POSERA-HDX LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE-MONTHS ENDED MARCH 31, 2013

The following is the management discussion and analysis ("MD&A") of the condensed consolidated interim statements of financial position, results of operations and comprehensive loss and cash flows of Posera-HDX Ltd. for the three-months ended March 31, 2013 and should be read in conjunction with the financial statements for such periods and the accompanying notes thereto. The effective date of this MD&A is May 15, 2013. This MD&A should also be read in conjunction with the financial statements and MD&A for the year-ended December 31, 2012.

The management discussion and analysis is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee comprised exclusively of independent directors. The audit committee reviews and prior to publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

The Company reports its financial results in Canadian dollars and under International Financial Reporting Standards ("IFRS"). References herein to "Posera-HDX", "HDX", "Hosted Data Transaction Solutions", "the Company", "we" and "our" mean Posera-HDX Ltd.

FORWARD LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. These forward-looking statements are based on a number of estimates and assumptions, including those which are identified in the "Critical Accounting Estimates and Judgments" section herein, and 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 "Risks and Uncertainties" herein, as well as the risks and uncertainties detailed in our Annual Information Form which was filed on March 28, 2013 with the regulatory authorities.

NON-IFRS REPORTING MEASURES

Management reports on certain Non-IFRS measures to evaluate performance of the Company. Non-IFRS measures are also used to determine compliance with debt covenants and manage the capital structure. Because non-IFRS measures do not generally have a standardized meaning, securities regulations require that non-IFRS measures be clearly defined and qualified, and reconciled with their nearest IFRS measure. The Canadian Institute of Chartered Accountants (CICA) Canadian Performance Reporting Board has issued guidelines that define standardized earnings before interest, taxes, depreciation and amortization (EBITDA).

EBITDA, Normalized EBITDA, or Working Capital, are not calculations based on IFRS. EBITDA should not be considered an alternative to net income or comprehensive income in measuring the Company's performance, nor should it be used as an exclusive measure of cash flow. Posera-HDX reports EBITDA, Normalized EBITDA, and Working Capital because they are key measures that management uses to evaluate performance of the Company, and because the Company feels that these Non-IFRS measures provide important information about the Company. EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. While EBITDA has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors are cautioned that EBITDA as reported by Posera-HDX may not be comparable in all instances to EBITDA as reported by other companies.

<u>Non-IFRS reporting definitions:</u>

EBITDA: Posera-HDX's management defines EBITDA as Net Income before interest expense, interest income, income taxes (excluding certain investment tax credits and other government assistance), amortization of capital and intangible assets, realized and unrealized exchange gain or loss, impairments and gains or losses on held for trading financial instruments, and other gains or losses on disposition of assets or extinguishment of liabilities;

Normalized EBITDA: Posera-HDX's management defines Normalized EBITDA as EBITDA above less certain one-time non-recurring expenditures, and non-cash stock-based compensation expense;

Working Capital: Posera-HDX's management defines Working Capital as its current assets less current liabilities excluding the conversion option value.

Reconciliation to Net Loss Attributable to Owners of the Parent: There is a reconciliation for each of the Non-GAAP reporting measures to their nearest IFRS equivalent under the heading "Reconciliation of Non-IFRS measures to their Closest IFRS equivalent".

<u>Comparative Figures:</u>

Certain prior period comparative figures have been restated to conform to the consolidated financial statements presentation adopted under IFRS.

Overview

Three-months ended March 31, 2013 (Unaudited) - Highlights and Summary

***(**This section acts merely as a summary; the detailed analysis is discussed in the "Comparison of the Unaudited three-months ended March 31, 2013, March 31, 2012 and December 31, 2012".)*

- Net loss for the three-months ended March 31, 2013 was a loss of $600,724, a decrease of $174,593 from a loss of $775,317 for the three-months ended March 31, 2012, and a decrease of $2,296,165 from a loss of $2,896,899 for the three-months ended December 31, 2012;
- EBITDA loss for the three-months ended March 31, 2013, was $296,920, a decrease of $29,695 from an EBITDA loss of $326,615 for the three-months ended March 31, 2012, and a decrease of $137,178 from an EBITDA loss of $434,098 for the three-months ended December 31, 2012;
- Normalized EBITDA loss for the three-months ended March 31, 2013 was $276,402, a decrease of $45,711 from a Normalized EBITDA loss of $322,113 for the three-months ended March 31, 2012, and an increase of $104,029 from a Normalized EBITDA loss of $172,373 for the three-months ended December 31, 2012;
- Total revenue was $4,093,586 for the three-months ended March 31, 2013, up $463,542 (12.8%) from $3,630,044 for the three-months ended March 31, 2012 and down $443,942 (9.8%) from $4,537,528 for the three-months ended December 31, 2012;
- Gross profit was $1,515,956 for the three-months ended March 31, 2013, up $205,237 (15.7%) from $1,310,719 for the three-months ended March 31, 2012, and down $122,743 (7.5%) from $1,638,699 for the three-months ended December 31, 2012;
- Operating expenses were $2,041,056 for the three-months ended March 31, 2013, up $10,393 (0.5%) from $2,030,663 for the three-months ended March 31, 2012, and down $2,781,715 (57.7%) from $4,822,771 for the three-months ended December 31, 2012;
- Included in cost of sales and operating expenses for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012 were certain one-time non-recurring expenditures, non-cash amortization of intangible assets and property plant and equipment, non-cash stock-based compensation expense and non-cash impairment to assets totaling $383,505, $371,945 and $3,048,082 respectively;
- Posera-HDX's cash and cash equivalents totaled $1,354,451 as at March 31, 2013, a decrease of $375,093 (21.7%) from $1,729,544 as at March 31, 2012, and an increase of $304,010 (28.9%) from $1,050,441 as at December 31, 2012. Bank indebtedness was $12,640 as at March 31, 2013, a decrease of $203,751 (94.2%) compared to $216,391 as at March 31, 2012, and a decrease of $244,144 (95.1%) compared to $256,784 as at December 31, 2012.
- Posera-HDX's working capital totaled $332,998 as at March 31, 2013, a decrease of $2,031,826 (85.9%) from $2,364,824 as at March 31, 2012, and a decrease of $218,359 (39.6%) from $551,357 as at December 31, 2012.

Posera-HDX's Business

The Company is in the business of managing merchant transactions with consumers and facilitating payment 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, and post-sale software and hardware support services. Through the acquisition of Posera, the Company immediately acquired access to Posera's worldwide dealership network of approximately 113 resellers in 25 countries with approximately 600 representatives selling, supporting and installing its software. Posera's main software product, known as Maître 'D, has been deployed in over 20,000 locations worldwide in eight different languages.

Posera-HDX's has licensed a prepaid payment solutions allow customers to pay for items quickly and conveniently with either: RFID (radio frequency identification) tags, magnetic stripe cards, or UPC bar-coded cards. The solution can be private branded for a specific merchant. A private branded web interface further extends the offering to allow for convenient reload and other account management options. Posera-HDX payment solutions are especially well suited for corporate and institutional cafeteria environments where hundreds of customers purchase and pay for meals in compressed periods throughout the business day.

The Company's Common Shares are listed on the Toronto Stock Exchange under the symbol "HDX".

Revenues and Expenses

Posera-HDX's revenue model contemplates revenues primarily from the following sources:

- **Transaction fees from merchants.** Merchants pay fees for the processing and reporting of stored value payment transactions. The transaction fees are paid directly to HDX
- **Income from the sale of HDX POS equipment.** Merchant licensees may purchase POS equipment from HDX for installation at merchant.
- **Revenue from data and application hosting fees.** Merchants or other application service providers may contract with HDX for data and application hosting services.
- **Services revenue from the delivery of consulting and system integration services.** Merchant licensees and merchants may hire HDX to install and manage POS equipment, terminals and readers at merchant locations and provide other services as required.
- **Revenue from software license agreements.** POS Software licensees and resellers may contract with Posera-HDX for the use of proprietary POS software.

Posera-HDX's cost of sales consists primarily of the cost of POS system hardware, third party software and miscellaneous hardware and software which are purchased by Posera-HDX for resale, Technology costs and Operations and Support costs directly incurred to earn revenue, including amortization. Technology costs consist primarily of personnel and related costs associated with Posera-HDX technology development and maintenance, as well as external suppliers. Operations and support costs consist primarily of personnel and related costs associated with the ongoing operations and support of the Posera-HDX business, including the Dexit® Service, fixed hosting costs, merchant implementation costs and certain consumer and merchant support costs.

Posera-HDX operating costs are broken down into the following two categories: sales and marketing; and general and administrative. Sales and marketing costs consist primarily of personnel and related costs associated with the ongoing sales and marketing functions, as well as brand development fees, media placement fees, trade show fees, advertising and other promotional expenses. General and administrative fees consist primarily of personnel and related costs associated with Posera-HDX's senior management, administrative, legal and finance functions, as well as professional fees and other general corporate expenses.

Stock-based compensation expense relates to charges for stock options granted to directors and employees.

Interest income on Posera-HDX corporate funds consists primarily of interest income related to its invested cash and short-term investments. Posera-HDX's policy is to invest its excess cash in short-term investment-grade interest bearing securities. Interest income fluctuates based upon the amount of funds available for investment and prevailing interest rates. Interest expense primarily related to interest costs of vehicle loans and notes payable. The notes payable were either issued as a result of or acquired in the business combinations that Posera-HDX has completed. On the date of acquisition, Posera-HDX fair-valued the notes payable acquired or issued, and as a result part of the interest expense includes accretion of the fair-value increment of the notes payable acquired or issued.

Growth Strategy and Future Outlook

Posera-HDX offers "turnkey" solutions including custom software development, integration of our software with appropriate industry specific hardware solutions, deployment and training of our integrated solutions, and providing the ongoing software support and hardware support of deployed solutions. Management's strategy is focused on growing the business organically by:

- Continuing to identify vertical market segments and specific customer groupings that are ideal customers for HDX's technology, assigning direct sales force personnel to communicate with prospective clients and client groupings.

- Marketing HDX products to merchant sites associated with restaurant chains that have pre-approved the deployment of HDX technology.

- Identifying jurisdictional technology and reporting requirements, developing tools to meet those requirements and marketing to businesses within said jurisdiction.

- Increasing incremental recurring revenue by developing new technology and enhancing existing technology features in order to increase existing HDX clients' return on investment resulting in existing HDX clients' purchasing additional HDX products, and Expanding the HDX reseller network and marketing additional related products and technology through this reseller network.

- The HDX Payment Processing platform will give the Company the ability to provide payment processing alternatives to our customers, and The Scheduler software will provide a product to the Company's customers to allow them to maintain a quality of service while managing a part-time workforce with a high turnover, which is an excellent addition to the Company's current POS Solutions.

Posera-HDX continues to pursue selective acquisitions which the Company expects will be primarily focused on POS services companies that can be acquired at attractive multiples, and whose products or customer base complements or extends that of the Company currently. In the Company's fourth quarter of 2011, the Company completed the acquisitions of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.) and certain Hospitality assets of 2020 ITS Inc. ("2020").

Acquisitions and Divestitures During the Three-Months Ended March 31, 2013 and March 31, 2012 in addition to the Year-Ended December 31, 2012

There were no acquisition or divestitures completed by the Company during the three-months ended March 31, 2012 and 2012 or for the year-ended December 31, 2012.

Critical Accounting Estimates and Judgments

This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements for the years-ended December 31, 2012 and 2011, including the notes thereto, in particular Note 2. Posera-HDX's consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards, while the condensed consolidated interim financial statements are prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, collectively referred to as ("**IFRS**"). The Consolidated Financial Statements for the years-ended December 31, 2012 outline the accounting principles and policies used to prepare our financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on the reported results or financial position.

The Company has considered in determining its critical accounting estimates, trends, commitments, events or uncertainties that it reasonably expects to materially affect the methodology or assumptions, subject to the items identified in the Caution regarding forward-looking statements section of this MD&A.

Critical accounting judgments

The preparation of annual consolidated financial statements in conformity with IFRS 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. The following are the significant accounting judgments that were made in the preparation of the financial statements:

<u>Cash-generating units ("CGU"s)</u>

In testing for impairment of certain assets that do not have independent cash inflows, the Company is required to group non-goodwill long-lived assets into CGUs which is the lowest level of assets that produce cash inflows which are independent of other assets. Goodwill is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

<u>Functional currency of consolidated entities.</u>

Under IFRS, each consolidated entity must determine its own functional currency, which becomes the currency that entity measures its results and financial position in. In determining the functional currencies of consolidated entities, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour material and other costs for each consolidated entity.

Critical accounting estimates

The following are some of the estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. Refer to Note 2 of the Annual Consolidated Financial Statement and MD&A for the years-ended December 31, 2012 and 2011 for a complete listing of the Company's critical accounting estimates.

a. *Intangible asset – March 31, 2013 - $4,417,716 (March 31, 2012 - $5,871,091, December 31, 2012 - $4,701,300 and Goodwill – March 31, 2013 - $4,386,385 (March 31, 2012 - $6,590,920, December 31, 2012 - $4,330,746)*
    - Critical estimates relate to the valuation of intangible assets and goodwill acquired in business combinations and the potential impairment of intangible assets and goodwill as part of the CGU impairment testing.
    - See the detailed disclosure surrounding the estimates used in the December 31, 2012 annual consolidated financial statements and MD&A.

b. *Royalty payable – March 31, 2013 - $124,675 (March 31, 2012 - $483,768 December 31, 2012- $122,172)*
    - See the detailed disclosure surrounding the estimates used and sensitivity thereon in the December 31, 2012 annual consolidated financial statements and MD&A.

c. *Conversion option – March 31, 2013 - $nil (March 31, 2012 - $1,027, December 31, 2012- $nil)*
    - The following key assumptions were used in determining the fair-value at the respective dates:

	March 31, 2013	March 31, 2012	December 31, 2012
Fair value of Common Shares	N/A	$ 0.30	N/A
Volatility	N/A	104.64%	N/A
Risk free rate	N/A	0.95%	N/A
Carrying Value	N/A	$1,027	N/A

- See the detailed disclosure surrounding the estimates used and sensitivity thereon in the December 31, 2012 annual consolidated financial statements and MD&A.

d. *Investment Tax Credits Receivable – non-refundable – March 31,2013 - $1,163,394 (March 31, 2012 - $1,075,737 December 31, 2012 - $1,262,692)*
    - Management estimates that the non-refundable Investment Tax Credits receivable will be recoverable before expiry. See detailed disclosure surrounding the expiry dates for non-refundable Investment Tax Credits Receivable in Note 3 to the accompanying quarterly consolidated financial statements.
    - See the detailed disclosure surrounding the estimates used and sensitivity thereon in the December 31, 2012 annual consolidated financial statements and MD&A.

Comparison of the Unaudited Three-Months Ended

The table below sets out the unaudited statements of operations for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012.

Analysis of the Unaudited Quarterly Results	Q1-2013 (unaudited) $	Q1-2012 (unaudited) $	Q4-2012 (unaudited) $	Q1-2013 vs. Q1-2012 $	%	Q1-2013 vs. Q4-2012 $	%
Revenue	4,093,586	3,630,044	4,537,528	463,542	12.8%	(443,942)	(9.8%)
Cost of Sales							
Cost of inventory	927,595	646,908	1,307,746	280,687	43.4%	(380,151)	(29.1%)
Technology	478,918	461,687	376,976	17,231	3.7%	101,942	27.0%
Operations and Support	1,171,117	1,210,730	1,214,107	(39,613)	(3.3%)	(42,990)	(3.5%)
Total Cost of Sales	**2,577,630**	**2,319,325**	**2,898,829**	**258,305**	**11.1%**	**(321,199)**	**(11.1%)**
Gross Profit	1,515,956	1,310,719	1,638,699	205,237	15.7%	(122,743)	(7.5%)
Gross Profit Percentage	37.0%	36.1%	36.1%		2.5%		2.5%
Operating Expenditures							
Sales and marketing	889,299	894,064	823,781	(4,765)	(0.5%)	65,518	8.0%
General and administrative	1,151,757	1,136,599	1,579,126	15,158	1.3%	(427,369)	(27.1%)
Impairment of assets	-	-	2,419,864	-	0.0%	(2,419,864)	(100.0%)
Total Operating Expenditures	**2,041,056**	**2,030,663**	**4,822,771**	**10,393**	**0.5%**	**(2,781,715)**	**(57.7%)**
	(525,100)	**(719,944)**	**(3,184,072)**	**194,844**	**(27.1%)**	**2,658,972**	**(83.5%)**
Other expenses (income)							
Interest expense	46,693	72,275	93,247	(25,582)	(35.4%)	(46,554)	(49.9%)
Realized and unrealized loss on foreign exchange	(36,212)	32,512	(21,239)	(68,724)	(211.4%)	(14,973)	70.5%
Interest and other income	(2,260)	(1,942)	(3,833)	(318)	16.4%	1,573	(41.0%)
Gain on held for trading financial instruments	-	(34,529)	(399,491)	34,529	(100.0%)	399,491	(100.0%)
	8,221	**68,316**	**(331,316)**	**(60,095)**	**(88.0%)**	**339,537**	**(102.5%)**
Net loss before income taxes	**(533,321)**	**(788,260)**	**(2,852,756)**	**254,939**	**(32.3%)**	**2,319,435**	**(81.3%)**
Current	215,785	37,155	305,784	178,630	480.8%	(89,999)	(29.4%)
Future	(148,382)	(50,098)	(261,651)	(98,284)	196.2%	113,269	(43.3%)
Net income (loss) attributable to owners of the parent	**(600,724)**	**(775,317)**	**(2,896,889)**	**174,593**	**(22.5%)**	**2,296,165**	**(79.3%)**
Other comprehensive income	(409)	(28,384)	35,730	27,975	(98.6%)	(36,139)	(101.1%)
Comprehensive income (loss), attributable to owners of the parent	**(601,133)**	**(803,701)**	**(2,861,159)**	**202,568**	**(25.2%)**	**2,260,026**	**(79.0%)**
Non-IFRS reporting measures(as outlined on Pages 16 – 18 of this MD&A):	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
EBITDA	**(296,920)**	**(326,615)**	**(434,098)**	**29,695**	**9.1%**	**137,178**	**31.6%**
Normalized EBITDA	**(276,402)**	**(322,113)**	**(172,373)**	**45,711**	**14.2%**	**(104,029)**	**(60.4%)**

The presentation of the below of Selected Financial Data is for the purposes of this management discussion and analysis. The 2013 and 2012 financial data below have been prepared and presented in accordance with International Financial Reporting Standards.

Selected Financial Data for the three months ended	**March 31, 2013**	**March 31, 2012**	**December 31, 2012**
Revenue	$ 4,093,586	$ 3,630,044	$ 4,537,528
Net income (loss), attributable to the owners of the parent	(600,724)	(775,317)	(2,896,889)
Income (loss) per share – basic and diluted	(0.01)	(0.02)	(0.06)
Weighted average number of shares outstanding (000's) - basic	48,434	48,434	48,434
Weighted average number of shares outstanding (000's) – diluted	48,434	48,434	48,434
Cash and cash equivalents	1,354,451	1,729,544	1,050,411
Bank indebtedness	12,640	216,390	256,784
Working capital (as outlined on Page 19 of this MD&A)	332,998	2,364,824	551,357
Total assets	15,701,727	20,373,075	17,244,125
Long-term liabilities	1,595,953	2,815,293	1,586,919
Total shareholders' equity	8,898,084	13,365,926	9,487,018

Comparison of the unaudited quarters ended March 31, 2013 and 2012 and December 31, 2012

Revenue:

Revenue Comparisons March 31, 2013, March 31, 2012 and December 31, 2012

Posera-HDX recognized revenue of $4,093,586 for the three-months ended March 31, 2013 compared to $3,630,044 for the three-months ended March 31, 2012, an increase of $463,542 (12.8%) and $4,537,528 for the three-months ended December 31, 2012, a decrease of $443,942 (9.8%). The decrease in revenue during the three-months ended March 31, 2013 compared to December 31, 2012 is primarily a seasonal fluctuation, where the seasonal results of the first quarter tends to be the weakest quarter of the year. The increase in revenue during the three-months ended March 31, 2013 is a result of the Company completing additional system installations and completing a portion of the Department of National Defence contract which are an increase and net new business respectively, when compared to the three-months ended March 31, 2012.

Cost of Sales:

Cost of Sales Comparisons March 31, 2013, March 31, 2012 and December 31, 2012

Posera-HDX recognized cost of inventory of $927,595 (22.7% of revenues) for the three-months ended March 31, 2013, compared to $646,908 (17.8% of revenues) for the three-months ended March 31, 2012 and $1,307,746 (28.8% of revenues) for the three-months ended December 31, 2012. The changes in the cost of inventory as a percentage of revenue is a result of a change in product mix between the respective periods. For example the Company earned a higher proportion of revenue related to service contracts in the three-months ended March 31, 2012 than in the three-months ended March 31, 2013 and December 31, 2012, which resulted in a lower percentage of cost of inventory as a proportion of revenues.

Technology expenses in the three-months ended March 31, 2013 were $478,918, an increase of $17,231 (3.7%) from $461,687 in the three-months ended March 31, 2012 and an increase of $101,942 (27.0%) from $376,976 in the three-months ended December 31, 2012

Included in the technology expense for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012 is amortization of technology intangible assets, totaling $134,927, $140,809 and $137,590 respectively. Excluding these one-time expenditures and intangible asset amortization, Posera-HDX`s technology expenses for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012 would have been $343,991, $320,878, and $239,386 respectively.

The technology expense remained relatively consistent during the three-months ended March 31, 2013 compared to the three-months ended March 31, 2012, as a result of no significant changes in head-out or other key technology expense factors. Technology expenses in the three-months ended December 31, 2012 decreased compared to the three-months ended March 31, 2013 as adjustments were posted during the various quarters relating to investment tax credits receivable. The largest such adjustment was posted in the three-months ended December 31, 2013 resulting in reduction of the technology expense in that period ended. Otherwise the standard technology expenses have remained relatively consistent for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012.

Technology Expense Reconciliation	**For the quarters ended**		
	March 31, 2013	**March 31, 2012**	**December 31, 2012**
Technology expense	**$ 478,918**	**$ 461,687**	**$ 376,976**
Less: Amortization of intangible assets	134,927	140,809	137,590
Adjusted technology expense	**$ 343,991**	**$ 320,878**	**$ 239,386**

Operations and support expenses were $1,171,117 in the three-months ended March 31, 2013; a decrease of $39,613 (3.3%) from $1,210,730 in the three-months ended March 31, 2012, and a decrease of $42,990 (3.5%) from $1,214,107 in the three-months ended December 31, 2012. The operations and support expenses remained relatively consistent as the employee headcount and other operations and support expenses remained relatively consistent between all of the comparable quarters.

Operations and Support Expense Reconciliation	**For the quarters ended**		
	March 31, 2013	**March 31, 2012**	**December 31, 2012**
Operations and Support Expense	**$ 1,171,117**	**$ 1,210,730**	**$ 1,214,107**
Less: One-time expenditures	-	-	14,080
Adjusted Operating and Support expense	**$ 1,171,117**	**$ 1,210,730**	**$ 1,200,027**

Operating Expenditures:

Posera-HDX recognized operating expenditures of $2,041,056 for the three-months ended March 31, 2013 compared to $2,030,633 for the three-months ended March 31, 2012, and $4,822,771 for the three-months ended December 31, 2012.

Included in operating expenses for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012 are one-time expenditures relating to the various acquisitions during 2011, an office move, legal expenses, US tax penalties and interest, out of period expenditures and the 2011 corporate reorganization, totaling $8,319, $nil and $203,906 respectively. Excluding these one-time expenditures, Posera-HDX`s operating expenditures for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012, would have been $2,032,737, $2,030,633, and $4,618,865 respectively.

Sales and marketing expenses were $889,299 in the three-months ended March 31, 2013 a decrease of $4,765 (0.5%) from $894,064 in the three-months ended March 31, 2012, and an increase of $65,518 (8.0%) from $823,781 in the three-months ended December 31, 2012. The sales and marketing expenses adjusted below for the amortization of intangible assets has increased as a result of an increase in headcount and an increase in the quarterly advertising expenditures during the three-months ended March 31, 2013 when compared to the three-months ended March 31, 2012 and December 31, 2012.

Sales and Marketing Expense Reconciliation			
	March 31, 2013	**March 31, 2012**	**December 31, 2012**
Sales and marketing expense	**$ 889,299**	**$ 894,064**	**$ 823,781**
Less: Amortization of intangible assets	190,797	192,198	191,734
Adjusted sales and marketing expense	**$ 698,502**	**$ 701,866**	**$ 632,047**

Included in general and administrative expenses for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012 was non-cash stock-based compensation expense of $12,199, $4,502 and $43,739 respectively. Excluding these non-cash stock compensation expenses, and the one-time expenditures above, Posera-HDX's operating expenditures for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012, would have been $2,020,538, $2,026,161 and $4,575,126 respectively.

General and administrative expenses were $1,151,757 in the three-months ended March 31, 2013; an increase of $15,158 (.3%) from $1,136,599 in the three-months ended March 31, 2012, and a decrease of $427,369 (27.1%) from $1,579,126 in the three-months ended December 31, 2012. Included in general and administrative expenses for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012 is stock-based compensation expense of $12,199, $4,502 and $43,739 respectively. Additionally, included in general and administrative expenses for the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012 are one-time expenditures of $8,319, $nil and $203,906 respectively. Finally, included in general and administrative expenses for the three-months ended $203,906 is amortization of intangible assets and property, plant and equipment of $37,263, $34,436 and $37,169 respectively.

After factoring these amounts, the adjusted general and administrative expenditures the three-months ended March 31, 2013 and 2012 were relatively consistent, whereas the fluctuation between the three-months ended March 31, 2013 and December 31, 2012 is a result of seasonal expenses that were expensed in the fourth quarter of 2012 which were not incurred in the first quarter of 2013. See the table below for a summary:

General and Administrative Expense Reconciliation			
	March 31, 2013	**March 31, 2012**	**December 31, 2012**
General and administrative expense	**$ 1,151,757**	**$ 1,136,599**	**$ 1,579,126**
Less: Stock-based compensation expense	12,199	4,502	43,739
Less: Amortization of intangible assets and PP&E	37,263	34,436	37,169
Less: One-time expenditures	8,319	-	203.906
Adjusted general and administrative expense	**$ 1,093,976**	**$ 1,097,661**	**$ 1,294,312**

Other Expense and Income:

Interest expense is comprised primarily of interest expense incurred on long-term obligations, including the convertible debenture issued as a result of the Posera acquisition. Interest expense for the three-months ended March 31, 2013 of $46,693 decreased $25,582 and $46,554 from $72,275 and $93,247 for the three-months ended March 31, 2012 and December 31, 2012 respectively as a result of reductions in the outstanding interest-bearing debts through regularly scheduled repayments.

Realized and unrealized (gain) loss on foreign exchange is comprised primarily of the (gain) loss on the foreign denominated convertible debenture and net assets denominated in foreign currencies. As a result of the decrease in the CAD, relative to the USD, the carrying amount of the convertible debenture liability (in CAD) has decreased, resulting in a loss during the three-months ended March 31, 2013. Additionally, the net assets denominated in foreign currencies incurred a gain during the three-months ended March 31, 2012 as a result of a increase of the value of the source currency when translated into the functional currency. The fluctuations in the realized and unrealized (gain) loss on foreign exchange has impacted the three comparable reporting periods, March 31, 2013, March 31, 2012 and December, 2012. The impact to income is predicated on the foreign exchange movements in net assets denominated in a currency other than the functional currency and the revelation of the convertible debenture from USD to CAD.

Interest and other income is comprised primarily of interest earned from the investing of HDX's corporate funds. The interest earned remained relatively consistent between the three-months ended March 31, 2013, March 31, 2012 and December 31, 2012, as the interest rates earned, and balances deposited remained relatively consistent.

For the three-months ended December 31, 2012, the $399,491 gain on the held for trading financial instruments is a result of the revaluation of the Royalty Payable. As at December 31, 2012 and throughout fiscal 2012, the Company evaluated the estimate of the Royalty Payable and determined that a write-down of the Royalty Payable was required. In the third quarter of 2012, the Company completed the integration of the Scheduler product with the MaitreD' software package. With the completion of the integration the Company has experienced challenges in both direct and indirect sales of Scheduler product. This evaluation has led to the Company's decision to right down the value of the Royalty Payable for the three-months ended December 31, 2012. The Company did not undertake a similar revaluation of the Royalty Payable during the three-month periods ended March 31, 2013 and 2012.

For the three-months ended March 31, 2012 the $34,529 gain loss on held for trading financial instruments relates entirely to the gain on the conversion option of the convertible debenture. The gain during three-months ended March 31, 2012 resulted from the change in the fair-value of the conversion option, largely the result of the reduction in the time to expiry of the conversion option, which expired on May 1, 2012.

Segment Analysis

Operating Segments			
	Revenue for the three-months ended		
	March 31, 2013	March 31, 2012	December 31, 2012
Direct POS	$ 1,727,264	$ 1,731,074	$2,813,010
POS Software	2,383,792	1,912,066	1,748,068
Other	2,301	487	4,936
Intersegment - POS Software	(19,771)	(13,583)	(28,486)
Total	**$ 4,093,586**	**$ 3,630,044**	**$4,537,528**
	Operating profit for the three-months ended (1)		
	March 31, 2013	March 31, 2012	December 31, 2012
Direct POS	$ (164,939)	$ (113,352)	$ 328,969
POS Software	315,445	82,115	(261,308)
Other	(134,272)	(120,743)	(70,628)
Total	**$ 16,234**	**$ (151,980)**	**$ (2,967)**

(1) 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.

Direct POS

Revenue

For the three-months ended March 31, 2013, Direct POS revenue decreased $3,810 (0.2%) and decreased $1,085,746 (38.6%) when compared to the three-months ended March 31, 2012 and December 31, 2012 respectively. Revenue for the three-months ended March 31, 2013, remained relatively consistent with the revenue for the three-months ended March 31, 2012, as a result of the Company completing a similar amount of system installations. Revenue for the three-months ended March 31, 2013, decreased compared to the three-months ended December 31, 2012, primarily as a result of a seasonal fluctuation, where the seasonal result of the first quarter tends to be the weakest quarter of the year in terms of the number of system installations.

Operating Profit

For the three-months ended March 31, 2013, Direct POS operating profit decreased $51,587 (45.5%) and $493,908 (150.1 %) when compared to the three-months ended March 31, 2012 and December 31, 2012 respectively. The operating profit remained relatively consistent between the three-months ended March 31, 2013 and March 31, 2012 as a result of similar revenues and similar costs. The operating profit in the three-months ended March 31, 2012 compared to the three-months ended December 31, 2012, primarily as a result of decreased revenue as discussed above.

POS Software

Revenue

For the three-months ended March 31, 2013, POS Software revenue increased $471,726 (24.7%) and increased $635,724 (36.4%) when compared to the three-months ended March 31, 2012 and December 31, 2012 respectively. POS revenues increased compared to the three-months ended March 31, 2012 and the three-months ended December 31, 2012, primarily as a result of additional revenues relating to the Department of Defense installations completed during the three-months ended March 31, 2013.

Operating Profit

For the three-months ended March 31, 2013, POS Software operating profit increased $233,330 (284.2%) and $576,753 (220.8%) compared to the three months ended March 31, 2012 and December 31, 2012 respectively, primarily as a result of the additional Department of Defense revenues above.

Other Segments

For the three-months ended March 31, 2013, the other segments' revenue increased $1,814 (372.5%) and decreased $2,635 (53.4%) compared to the three-months ended March 31, 2012 and December 31, 2012 respectively. For the three-months ended March 31, 2013, the other segments' operating profit decreased $13,529 (11.2%) and decreased $63,644 (90.1%) compared to the three-months ended March 31, 2012 and December 31, 2012 respectively.

The Company expects to continue to make significant investments in these divisions into the foreseeable future and will strive to increase revenue and operating profits for these divisions and products as quickly as possible.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended March 31, 2013 as prepared in accordance with IFRS and certain Non-IFRS measurements. The information has been derived from our unaudited quarterly financial statements that, in management's opinion, have been prepared on a basis consistent with the audited financial statements for the years ended December 31, 2012 and 2011 and include all adjustments necessary for a fair presentation of information presented. The Earnings (Loss) Per Share – Basic and Diluted per quarter may not aggregate to the Earnings (Loss) Per Share – Basic and Diluted in the annual financial statements due to rounding.

	2013	2012		
	Q1	Q4	Q3	Q2
Revenues	$ 4,093,586	$ 4,537,528	$ 4,032,574	$ 4,245,960
EBITDA	$ (296,920)	$ (434,098)	$ (227,409)	$ (134,243)
Normalized EBITDA	$ (276,402)	$ (172,373)	$ (32,206)	$ 757
Net Income (Loss) Attributable to the Owners of the Parent	$ (600,724)	$ (2,896,889)	$ (679,992)	$ (441,026)
Comprehensive Income (Loss), Attributable to the Owners of the Parent	$ (601,133)	$ (2,861,159)	$ (725,295)	$ (429,310)
Earnings (Loss) Per Share Basic	$ (0.01)	$ (0.06)	$ (0.01)	$ (0.01)
Earnings (Loss) Per Share Diluted	$ (0.01)	$ (0.06)	$ (0.01)	$ (0.01)
	2012	2011		
	Q1	Q4	Q3	Q2
Revenues	$ 3,630,044	$ 4,812,109	$ 4,541,336	$ 4,215,178
EBITDA	$ (326,615)	$ 261,258	$ 145,517	$ 199,900
Normalized EBITDA	$ (322,113)	$ 286,415	$ 384,414	$ 233,513
Net Income (Loss), Attributable to Owners of the Parent	$ (775,317)	$ 1,917,627	$ (220,636)	$ (95,394)
Comprehensive Loss, Attributable to Owners of the Parent	$ (803,701)	$ 1,856,905	$ (95,676)	$ (104,249)
Earnings (Loss) Per Share Basic	$ (0.02)	$ 0.03	$ (0.00)	$ (0.00)
Earnings (Loss) Per Share Diluted	$ (0.02)	$ 0.03	$ (0.00)	$ (0.00)

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent

Net Loss Attributable to Owners of the Parent to EBITDA and Normalized EBITDA	**2013**	**2012**		
	Q1	Q4	Q3	Q2
Net Loss Attributable to the Owners of the Parent	**$ (600,724)**	**$ (2,896,889)**	**$ (679,992)**	**$ (441,026)**
Interest expense	46,693	93,247	65,895	69,260
Exchange loss (gain)	(36,212)	(21,239)	102,421	(104,417)
Interest and other income	(2,260)	(3,833)	(2,582)	(5,913)
Gain on held for trading financial instruments	-	(399,491)	-	(1,027)
Amortization of equipment	36,921	38,690	7,691	49,049
Amortization of intangible assets	326,065	317,306	357,779	320,795
Tax provision (recovery)	(67,403)	18,247	(78,621)	(20,964)
Impairment of assets	-	2,419,864	-	-
EBITDA	**$ (296,920)**	**$ (434,098)**	**$ (227,409)**	**$ (134,243)**
One-time non-recurring expenditures and (recoveries)	8,319	217,986	107,964	27,498
Stock-based compensation expense	12,199	43,739	87,239	107,502
Normalized EBITDA	**$ (276,402)**	**$ (172,373)**	**$ (32,206)**	**$ 757**

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent (continued)

Net Loss Attributable to Owners of the Parent to EBITDA and Normalized EBITDA	**2012**	**2011**		
	Q1	Q4	Q3	Q2
Net Income (Loss) Attributable to the Owners of the Parent	**$ (775,317)**	**$ 1,917,627**	**$ (220,636)**	**$ (95,394)**
Interest expense	72,275	79,431	85,570	97,766
Exchange loss (gain)	32,515	37,792	(107,335)	29,120
Interest and other income	(1,942)	(3,960)	(2,330)	(2,516)
Gain on held for trading financial instruments	(34,529)	(21,235)	(101,266)	(6,001)
Amortization of equipment	47,036	26,354	40,208	40,726
Amortization of intangible assets	320,407	284,967	277,656	292,408
Tax provision (recovery)	12,943	(2,059,718)	173,650	(156,209)
EBITDA	**$ (326,615)**	**$ 261,258**	**$ 145,517**	**$ 199,900**
One-time non-recurring expenditures	-	25,201	125,784	(102,691)
Stock-based compensation expense	4,502	(44)	147,513	14,500
SR&ED technology expense reduction relating to prior years	-	-	(34,400)	-
Investment tax reassessment by tax authorities(1)	-	-	-	121,804
Normalized EBITDA	**$ (322,113)**	**$ 286,415**	**$ 384,414**	**$ 233,513**

(1) The Company incurred a one-time change in estimate of the Company's investment tax credits receivable, which transpired as a result of a review performed by the relevant income tax authorities during the three-months ended June 30, 2011. The change in estimate resulted in an increased one-time expenditure to the technology expense of $121,804 for the three- months ended June 30, 2011. Of the $121,804 adjustment, $50,943 relates to a date of acquisition revaluation and $70,861 relates to investment tax credits receivable booked post acquisition. The Company applied the $70,861 ratably to quarters post-acquisition to calculate the Normalized EBITDA.

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent (continued)

Equity Attributable to Owners of the Parent to Working Capital			
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Equity Attributable To Owners of the Parent	**$ 8,898,084**	**$ 9,487,018**	**$ 13,365,926**
Add: Long-term portion of notes payable	643,827	491,842	887,835
Add: Long-term portion of vehicle Loans	18,391	20,991	28,678
Add: Long-term portion of royalty payable	118,887	119,242	479,690
Add: Conversion option	-	-	1,027
Add: Future income tax liability	814,848	954,844	1,419,090
Less: Goodwill	(4,386,385)	(4,330,746)	(6,590,920)
Less: Intangible assets	(4,417,716)	(4,701,300)	(5,871,091)
Less: Long-term portion of investment tax credits receivable	(1,163,394)	(1,262,692)	(1,075,737)
Less: Long-term portion of lease receivable	(28,128)	(28,881)	(35,840)
Less: Deposit on leased premises	(34,409)	(34,409)	(34,410)
Less: Equipment	(131,007)	(164,552)	(209,424)
Less: Deposit on pending acquisitions	-	-	-
Working Capital	**$ 332,998**	**$ 551,357**	**$ 2,364,824**

Liquidity and Financial Resources

As at March 31, 2013, HDX had cash and cash equivalents totaling $1,354,451 (March 31, 2012 – 1,729,544).

For the quarter-ended March 31, 2013 and 2012, from (used) by operating activities was $664,113 and ($600,579) respectively. Cash from (used) by operations for the quarters-ended March 31, 2013 and 2012 resulted from a net loss, which was partially offset by items not affecting cash such as amortization, interest accretion, deferred income taxes and stock-based compensation, and the changes in working capital items.

For the quarters-ended March 31, 2013 and 2012, cash used in financing activities was $102,336 and $129,978 respectively. Cash used in financing activities for the three-months ended March 31, 2013 and March 31, 2012, resulted primarily from the repayments of the notes payable and vehicle loan payments. The Company expects to continue to make acquisitions in the future and therefore may complete additional financings in the equity markets, or may issue additional debt.

For the quarters-ended March 31, 2013 and 2012, cash used in investing activities was $25,372 and $8,643 respectively. The cash used in investing activities during the three-months ended March 31, 2013 and March 31, 2013, relates primarily to the acquisition of property plant and equipment and intangible assets.

Working capital at March 31, 2013 and 2012 and December 31, 2012 was $332,998, $2,364,824 and $551,357 respectively.

Capital Structure

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to reduce debt or issue new debt.

The Company monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as the sum of bank indebtedness, and current and long-term notes payable and vehicle loans as shown in the Consolidated Statement of Financial Position. Total equity is the equity attributable to owners of the Company plus the conversion option in the Consolidated Statement of Financial Position.

The debt to equity ratios as at March 31, 2013, March 31, 2012 and December 31, 2012 were as follows:

	March 31, 2013	March 31, 2012	December 31, 2012
Total Debt			
Notes payable	$ 936,520	$ 1,181,073	$ 979,519
Vehicle loans	28,678	46,094	31,206
Bank indebtedness	12,640	216,390	256,784
Total Debt	**$ 977,838**	**$ 1,443,557**	**$ 1,267,509**
Equity			
Equity attributable to owners of the Company	$ 8,898,084	$ 13,365,926	$ 9,487,018
Conversion Option	-	1,027	-
Total Equity	**$ 8,898,084**	**$ 13,366,953**	**$ 9,487,018**
Debt to Equity Ratio	**10.99%**	**10.80%**	**13.35%**

The Company has arrangements in place that allow us to access the additional debt financing for funding when required through various lines of credit. The Company’s credit capacity as at March 31, 2013 was $54,730 (March 31, 2012 - $262,100), of which the Company had utilized $12,640 (March 31, 2012 - $216,390). The Company feels that it is adequately capitalized in order to meeting its obligations going forward.

Summary of Contractual Obligations

	Payments Due by Period				
Contractual Obligations	Total	2013	2014 – 2015	2016 - 2017	2018 and beyond
Operating Leases	$ 1,086,572	$ 393,599	$ 665,454	$ 27,519	$ -
Long-Term Debt	1,140,454	307,540	820,108	12,806	-
Vehicle Loans	30,336	8,358	19,586	2,392	-
Total Contractual Obligations	$ 2,257,362	$ 709,497	$ 1,505,148	$ 42,717	$ -

Capital Resources

Except as otherwise disclosed, the Company does not expect to make significant capital expenditures in the near future. HDX has invested in and developed an information systems infrastructure that will scale to meet the majority its anticipated market requirements. Posera-HDX continues to pursue selective acquisitions which the Company expects will be primarily focused on POS services companies that can be acquired at attractive multiples.

Financial arrangements not presented in the consolidated statements of financial position

The Company does not have any financial arrangements not presented in the consolidated statements of financial position arrangements that would ordinarily be considered 'off balance sheet' financing.

Transactions with Related Parties

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, 2013, based on amounts agreed upon by the parties, in the amounts of $13,243 (2012 - $16,394). The Company recognized operating expenses and purchased products of $82,963 during the three-months ended March 31, 2013 (2012 - $101,606) from a Company controlled by the CEO at the exchange amount. As at March 31, 2013, the Company has a receivable position of $105 (December 31, 2012 - $12,133), and a payable of $123,265 (December 31, 2012 - $173,254), which will be settled between the related parties in the normal course of business.

During the three-months ended March 31, 2013, the company issued stock-based compensation, included in Note 10(b) to the condensed consolidated interim financial statements, to certain directors in the amount of $nil (2012 - $nil).

During the three-months ended March 31, 2013, the Company received legal fees and disbursement invoices totaling $8,319, (2012 - $nil) to a law firm, a partner of which is a director of the Company. As at March 31, 2013, the Company has a payable position of $37,550 (December 31, 2012 - $55,159) 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, 2013	Three-months March 31, 2012
Salaries and short-term employee benefits	$ 241,199	$ 254,718
Share-based payments	4,178	4,502
Total	**$ 245,377**	**$ 259,220**

Share Capital

As at March 31, 2013, Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares, and 4,631,584 options, of which 4,329,084 were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70. As at May 15, 2013 Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares and 4,631,584 options, of which 4,329,084were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70. As at March 31, 2013 and May 15, 2013 the convertible debenture could have been converted into nil and nil Common Shares respectively.

Disclosure Controls and Procedures (DC&P) and Internal Controls Over Financial Reporting

The Company's management, including the Chief Executive Office ("CEO") and the Chief Financial Officer ("CFO"), are responsible for establishing and maintaining disclosure controls and procedures for the Company. As such, the Company maintains a set of disclosure controls and procedures designed to ensure that the information required to be disclosed in filings is recorded, process, summarized and reported with the time periods specified in the Canadian Securities Administrators rules and forms. An evaluation of the design of and operating effectiveness of the Company's disclosure controls and procedures was conducted during the fiscal year-ended December 31, 2012 under the supervision of the CEO and CFO as required by Canadian Securities Administrators Multilateral National Instrument 52-109, *Certification of Disclosure in Issues' Annual and Interim Filings.* The evaluation included review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and CFO have concluded that such disclosure controls and procedures are effective.

The CEO and CFO are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management, under the supervision of the CEO and CFO have evaluated whether there were changes to the Company's internal controls over financial reporting during the interim period ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Throughout 2013, the Company aims to continue to improve process documentation to highlight the controls in place which are addressing the key risks, in addition to developing more formal documentation surrounding management's analysis of monthly and quarterly financial reports.

Recent changes identified relate to the following;

Recent changes identified relate to the following;

i) The Company completed the acquisitions of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.) and Posera-HDX Scheduler Inc. (formerly the Hospitality assets of 2020 ITS Inc.) late in the fourth quarter of 2011. During fiscal 2012 the Company completed the integration of this businesses under the Company's current reporting processes, procedures and consolidated accounting system;

ii) The Company completed the acquisition of Posera in the second quarter of 2010. The addition of Posera brought along a seasoned accounting team. The Company completed a reporting structure and guidelines and procedures for Posera to insure that they were able to adhere to the DC&P and ICFR required by HDX; and

iii) The Company completed the acquisition of A&A Point of Sale Inc. in the second quarter of 2010. During 2010 and 2011 the Company was able to integrate these businesses under the Company's current reporting processes and procedures and in 2012 integrated the A&A subsidiary with the Company's current consolidated accounting system.

No other changes were identified through management's evaluation of the controls over financial reporting. Throughout the remainder of 2013 the Company aims to improve;

- process documentation to highlight the controls in place which are addressing the key risks;
- developing more formal documentation surrounding management's analysis of monthly and quarterly financial reports;
- formalize a process for foreign tax reporting and
- integrating all of the acquired entities onto one accounting system platform.

Management of the Company believes in and are committed to establishing rigorous DC&P and ICFR. Our management team will continue to evaluate the effectiveness of our overall control environment and will continue to refine existing controls as they, in conjunction with the Audit Committee, Board of Directors, CEO and CFO, deem necessary. It should be noted that the control deficiencies identified by the Company did not result in adjustment to our annual audited Consolidated Financial Statements for the year ended December 31, 2012.

Period-end Financial Reporting Process

The Company did not maintain consistently and effective controls over the period-end financial reporting process throughout the year, specifically:

- Although controls are performed, adequate evidence does not always exist demonstrating the performance of controls such as review of account reconciliations, spreadsheets and significant account balances requiring the use of accounting estimates.

Limitation of Control Procedures

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can only provide reasonable, not absolute assurance that the control system objectives will be met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Risks and Uncertainties

The Company is exposed to a variety of risks in the normal course of operations. In the Annual Information Form of the Company which was filed on March 28, 2013, it provided a detailed review of the risks that could affect its financial condition, results of operation or business that could cause actual results to differ materially from those expressed in our forward-looking statements. In management's opinion, there has been no material change in the nature or magnitude of the risks faced by the Company.

Additional Information

Additional information related to the Company can be found on SEDAR at www.sedar.com.

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