, foreign exchanges losses and gains and realized currency translation gains and losses.

(in Canadian dollars, except as noted)

13. SEGMENTED INFORMATION (continued)

Reconciliation between the total consolidated operating profit and the net income(loss) per the consolidated financial statements is as follows:

	March 31, 2012	March 31, 2011
Total segmented operating (loss) profit	$ (151,980)	$ 477,236
Corporate headquarter operating expenditures	(200,521)	(206,539)
Other non-operating expenditures	(422,816)	(386,398)
Net Loss	**$ (775,317)**	**$ (115,701)**

14. SUBSEQUENT EVENTS

a) On April 27, 2012 the 552,665 broker compensation options, as disclosed in Note 10(b,e), expired without being exercised.

b) On April 27, 2012, the Warrants to acquire 5,526,546 shares, as disclosed in Note 10(d,e), expired without being exercised.

c) On May 5, 2012, the Conversion option to exchange the convertible debenture for common shares of the company, as disclosed in Note 7, 8 and Note 10(e), expired without being exercised.

15. COMPARATIVE FIGURES

Certain prior period comparative figures have been restated to conform to the condensed consolidated interim financial statements presentation adopted in the current period.