POSERA-HDX LTD.

(formerly POSERA-HDX INC.)

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

FOR THE THREE-MONTHS ENDED JUNE 30, 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. (formerly Posera - HDX Inc.) for the three-months ended June 30, 2013 and should be read in conjunction with the financial statements for such periods and the accompanying notes thereto. This MD&A discusses the three-months ending June 30, 2013, compared to March 31, 2013 and June 30, 2012. For an analysis of the six-months ending June 30, 2013 compared to June 30, 2012, please read this MD&A in conjunction with the MD&A for the three-months ending March 31, 2013 and the three and six-months ending June 30, 2012. The effective date of this MD&A is August 13, 2013.

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.

Non-IFRS reporting definitions:

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".

Comparative Figures:

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

Highlights and Summary - Three-months ended June 30, 2013 (Unaudited)

(This section acts merely as a summary; the detailed analysis is discussed in the "Comparison of the Unaudited three-months ended June 30, 2013 June 30, 2012 and March 31, 2013".)

- Net loss for the three-months ended June 30, 2013 was loss of $350,989, a decrease of $90,037 from a loss of $441,026 for the three-months ended June 30, 2012, and a decrease of $249,735 from a loss of $600,724 for the three-months ended March 31, 2013;
- EBITDA loss for the three-months ended June 30, 2013, was $171,110, an increase of $36,867 from $134,243 for the three-months ended June 30, 2012, and a decrease of $125,810 from $296,920 for the three-months ended March 31, 2013;
- Normalized EBITDA profit (loss) for the three-months ended June 30, 2013 was ($117,695), a decrease of $118,452 from $757 for the three-months ended June 30, 2012, and an increase of $158,707 from ($276,402) for the three-months ended March 31, 2013;
- Total revenue was $4,305,530 for the three-months ended June 30, 2013, up $59,570 (1.4%) from $4,245,960 for the three-months ended June 30, 2012 and up $211,944 (5.2%) from $4,093,586 for the three-months ended March 31, 2013;
- Gross profit was $1,684,988 for the three-months ended June 30, 2013, up $131,070 (8.4%) from $1,553,918 for the three-months ended June 30, 2012, and up $169,032 (11.2%) from $1,515,956 for the three-months ended March 31, 2013;
- Operating expenses were $2,105,915 for the three-months ended June 30, 2013, up $47,910 (2.3%) from $2,058,005 for the three-months ended June 30, 2012, and up $63,859 (3.1%) from $2,041,056 for the three-months ended March 31, 2013;
- Included in cost of sales and operating expenses for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 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 $326,714, $477,346 and $383,505 respectively;
- Posera-HDX's cash and cash equivalents totaled $1,337,975 as at June 30, 2013, a decrease of $114,237 (7.9%) from $1,452,212 as at June 30, 2012, and a decrease of $16,476 (1.2%) from $1,354,451 as at March 31, 2013. Bank indebtedness was $nil as at June 30, 2013, a decrease of $235,659 (100.0%) compared to $235,659 as at June 30, 2012, and a decrease of $12,640 (100.0%) compared to $12,640 as at March 31, 2013; and
- Posera-HDX's working capital totaled $67,163 as at June 30, 2013, a decrease of $1,943,386 (96.7%) from $2,010,549 as at June 30, 2012, and a decrease of $265,835 (79.8%) from $332,998 as at March 31, 2013.

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 100 resellers in 25 countries with approximately 550 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.

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, 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.

Acquisitions and Divestitures During the Three-Months Ended March 31, 2013 and 2012 and Six-Months Ended June 30, 2013 and 2012 in addition to the Year-Ended December 31, 2012

There were no acquisition or divestitures completed by the Company during the three and six-months ended June 30, 2013 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 year-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 – June 30, 2013 - $4,211,051 (June 30, 2012 - $5,580,663, March 31, 2013 - $4,417,716) and Goodwill – June 30, 2013 - $4,482,074 (June 30, 2012 - $6,644,678, March 31, 2013 - $4,386,385)*
    - 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, 2011 annual consolidated financial statements and MD&A.

b. *Royalty payable – June 30, 2013 - $127,044 (June 30, 2012 - $496,447 March 31, 2013- $124,675*
    - See the detailed disclosure surrounding the estimates used and sensitivity thereon in the December 31, 2011 annual consolidated financial statements and MD&A.

c. *Investment Tax Credits Receivable – non-refundable – June 30,2013 - $1,199,270 (June 30, 2012 - $1,137,661 March 31, 2013 - $1,163,394)*
    - 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 June 30, 2013, June 30, 2012 and March 31, 2013.

Analysis of the Unaudited Quarterly Results	Q2-2013 (unaudited) $	Q2-2012 (unaudited) $	Q1-2013 (unaudited) $		Q2-2013 vs. Q2-2012 $	%	Q2-2013 vs. Q1-2013 $	%
Revenue	4,305,530	4,245,960	4,093,586		59,570	1.4%	211,944	5.2%
Cost of Sales								
Cost of inventory	968,785	935,227	927,595		33,558	3.6%	41,190	4.4%
Technology	489,127	566,978	478,918		(77,851)	(13.7%)	10,209	2.1%
Operations and Support	1,162,630	1,189,837	1,171,117		(27,207)	(2.3%)	(8,487)	(0.7%)
Total Cost of Sales	**2,620,542**	**2,692,042**	**2,577,630**		**(71,500)**	**(2.7%)**	**42,912**	**1.7%**
Gross Profit	1,684,988	1,553,918	1,515,956		131,070	8.4%	169,032	11.2%
Gross Profit Percentage	39.1%	36.6%	37.0%		0	6.8%	0	5.7%
Operating Expenditures								
Sales and marketing	839,192	847,176	889,299		(7,984)	(0.9%)	(50,107)	(5.6%)
General and administrative	1,266,723	1,210,829	1,151,757		55,894	4.6%	114,966	10.0%
Total Operating Expenditures	**2,105,915**	**2,058,005**	**2,041,056**		**47,910**	**2.3%**	**63,859**	**3.1%**
	(420,927)	**(504,087)**	**(525,100)**		**83,160**	**(16.5%)**	**104,173**	**(19.8%)**
Other expenses (income)								
Interest expense	54,159	69,260	46,693		(15,101)	(21.8%)	7,466	16.0%
Realized and unrealized loss on foreign exchange	(156,026)	(104,417)	(36,212)		(51,609)	49.4%	(119,814)	330.9%
Interest and other income	(2,712)	(5,913)	(2,260)		3,201	(54.1%)	(452)	20.0%
Gain on held for trading financial instruments	-	(1,027)	-		1.027	100.0%	-	-
	(104,579)	**(42,097)**	**8,221**		**(62,482)**	**148.4%**	**112,800**	**1,372.1%**
Net loss before income taxes	**(316,348)**	**(461,990)**	**(533,321)**		**145,642**	**(31.5%)**	**216,973**	**(40.7%)**
Current	39,394	6,140	215,785		33,254	541.6%	(176,391)	(81.7%)
Future	(4,753)	(27,104)	(148,382)		22,351	(82.5%)	143,629	(96.8%)
Net income (loss) attributable to owners of the parent	**(350,989)**	**(441,026)**	**(600,724)**		**90,037**	**(20.4%)**	**249,735**	**(41.6%)**
Other comprehensive income	(39,326)	11,716	(409)		(51,042)	(435.7%)	(38,917)	9515.2%
Comprehensive income (loss), attributable to owners of the parent	**(390,315)**	**(429,310)**	**(601,133)**		**38,995**	**(9.1%)**	**210,818**	**(35.1%)**
Non-IFRS reporting measures(as outlined on Pages 14 – 16 of this MD&A):	(unaudited)	(unaudited)	(unaudited)					
EBITDA	**(171,110)**	**(134,243)**	**(296,920)**		**(36,867)**	**27.5%**	**125,810**	**(42.4%)**
Normalized EBITDA	**(117,695)**	**757**	**(276,402)**		**(118,452)**	**(15,6478%)**	**158,707**	**(57.4%)**

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	**June 30, 2013**	**June 30, 2012**	**March 31, 2013**
Revenue	$ 4,305,530	$ 4,245,960	$ 4,093,586
Net income (loss), attributable to the owners of the parent	(350,989)	(441,026)	(600,724)
Income (loss) per share – basic and diluted	(0.01)	(0.01)	(0.01)
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	1,337,975	1,452,212	1,354,451
Bank indebtedness	-	235,659	12,640
Working capital (as outlined on Page 19 of this MD&A)	67,163	2,010,549	332,998
Total assets	15,900,047	20,477,781	15,701,727
Long-term liabilities	1,654,389	2,568,138	1,595,953
Total shareholders' equity	8,515,384	13,044,118	8,898,084

Comparison of the unaudited quarters ended June 30, 2013 and 2012 and March 31, 2013

Revenue:

Revenue Comparisons June 30, 2013, June 30, 2012 and March 31, 2013

Posera-HDX recognized revenue of $4,305,530 for the three-months ended June 30, 2013 compared to $4,245,960 for the three-months ended June 30, 2012, an increase of $59,570 (1.4%) and $4,093,586 for the three-months ended March 31, 2013, an increase of $211,944 (5.2%). The increase in revenue during the three-months ended June 30, 2013 compared to March 31, 2013 is primarily a seasonal fluctuation, where the seasonal result of the first quarter tends to be the weakest quarter of the year. The increase in revenue generated between the three-months ended June 30, 2013 and 2012 was primarily organic growth year over year.

Cost of Sales:

Cost of Sales Comparisons June 30, 2013, June 30, 2012 and March 31, 2013

Posera-HDX recognized cost of inventory of $968,785 (22.5%) for the three-months ended June 30, 2013, compared to $935,227 (22.0% of revenues) for the three-months ended June 30, 2012 and $927,595 (22.7% of revenues) for the three-months ended March 31, 2013. 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. The cost of sales as a percentage of revenue was relatively consisted for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013.

Technology expenses in the three-months ended June 30, 2013 were $489,127, a decrease of $77,851 (13.7%) from $566,978 in the three-months ended June 30, 2012 and an increase of $10,209 (2.1%) from $478,918 in the three-months ended March 31, 2013.

Included in the technology expense for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 is amortization of technology intangible assets, totaling $135,992, $142,751 and $134,927 respectively. Excluding this intangible asset amortization, Posera-HDX`s technology expenses for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 would have been $353,135, $424,227, and $343,991 respectively. During the three-months ended June 30, 2013 the Company completed a reassessment of is investment tax credits receivable, which is refundable and as a result increased the technology expense in the second quarter of 2012 by $85,905. The three-months ended June 30, 2013 and March 31, 2013 did not have a similar reassessment. Adjusting for this tax accrual, results in the technology expense being consistent in each of the three quarters.

Technology Expense Reconciliation	For the quarters ended		
	June 30, 2013	June 30, 2012	March 31, 2013
Technology expense	**489,127**	**$ 566,978**	**$ 478,918**
Less: Amortization of intangible assets	135,992	142,751	134,927
Adjusted technology expense	**353,135**	**$ 424,227**	**$ 343,991**

Operations and support expenses were $1,162,630 in the three-months ended June 30, 2013; a decrease of $27,207 (2.3%) from $1,189,837 in the three-months ended June 30, 2012, and a decrease of $8,487 (0.7%) from $1,171,117 in the three-months ended March 31, 2013. 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.

Operating Expenditures:

Posera-HDX recognized operating expenditures of $2,105,915 for the three-months ended June 30, 2013 compared to $2,058,005 for the three-months ended June 30, 2012, and $2,041,056 for the three-months ended March 31, 2013.

Included in operating expenses for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 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 $45,800, $27,498 and $8,319 respectively. Excluding these one-time expenditures, Posera-HDX`s operating expenditures for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013, would have been $2,060,115, $2,030,507, and $2,032,737 respectively.

Sales and marketing expenses were $839,192 in the three-months ended June 30, 2013 a decrease of $7,984 (0.9%) from $847,176 in the three-months ended June 30, 2012, and a decrease of $50,107 (5.6%) from $889,299 in the three-months ended March 31, 2013. The sales and marketing expenses adjusted below for the amortization of intangible assets has increased for the three-months ended June 30, 2013 and March 31, 2013 compared to June 30, 2012, as a result of an increase in headcount and an increase in the quarterly advertising expenditures.

Sales and Marketing Expense Reconciliation			
	June 30, 2013	June 30, 2012	March 31, 2013
Sales and marketing expense	**$ 839,192**	**$ 847,176**	**$ 889,299**
Less: Amortization of intangible assets	150,088	192,510	190,797
Adjusted sales and marketing expense	**$ 689,104**	**$ 654,666**	**$ 698,502**

Included in general and administrative expenses for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 was non-cash stock-based compensation expense of $7,615, $107,502 and $12,199 respectively. Excluding these non-cash stock compensation expenses, and the one-time expenditures above, Posera-HDX's operating expenditures for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013, would have been $2,052,500, $1,923,005 and $2,020,538 respectively.

Included in the general and administrative expenses is certain amortization of equipment and intangible assets. For the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 amortization of equipment and intangible assets were $33,019, $34,583 and $37,263 respectively. Excluding the previously discussed non-cash stock compensation expenses, the one-time expenditures above and amortization of equipment and intangible assets, Posera-HDX's operating expenditures for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013, would have been $2,019,481,1,888,422 and $1,983,275, respectively.

General and administrative expenses were $1,266,723 in the three-months ended June 30, 2013; an increase of $55,894 (4.6%)from $1,210,829 in the three-months ended June 30, 2012, and an increase of $114,966 (10.0%)from $1,151,757 in the three-months ended March 31, 2013. Included in general and administrative expenses for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 is stock-based compensation expense of $7,615, $107,502 and $12,199 respectively. Additionally, included in general and administrative expenses for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 are one-time expenditures of $45,800, $27,498 and 8,319 respectively. Finally, included in general and administrative expenses for the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 is amortization of intangible assets and property, plant and equipment of $33,019, $34,583 and $37,263 respectively.

After factoring these amounts, the adjusted general and administrative expenditures the three-months ended June 30, 2013, June 30, 2012 and March 31, 2013 were relatively consistent. See the table below for a summary:

General and Administrative Expense Reconciliation			
	June 30, 2013	**June 30, 2012**	**March 31, 2013**
General and administrative expense	**$ 1,162,630**	**$ 1,189,837**	**$ 1,151,757**
Less: Stock-based compensation expense	7,615	107,502	12,199
Less: Amortization of intangible assets and PP&E	33,019	34,583	37,263
Less: One-time expenditures	45,800	27,498	8,319
Adjusted general and administrative expense	**$ 1,076,196**	**$ 1,020,254**	**$ 1,093,976**

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 June 30, 2013 of $54,159 decreased $15,101 from $69,260 and $46,693 for the three-months ended June 30, 2012 and increased $7,466 from $46,693 for the three-months ended March 31, 2013 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 increased, resulting in a loss during the three-months ended June 30, 2013. Additionally, the net assets denominated in foreign currencies incurred a gain during the three-months ended June 30, 2013 as a result of an 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, June 30, 2013, June 30, 2012 and March 31, 2013. 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 June 30, 2013, June 30, 2012 and March 31, 2013, as the interest rates earned, and balances deposited remained relatively consistent.

Segment Analysis

Operating Segments	Revenue for the three-months ended		
	June 30, 2013	June 30, 2012	March 31, 2013
Direct POS	$ 2,425,367	$ 2,137,883	$ 1,727,264
POS Software	1,907,590	2,137,389	2,383,792
Other	2,557	-	2,301
Intersegment - POS Software	(29,984)	(29,312)	(19,771)
Total	**$ 4,305,530**	**$ 4,245,960**	**$ 4,093,586**
	Operating profit for the three-months ended (1)		
	June 30, 2013	June 30, 2012	March 31, 2013
Direct POS	$ 196,968	$ 152,557	$ (164,939)
POS Software	82,161	95,536	315,445
Other	(153,014)	(111,844)	(134,272)
Total	**$ 126,115**	**$ 136,249**	**$ 16,234**

(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 June 30, 2013, Direct POS revenue increased $287,484 (13.4%) and increased $698,103 (40.4%) when compared to the three-months ended June 30, 2012 and March 31, 2013 respectively. Revenue for the three-months ended June 30, 2013, increased when compared to the three-months ended June 30, 2012, as a result of the Company completing additional system installations. Revenue for the three-months ended June 30, 2013, increased compared to the three-months ended March 31, 2013, 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 June 30, 2013, Direct POS operating profit increased $44,411 (29.1%) and $361,907 (219.4%) when compared to the three-months ended June 30, 2012 and March 31, 2013 respectively. The operating profit increased as a result of the increase in revenues that the Company was able to achieve in the three-months ended June 30, 2013 when compared to the three-months ended June 30, 2012. The operating profit in the three-months ended June 30, 2013 compared to the three-months ended March 31, 2013, primarily as a result of increased revenues as discussed previously.

POS Software

Revenue

For the three-months ended June 30, 2013, POS Software revenue decreased $229,799 (10.8%) and decreased $476,202 (20.0%) when compared to the three-months ended June 30, 2012 and March 31, 2013 respectively. POS revenues decreased compared to the three-months ended June 30, 2012 as a result of fewer software licenses being sold when compared to the three-months ended June 30, 2013. Additionally, POS revenues decreased compared to the three-months ended March 31, 2013, primarily as a result of additional revenues relating to Canada's Department of National Defense installations completed during the three-months ended March 31, 2013 which did not transpire during the three-months ended June 30, 2013. The Company expects to complete additional installations relating to Canada's Department of National Defence during the fourth quarter of 2013.

Operating Profit

For the three-months ended June 30, 2013, POS Software operating profit decreased $13,375 (14.0%) and $233,284 (74.0%) compared to the three months ended June 30, 2012 and March 31, 2013 respectively, , primarily as a result of the decrease in revenues and due to the one-time additional Department of Defense revenues discussed previously.

Other Segments

For the three-months ended June 30, 2013, the other segments' revenue increased $2,557 (100.0%) and increased $256 (11.1%) compared to the three-months ended June 30, 2012 and March 31, 2013 respectively. For the three-months ended June 30, 2013, the other segments' operating profit decreased $41,170 (36.8%) and decreased $18,742 (14.0%) compared to the three-months ended June 30, 2012 and March 31, 2013 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 June 30, 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. The following numbers differ from those previously reported as a result of certain IFRS adjustments discussed previously.

	2013		**2012**	
	Q2	**Q1**	**Q4**	**Q3**
Revenues	$ 4,305,530	$ 4,093,586	$ 4,537,528	$ 4,032,574
EBITDA profit (loss)	$ (171,110)	$ (296,920)	$ (434,098)	$ (227,409)
Normalized EBITDA profit (loss)	$ (117,695)	$ (276,402)	$ (172,373)	$ (32,206)
Net Income (Loss) Attributable to the Owners of the Parent	$ (350,989)	$ (600,724)	$ (2,896,889)	$ (679,992)
Comprehensive Income (Loss), Attributable to the Owners of the Parent	$ (390,315)	$ (601,133)	$ (2,861,159)	$ (725,295)
Earnings (Loss) Per Share Basic	$ (0.01)	$ (0.01)	$ (0.06)	$ (0.01)
Earnings (Loss) Per Share Diluted	$ (0.01)	$ (0.01)	$ (0.06)	$ (0.01)

	2012		**2011**	
	Q2	**Q1**	**Q4**	**Q3**
Revenues	$ 4,245,960	$ 3,630,044	$ 4,812,109	$ 4,541,336
EBITDA profit (loss)	$ (134,243)	$ (326,615)	$ 261,258	$ 145,517
Normalized EBITDA profit (loss)	$ 757	$ (322,113)	$ 286,415	$ 384,414
Net Income (Loss), Attributable to Owners of the Parent	$ (441,026)	$ (775,317)	$ 1,917,627	$ (220,636)
Comprehensive Loss, Attributable to Owners of the Parent	$ (429,310)	$ (803,701)	$ 1,856,905	$ (95,676)
Earnings (Loss) Per Share Basic	$ (0.01)	$ (0.02)	$ 0.03	$ (0.00)
Earnings (Loss) Per Share Diluted	$ (0.01)	$ (0.02)	$ 0.03	$ (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**	
	Q2	Q1	Q4	Q3
Net Loss Attributable to the Owners of the Parent	**$ (350,989)**	**$ (600,724)**	**$ (2,896,889)**	**$ (679,992)**
Interest expense	54,159	46,693	93,247	65,895
Exchange loss (gain)	(156,026)	(36,212)	(21,239)	102,421
Interest and other income	(2,712)	(2,260)	(3,833)	(2,582)
Gain on held for trading financial instruments	-	-	(399,491)	-
Amortization of equipment	32,537	36,921	38,690	7,691
Amortization of intangible assets	286,562	326,065	317,306	357,779
Tax provision (recovery)	(34,641)	(67,403)	18,247	(78,621)
Impairment of assets	-	-	2,419,864	-
EBITDA profit (loss)	**$ (171,110)**	**$ (296,920)**	**$ (434,098)**	**$ (227,409)**
One-time non-recurring expenditures and (recoveries)	45,800	8,319	217,986	107,964
Stock-based compensation expense	7,615	12,199	43,739	87,239
Normalized EBITDA profit (loss)	**$ (117,695)**	**$ (276,402)**	**$ (172,373)**	**$ (32,206)**

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**	
	Q2	Q1	Q4	Q3
Net Income (Loss) Attributable to the Owners of the Parent	**$ (441,026)**	**$ (775,317)**	**$ 1,917,627**	**$ (220,636)**
Interest expense	69,260	72,275	79,431	85,570
Exchange loss (gain)	(104,417)	32,515	37,792	(107,335)
Interest and other income	(5,913)	(1,942)	(3,960)	(2,330)
Gain on held for trading financial instruments	(1,027)	(34,529)	(21,235)	(101,266)
Amortization of equipment	49,049	47,036	26,354	40,208
Amortization of intangible assets	320,795	320,407	284,967	277,656
Tax provision (recovery)	(20,964)	12,943	(2,059,718)	173,650
EBITDA profit (loss)	**$ (134,243)**	**$ (326,615)**	**$ 261,258**	**$ 145,517**
One-time non-recurring expenditures	27,498	-	25,201	125,784
Stock-based compensation expense	107,502	4,502	(44)	147,513
SR&ED technology expense reduction relating to prior years	-	-	-	(34,400)
Investment tax reassessment by tax authorities(1)	-	-	-	-
Normalized EBITDA profit (loss)	**$ 757**	**$ (322,113)**	**$ 286,415**	**$ 384,414**

(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			
	June 30, 2013	**March 31, 2013**	**June 30, 2012**
Equity Attributable To Owners of the Parent	**$ 8,515,384**	**$ 8,898,084**	**$ 13,044,118**
Add: Long-term portion of notes payable	671,777	643,827	649,901
Add: Long-term portion of vehicle Loans	38,787	18,391	24,922
Add: Long-term portion of royalty payable	114,759	118,887	486,183
Add: Conversion option	-	-	-
Add: Future income tax liability	829,066	814,848	1,407,132
Less: Goodwill	(4,482,074)	(4,386,385)	(6,644,678)
Less: Intangible assets	(4,211,051)	(4,417,716)	(5,580,663)
Less: Long-term portion of investment tax credits receivable	(1,199,270)	(1,163,394)	(1,137,661)
Less: Long-term portion of lease receivable	(41,792)	(28,128)	(28,776)
Less: Deposit on leased premises	(39,581)	(34,409)	(34,411)
Less: Equipment	(128,842)	(131,007)	(175,518)
Less: Deposit on pending acquisitions	-	-	-
Working Capital	**$ 67,163**	**$ 332,998**	**$ 2,010,549**

Liquidity and Financial Resources

As at June 30, 2013, HDX had cash and cash equivalents totaling $1,337,975 (June 30, 2012 - $1,452,212).

For the quarter-ended June 30, 2013 and 2012, provided by / (used in) operating activities was $29,607 and ($165,178) respectively. Cash provided by operations for the quarter-ended June 30, 2013 resulted from a net loss and unrealized gain / loss on foreign exchange, which was offset by changes in non-cash working capital items, and by items not affecting cash such as amortization, interest accretion and stock-based compensation. Cash used in operations for the quarter-ended June 30, 2012 resulted from a net loss and changes in non-cash working capital items, which was partially offset by items not affecting cash such as amortization, interest accretion and stock-based compensation.

For the quarters-ended June 30, 2013 and 2012, cash provided by / (used in) financing activities were $25,186 and ($116,435) respectively. Cash used in financing activities for the three-months ended June 30, 2012 resulted primarily from the repayments of the notes payable and vehicle loan payments. Cash provided by financing activities for the three-months ended June 30, 2013 was a result of the initiation of a vehicle loan which was partially offset by the repayments of the vehicle loan payments.HDX expects to continue to make acquisitions in the future and therefore may complete additional financings in the equity markets.

For the quarters-ended June 30, 2013 and 2012, cash used in investing activities was $34,670 and $15,038 respectively. The cash used in investing activities during the three-months ended June 30, 2012 relates to the acquisition of property plant and equipment. The cash used in investing activities during the three-months ended June 30, 2013 relates primarily to the acquisition of property plant and equipment.

Working capital at June 30, 2013 and 2012 and March 31, 2013 was $67,163, $2,010,549 and $332,998, 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 June 30, 2013, June 30, 2012 and March 31, 2013 were as follows:

	June 30, 2013	June 30, 2012	March 31, 2013
Total Debt			
Notes payable	$ 972,951	$ 1,130,673	$ 936,520
Vehicle loans	54,784	38,885	28,678
Bank indebtedness	-	235,659	12,640
Total Debt	**$ 1,027,735**	**$ 1,405,217**	**$ 977,838**
Equity			
Equity attributable to owners of the Company	$ 8,515,384	$ 13,044,118	$ 8,898,084
Conversion Option	-	-	-
Total Equity	**$ 8,515,384**	**$ 13,044,118**	**$ 8,898,084**
Debt to Equity Ratio	**12.07%**	**10.77%**	**10.99%**

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 June 30, 2013 was $49,570 (December 31, 2012 - $260,516), of which the Company had utilized $nil (December 31, 2012 - $181,746). 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	$ 917,119	$ 229,521	$ 661,775	$ 25,824	$ -
Long-Term Debt	1,142,609	280,342	849,005	13,262	-
Vehicle Loans	55,260	8,390	30,858	13,664	2,348
Total Contractual Obligations	**$ 2,114,989**	**$ 518,253**	**$ 1,541,638**	**$ 52,750**	**$ 2,348**

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 and six-months ended June 30, 2013, based on amounts agreed upon by the parties, in the amounts of $3,867 and $17,111 (2012 - $22,857 and $38,981) respectively. The Company recognized operating expenses and purchased products of $83,314 and $166,277 during the three-months ended June 30, 2013 (2012 - $84,826 and $186,432) from a Company controlled by the CEO at the exchange amount. As at June 30, 2013, the Company has a receivable position of $2,972 (December 31, 2012 - $12,133), and a payable of $175,652 (December 31, 2012 - $173,254), which will be settled between the related parties in the normal course of business.

During the three and six-months ended June 30, 2013, the company recognized stock-based compensation expense, included in Note 9(b), to certain directors and executives in the amount of $7,615 and $19,814 (2012 - $107,502 and $102,004) respectively.

During the three and six-months ended June 30, 2013, the Company received legal fees and disbursement invoices totaling $45,800 and $54,119, (2012 - $26,059 and $26,059) respectively, from a law firm, a partner of which is a director of the Company. As at June 30, 2013, the Company has a payable position of $81,062 (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 ended June 30, 2013	Six-months ended June 30, 2013	Three-months ended June 30, 2012	Six-months ended June 30, 2012
Salaries and short-term employee benefits	$ 244,177	$ 485,377	$ 250,297	$ 505,015
Share-based payments	4,178	8,355	93,752	98,254
Total	**$ 248,355**	**$ 493,732**	**$ 344,049**	**$ 603,269**

Share Capital

As at June 30, 2013, Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares, and 3,856,938 options, of which 3,856,938 were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70. As at August 14, 2013 Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares and 3,856,938 options, of which 3,856,938 were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70.

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 June 30, 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;

i) The Company completed the acquisitions of Cash N Go and 2020 late in the fourth quarter of 2011. The Company is in the process of integrating these businesses under the Company's current reporting processes and procedures; and

ii) The Company completed the transition to IFRS as of January 1, 2011 and issued its first statements under IFRS for the three months ended March 31, 2011. The conversion to

IFRS impacted other key elements of the business outside of the accounting and finance function.

a. The Company assessed there to be minimal impact to the Company's information technology systems, as the Company had only identified minimal adjustments that required posting and tracking relating to the transition to IFRS.

b. The Company ensured that the key IFRS conversion team members had been adequately trained in order to be able to lead the implementation to IFRS. These employees received ongoing training post conversion to ensure that the Company remains knowledgeable of changes to IFRS.

c. The Company's had assessed that the control environment surrounding the internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") would be impacted as a result of a transition to IFRS. The Company ensured that the key IFRS team members had received adequate training and the Company is striving to continuously improve ICFR and DC&P, and specifically incorporate IFRS in this continuous improvement analysis.

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

- 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; 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 by 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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