Condensed Consolidated Interim Financial Statements of

POSERA – HDX Ltd.

(Unaudited)
Three and nine-months ended September 30, 2014 and 2013

POSERA-HDX LTD.

Consolidated Interim Statements of Financial Position

As at September 30, 2014 and December 31, 2013

(unaudited)

(in Canadian dollars)

		September 30, 2014		December 31, 2013
ASSETS (Notes 9, 10 and 15)				
CURRENT				
Cash and cash equivalents	$	1,893,092	$	2,954,115
Accounts receivable (Note 13)		2,675,084		3,554,848
Other receivables (Notes 4, 18)		392,000		-
Current portion of lease receivable		14,779		10,667
Inventory		965,609		813,746
Investment credits receivable - refundable (Note 5)		671,086		775,447
Income taxes recoverable (Note 11)		26,422		-
Prepaid expenses and deposits		239,003		269,040
		6,877,075		**8,377,863**
NON-CURRENT				
Property, plant and equipment (Note 6)		298,224		290,312
Deposit on leased premises		39,580		39,581
Lease receivable		36,382		36,916
Investment tax credits receivable - non-refundable (Note 5)		1,067,101		1,217,686
Deferred income tax assets (Note 11)		-		44,922
Intangible assets (Note 7)		3,112,549		3,825,790
Goodwill (Note 8)		6,754,631		6,600,883
	$	**18,185,542**	**$**	**20,433,953**
LIABILITIES (Note 15)				
CURRENT				
Bank indebtedness (Note 9)	$	207,097	$	207,101
Accounts payable and accrued liabilities (Note 13)		2,357,935		2,777,542
Provisions		200,062		210,000
Current portion of vehicle loans and capital leases		53,724		51,321
Current portion of notes payable (Notes 10, 18)		1,068,468		2,178,163
Income taxes payable (Note 11)		23,950		342,407
Deferred revenue		1,593,518		2,015,836
		5,504,754		**7,782,370**
NON-CURRENT				
Deferred income tax liability (Note 11)		589,021		740,274
Vehicle loans and capital leases		154,877		165,824
Notes payable (Notes 10, 18)		1,334,134		396,697
		7,582,786		**9,085,165**
EQUITY				
SHARE CAPITAL [Note 12(a)]		53,332,163		53,319,143
CONTRIBUTED SURPLUS [Note 12(b, c)]		7,124,218		6,782,106
WARRANTS [Note 12(d)]		36,137		36,137
DEFICIT		(50,003,399)		(48,736,669)
ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS)		113,637		(51,929)
		10,602,756		**11,348,788**
	$	**18,185,542**	**$**	**20,433,953**

See accompanying notes to the condensed interim consolidated financial statements

Subsequent events (Note 18)

POSERA-HDX LTD.

Consolidated Interim Statements of Operations and Comprehensive Loss

For the three and nine-months ended September 30, 2014 and 2013

(unaudited)

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

	Three-months ended September 30,		Nine-months ended September 30,	
	2014	**2013**	**2014**	**2013**
REVENUE (Note 13)				
Point of sale revenue	$ 4,258,454	$ 5,169,015	$ 13,540,739	$ 13,563,273
Payment processing revenue *[Gross payment processing fees for the three and nine-months ended Sept 30, 2014 of $4,128,416 and $10,785,299 (2013 - $3,250 and $9,283) respectively]*	435,251	2,540	1,209,180	7,398
TOTAL REVENUE	**4,693,705**	**5,171,555**	**14,749,919**	**13,570,671**
COST OF SALES (Note 13)				
Cost of inventory	925,047	1,331,301	2,974,149	3,227,681
Technology (Note 5)	305,612	583,040	1,170,956	1,551,085
Operations and support	1,359,988	1,210,190	4,054,755	3,543,937
TOTAL COST OF SALES	**2,590,647**	**3,124,531**	**8,199,860**	**8,322,703**
GROSS PROFIT	**2,103,058**	**2,047,024**	**6,550,059**	**5,247,968**
OPERATING EXPENSES (Note 13)				
Sales and marketing	1,194,739	751,705	3,791,603	2,480,196
General and administrative (Note 4)	1,205,791	1,215,564	3,953,510	3,634,044
Impairment of assets	-	331,059	-	331,059
TOTAL OPERATING EXPENSES	**2,400,530**	**2,298,328**	**7,745,113**	**6,445,299**
	(297,472)	**(251,304)**	**(1,195,054)**	**(1,197,331)**
OTHER EXPENSES (INCOME)				
Interest expense (Notes 9, 10)	95,069	59,923	297,650	160,775
Realized and unrealized loss(gain) on foreign exchange	2,779	118,634	(7,098)	(73,604)
Interest and other income	(4,144)	(2,371)	(13,755)	(7,343)
Loss on revaluation of financial instruments	-	98,786	-	98,786
TOTAL OTHER EXPENSES (INCOME)	**93,704**	**274,972**	**276,797**	**178,614**
NET LOSS BEFORE INCOME TAXES	**(391,176)**	**(526,276)**	**(1,471,851)**	**(1,375,945)**
INCOME TAX (RECOVERY)EXPENSE				
Current (Notes 4, 11)	17,516	(10,625)	(84,501)	244,554
Deferred (Note 11)	(208,516)	(114,153)	(120,620)	(267,288)
NET LOSS	**$ (200,176)**	**$ (401,498)**	**$ (1,266,730)**	**$ (1,353,211)**
Items that may be reclassified subsequently to net income				
Other comprehensive gain(loss) on foreign translation	157,183	73,161	165,566	33,426
NET COMPREHENSIVE LOSS	**$ (42,993)**	**$ (328,337)**	**$ (1,101,164)**	**$ (1,319,785)**
BASIC AND DILUTED LOSS PER SHARE [Note 12(e)]	$ -	$ (0.01)	$ (0.02)	$ (0.03)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	59,359	48,308	59,348	48,392

See accompanying notes to the consolidated financial statements

POSERA-HDX LTD.

Consolidated Interim Statements of Changes in Equity

For the three and nine-months ended September 30, 2014 and 2013

(unaudited)

(in Canadian dollars)

	Three-months ended September 30,		Nine-months ended September 30,	
	2014	**2013**	**2014**	**2013**
DEFICIT BEGINNING OF PERIOD	$ (49,803,223)	$ (48,695,944)	$ (48,736,669)	$ (47,744,231)
Net loss	(200,176)	(401,498)	(1,266,730)	(1,353,211)
DEFICIT END OF PERIOD	**$ (50,003,399)**	**$ (49,097,442)**	**$ (50,003,399)**	**$ (49,097,442)**
ACCUMULATED OTHER COMPREHENSIVE LOSS BEGINNING OF PERIOD	$ (43,546)	$ (127,857)	$ (51,929)	$ (88,122)
Other comprehensive gain on foreign translation	157,183	73,161	165,566	33,426
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) END OF PERIOD	**$ 113,637**	**$ (54,696)**	**$ 113,637**	**$ (54,696)**
NET COMPREHENSIVE LOSS	**$ (42,993)**	**$ (328,337)**	**$ (1,101,164)**	**$ (1,319,785)**
SHARE CAPITAL BEGINNING OF PERIOD	$ 53,319,143	$ 50,790,093	$ 53,319,143	$ 50,790,093
Exercise of stock options [Note 12(a,b,c)]	13,020	-	13,020	-
Cancellation of common shares	-	(262,159)	-	(262,159)
SHARE CAPITAL END OF PERIOD [Note 12(a)]	**$ 53,332,163**	**$ 50,527,934**	**$ 53,332,163**	**$ 50,527,934**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$ 7,094,891	$ 6,549,092	$ 6,782,106	$ 6,529,278
Issuance of convertible debenture [Note 10, Note 12(c)]	-	-	92,000	-
Stock based compensation	34,597	4,178	255,382	23,992
Exercise of stock options [Note 12(a,b,c)]	(5,270)	-	(5,270)	-
Purchase of common shares for cancellation	-	224,659	-	224,659
CONTRIBUTED SURPLUS END OF PERIOD [Note 12(c)]	**$ 7,124,218**	**$ 6,777,929**	**$ 7,124,218**	**$ 6,777,929**
WARRANTS BEGINNING OF PERIOD	$ 36,137	$ -	$ 36,137	$ -
WARRANTS END OF PERIOD [Note 12(d)]	**$ 36,137**	**$ -**	**$ 36,137**	**$ -**

See accompanying notes to the consolidated financial statements

POSERA-HDX LTD.

Consolidated Interim Statements of Cash Flows

For the three and nine-months ended September 30, 2014 and 2013

(unaudited)
(in Canadian dollars)

	Three-months ended September 30, 2014	Three-months ended September 30, 2013	Nine-months ended September 30, 2014	Nine-months ended September 30, 2013
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	$ (200,176)	$ (401,498)	$ (1,266,730)	$ (1,353,211)
Items not affecting cash				
Amortization of property, plant & equipment (Note 6)	23,071	24,058	68,720	93,516
Amortization of intangible assets (Note 7)	258,578	453,042	779,085	1,065,669
Deferred income tax recovery (Note 11)	(208,516)	(114,153)	(120,620)	(267,288)
Loss on revaluation of financial instruments	-	98,786	-	98,786
Impairment of assets	-	331,059	-	331,059
Stock-based compensation expense [Note 12(b,c)]	35,608	4,178	257,404	23,992
Interest accretion (Notes 9 and 10)	43,237	28,754	139,279	96,682
Reduction of notes payable principle	-	-	-	(34,323)
Unrealized (gain)loss on foreign exchange	(17,138)	76,283	(60,604)	(65,694)
	(65,336)	**500,509**	**(203,466)**	**(10,812)**
Changes in working capital items (Note 14)	(321,786)	(459,814)	(624,454)	745,227
	(387,122)	**40,695**	**(827,920)**	**734,415**
FINANCING				
Repayment of vehicle loans and capital leases	(20,261)	(4,911)	(52,917)	(10,013)
Issuance of vehicle loans	34,205	-	34,205	28,680
Proceeds from the exercise of stock options [Notes 12(a,b, c)]	7,750	-	7,750	-
Issuance of notes payable (Note 10)	-	-	1,350,000	-
Issuance costs of notes payable (Note 10)	-	-	(100,435)	
Purchase of common Shares for cancellation	-	(37,500)	-	(37,500)
Payment of royalties	-	(225,830)	-	(227,470)
Repayment of notes payable (Note 10)	-	-	(1,500,000)	(99,088)
	21,694	**(268,241)**	**(261,397)**	**(345,391)**
INVESTING				
Acquisition of property, plant and equipment (Note 6)	(49,726)	(26,189)	(80,834)	(60,760)
Acquisition of intangible assets (Note 7)	-	(4,260)	-	(29,731)
	(49,726)	**(30,449)**	**(80,834)**	**(90,491)**
Foreign exchange gain(loss) on net cash and cash equivalents held in a foreign currency	**33,085**	**5,610**	**109,132**	**(6,600)**
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	**$ (382,069)**	**$ (252,385)**	**$ (1,061,019)**	**$ 291,933**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,068,064	1,337,975	2,747,014	793,657
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 1,685,995**	**$ 1,085,590**	**$ 1,685,995**	**$ 1,085,590**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents	$ 1,893,092	$ 1,145,590	$ 1,893,092	$ 1,145,590
Bank indebtedness (Note 9)	(207,097)	(60,000)	(207,097)	(60,000)
	$ 1,685,995	**$ 1,085,590**	**$ 1,685,995**	**$ 1,085,590**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	$ 51,832	$ 31,169	$ 158,371	$ 45,483
Interest received	4,144	2,371	13,755	4,631
Income taxes paid	294,599	53,751	357,299	98,323
Investment credits received	435,927	-	435,927	528,218

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Posera-HDX Ltd. ("Posera – HDX", "HDX" or the "Company"), is domiciled in Canada and is in the business of managing merchant transactions with consumers and facilitating payments emphasizing transaction speed, simplicity and accuracy. Posera - HDX develops and deploys touch screen point-of-sale ("POS") system software and associated enterprise management tools and has developed and deployed numerous POS applications. Posera - HDX also provides system hardware integration services, merchant staff training, system installation services, distribution of electronic cash registers to a network of value added resellers across Canada and post-sale software and hardware support services. Through Posera Inc. and its subsidiaries, collectively ("Posera"), the Company licenses, distributes and markets its hospitality POS software throughout the Americas, Europe & Asia. Finally, as a result of the 2013 acquisition of Zomaron Inc. ("Zomaron") the Company has added to its suite of product offerings by offering debit and credit card merchant processing and services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS. As such, these condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2013. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 13, 2014.

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

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year ended December 31, 2014, as issued and outstanding as of the date the Board of Directors approved these statements. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year-ended December 31, 2013, except as described below.

The results for the three and nine-months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

These consolidated financial statements include the accounts of Posera – HDX Ltd. and its wholly owned subsidiaries. These subsidiaries are A&A Point of Sale Solutions Inc. ("A&A"); Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; Posera Singapore and Posera USA Inc. ("Posera"); Century Cash Register Inc. ("Century"); HDX Payment Processing Ltd. ("HDX Payment Processing"); Posera – HDX Scheduler Inc. ("Posera – HDX Scheduler"); and Zomaron Inc. ("Zomaron"). Zomaron has been included in the consolidated financial statements since the date of acquisition, being December 9, 2013.

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

Presentation Currency

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

Foreign Currency Translation

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

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency are recognized in the consolidated statements of operations, except for gains and losses resulting from intercompany balances included in the net investment in foreign operations, for which foreign exchange gains and losses are recorded in accumulated other comprehensive income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segments

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

Business Combinations

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

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

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

Convertible debentures

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the contractual arrangement's substance, and applicable IFRS standards. If the IFRS equity classification criteria are met, the Company allocates the total face value of the convertible debenture by estimating the fair-value of the note payable component in isolation, and allocating the residual to the conversion option presented as equity. If the IFRS equity classification criteria are not met, the Company allocates the total face value of the convertible debenture by determining the fair value of the conversion option component presented as a derivate liability in isolation, with the residual being allocated to the note payable.

2. SUMMARY OF SIGNIFICANT AC-COUNTING POLICIES (continued)

Financing - Transaction Costs

Incremental costs incurred in respect of raising capital or debt are charged against the equity or debt proceeds raised, unless the instrument to which the transaction costs relate is classified as fair value through profit and loss in which case the incremental costs are expensed in the Statements of Operations immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company's activities. The Company offers certain arrangements whereby a customer can purchase products and services together. Where such multiple element arrangements exist, the amount of revenue is allocated to each element based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements sold separately.

The Company derives revenues from the following sources:

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

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

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

d) Services revenue relates to the delivery of consulting and system integration services with revenue recognized upon delivery and acceptance by the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

f) Revenue from processing transactions is recognized at the time the transactions are processed (*See Revenue Recognition - Gross Payment Processing Fees below for more information).*

The Company has presented the revenues segmented into POS Revenues and Payment Processing Revenues. POS Revenues are those revenues earned primarily from the sale, service of POS terminal hardware and software and Payment Processing Hardware, such as Debit/Credit Card pin-pads and ATMs; whereas Payment Processing Revenues are those revenues earned from primarily the associated payment processing transactions.

Revenue Recognition - Gross Payment Processing Fees

The Company has disclosed Gross Payment Processing Fees related to its Payment Processing Revenues. Gross Payment Processing Fees represent the total amount of Payment Processing Fees underlying the processing of debit and credit card payments transactions. The transaction fees are paid by merchants to a third party processor, who then remits a residual to the Company based upon certain metrics. The Company does not have a direct relationship with the merchant to process the transactions, and is not the primary obligator of the payment processing transaction. As a result, the Company records the residual received as revenue. Although the Company records the residual received as revenue, the Company has disclosed the Gross Payment Processing Fees underlying the transactions, as it may be relevant information to benchmark the Company against others in the payment processing industry who may have dissimilar contractual arrangements between the merchants and payment processors, or dissimilar revenue recognition policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS standards issued but not yet effective

Standards issued but not yet effective or amended up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company has not determined if they will early adopt any standards at this time.

i) In November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. In November 2013, the IASB introduced a new hedge accounting model, and allowed early adoption of the own credit provisions of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking 'expected loss' impairment model, and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of adopting this new standard.

ii) IFRS 15 Revenue from contracts with customers, is a new standard on revenue recognition, superseding IAS 18, *Revenue*, and IAS 11, *Construction Contracts* and related interpretations. Effective for first interim periods within years beginning on/after January 1, 2017. The Company is evaluating the impact of adopting this new standard.

Changes in Accounting Policy

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable provisions to the respective standards.

i) IFRIC 21 Accounting for Levies Imposed by Governments, an interpretation was issued which clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this interpretation did not result in any change to the Company's accounting policies or financial statements.

(in Canadian dollars, except as noted)

3. ACQUISITIONS AND DIVESTITURES

(a) During the three and nine-months ended September 30, 2014

There were no acquisitions or divestitures during the three and nine-months ended September 30, 2014.

(b) During the year ended December 31, 2013

On December 9, 2013 Posera-HDX Ltd. completed the acquisition of all the issued and outstanding shares of Zomaron Inc. ("Zomaron") The purchase price was an aggregate of $2,640,000, comprised of $1,800,000 in cash and 4,000,000 Common Shares of Posera-HDX Ltd., having a hold-period that the shares are not freely tradable until December 9, 2015, with an estimated fair-value of $840,000. The acquisition provides the Company with a complete line of payment processing offerings which are complementary to the Company's existing suite of hospitality industry software solutions and services.

The result of Zomaron's operations have been included in the consolidated financial statements since December 9, 2013. During the three and nine-months ended September 30, 2014, Zomaron generated revenue of $881,993 and $2,523,697 (2013 - $nil and $nil), and net income of $7,459 and $23,958 (2013 - $nil and $nil) respectively.

The acquisition of Zomaron is accounted for using the acquisition method whereby HDX is identified as the acquirer. The following table summarizes the fair value of the assets acquired and liabilities assumed and consideration paid at the date of the acquisition. Goodwill represents the excess earning capacity as a result of synergistic revenue opportunities, future growth, pre-assembled workforce and cost reductions. The consideration has yet to be finalized at the time of filing these financial statements as the final adjustments for closing have yet to be negotiated and agreed upon by the parties in relation to the working capital requirement as part of the share purchase agreement. The presentation of the Zomaron business acquisition is provisional as the Company expects a potential future adjustment to consideration, goodwill and working capital.

The identifiable net assets of Zomaron that were acquired at fair value as at December 9, 2013 are as follows:

Net Assets:		
Cash	$	105,763
Current assets excluding cash		277,318
Property, plant and equipment		187,982
Intangible assets		405,000
Current liabilities		(258,045)
Long-term portion of capital lease obligation		(139,150)
Deferred Income Tax Liability		(100,681)
Goodwill acquired in business combination		2,161,813
Net assets acquired	**$**	**2,640,000**

Consideration:		
Cash consideration	$	1,800,000
Share consideration		840,000
Total consideration	**$**	**2,640,000**

(in Canadian dollars, except as noted)

4. OTHER RECEIVABLES

As at September 30, 2014 the Company recorded a $392,000 (December 31, 2013 - $nil) receivable as a result of certain indemnity amounts arising from a previous acquisition. The associated recovery was recorded as a reduction in General and Administrative expenditures for the three and nine-months ending September 30, 2014 in the amount of $158,109 (2013 - $nil) respectively, and as a recovery of income taxes of $233,891 (2013 - $nil) respectively.

5. INVESTMENT CREDITS AND INVESTMENT TAX CREDITS RECEIVABLE

Investment tax credits related to Scientific Research and Experimental Design and investment credits related to Electronic Business, were recorded in the consolidated interim statements of operations as a reduction in technology expenses in the amount of $134,608 and $247,975 respectively during the three and nine-months ended September 30, 2014 (2013 - $181,697 and $553,993). Included in the above is the result of a change in the estimated Investment tax credits related to Scientific Research and Experimental Design for 2013 projects during the three and six-months ended June 30, 2014, whereby the Company reduced and expensed its estimated Investment Tax Credits Receivable by $nil and $216,621 (2013 - $nil and $nil) respectively. As of September 30, 2014, a subsidiary of the Company has refundable investment tax credits receivable totaling $671,086 (December 31, 2013 - $775,447), and non-refundable investment credits receivable totaling $1,067,101 (December 31, 2013 - $1,217,686) which expire according to the schedule below:

	September 30, 2014	December 31, 2013
2029	86,564	160,028
2030	161,198	161,198
2031	288,103	288,103
2032	327,736	327,736
2033	64,000	280,621
2034	139,500	-
Total	**$ 1,067,101**	**$ 1,217,686**

In order to receive the investment credits and investment tax credits receivable the Company must file its tax returns no later than 18 months after the period to which the claim relates.

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

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2013	**$ 984,339**	**$ 694,027**	**$ 290,312**
Acquisition of PP&E	80,834	-	80,834
Amortization of PP&E	-	68,720	(68,720)
Translation adjustment	(14,800)	(10,598)	(4,202)
Balance - September 30, 2014	**$ 1,050,373**	**$ 752,149**	**$ 298,224**

(in Canadian dollars, except as noted)

7. INTANGIBLE ASSETS

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2013	**$ 13,158,076**	**$ 9,332,286**	**$ 3,825,790**
Amortization	-	779,085	(779,085)
Translation adjustment	284,366	218,522	65,844
Balance - September 30, 2014	**$ 13,442,442**	**$ 10,329,893**	**$ 3,112,549**

8. GOODWILL

Reconciliation of Goodwill	
	Net Book Value
Balance – December 31, 2013	**$ 6,600,883**
Translation adjustment	153,748
Balance – September 30, 2014	**$ 6,754,631**

9. BANK INDEBTEDNESS

As at September 30, 2014, the Company through its subsidiary Posera Software, has a revolving line of credit of $207,097 (December 31, 2013 - $204,173), of an available $500,000 (December 31, 2013 - $500,000). The available credit facilities relate to $200,000 (December 31, 2013 - $200,000) as an operating line of credit and $300,000 (December 31, 2013 - $300,000) to finance investment tax credits. These facilities bear interest at the Canadian bank prime rate plus 2.50%, with an effective interest rate of 5.50% (June 30, 2013 – 5.25%). Any amounts borrowed in relation to the investment tax credits are payable in full upon receipt of the investment tax credit receivables and are secured by a floating lien on current and future investment tax credit receivables with a current carrying value of $671,086 (December 31, 2013 - $775,447). Additionally, the facilities have a first ranking $1,000,000 (December 31, 2013 - $1,000,000) moving hypothec on the assets of Posera Software. This facility has been guaranteed up to 80% by Investissement Quebec for the portions borrowed pertaining to the investment tax credits. Posera Software must meet certain non-IFRS measures including Working Capital, EBITDA, Net Tangible Worth and Debt ratios. As at September 30, 2014 the Company is in full compliance with these covenants.

As at September 30, 2014, the Company through its subsidiary Posera Europe, has a revolving line of credit of $Nil (December 31, 2013 - $2,928), with interest at 9.13% over the Bank of England base rate (March 31, 2013 – 6.59%). The effective interest rate was 9.63% for the three-months ended September 30, 2014 (September 30, 2013 – 7.09%). The revolving line of credit is secured by a floating lien on assets, with a carrying value of $298,859 as at September 30, 2014 (December 31, 2013 - $203,489). Under the current terms of this line of credit there are no restrictive covenants.

(in Canadian dollars, except as noted)

10. NOTES PAYABLE

		Carrying Value	
#	Details	September 30, 2014	December 31, 2013
1	Loan from prior Posera shareholders, with a nominal and effective interest rate of 5.00%, with monthly installments of USD $33,633 including interest, commencing June 1, 2015, and is unsecured.	264,556	242,034
2	Convertible debenture with a nominal interest rate of 3.95% and an effective interest rate of 9.50%, due in April, 2015, with monthly installments of USD $33,633 including interest. The debenture was convertible into Class A Common Shares until May 5, 2012 at $0.645 per Common Share, which option expired unexercised. The convertible debenture is secured with the Posera assets source code, all recodes, accounts, money and proceeds derived from the source code and any part thereof; which, as at September 30, 2014 have a carrying value of $359,367 (December 31, 2013 - $577,535) (Refer to Subsequent Event - Note 18).	923,796	847,826
3	Term Promissory Note with a nominal interest rate of 10.25% and an effective interest rate of 20.83%, which is unsecured. The principal of $1,500,000 and interest is repayable on maturity, being January 24, 2014.	-	1,485,000
4	Convertible debentures with a nominal interest rate of 10.25%, and an effective interest rate of 22.87%, due with monthly interest payments and a balloon payment of $1,500,000 due on January 15, 2017. The debenture is convertible into Class A Common Shares until January 15, 2016 at $0.45 per Common share, and thereafter until January 15, 2017 at $0.60. The conversion rights shall terminate 15 days after the Company provides notice to the debenture holders, if after January 15, 2016 the average 90 day closing price of the Company's common shares exceeds $0.75. The convertible debenture is unsecured.	1,214,250	-
	Total Notes Payable	**2,402,602**	**2,574,860**
	Current portion of the Notes Payable	1,068,468	2,178,163
	Long-term portion of the Notes Payable	**$ 1,334,134**	**$ 396,697**

	Fair Value	
#	September 30, 2014	December 31, 2013
1	256,980	226,817
2	922,705	869,948
3	-	1,505,401
4	1,224,994	-
Total	**$ 2,404,679**	**$ 2,602,166**

(in Canadian dollars, except as noted)

10. NOTES PAYABLE *(continued)*

Principal and interest payments required in the next five years, by fiscal year, and thereafter are as follows:

	September 30, 2014	December 31, 2013
2014	795,265	2,268,906
2015	605,778	429,264
2016	167,872	13,411
2017	1,512,812	-
Sub-total	**3,081,727**	**2,711,581**
Less: Interest	(679,125)	(136,721)
Total	**$ 2,402,602**	**$ 2,574,860**

For the three and nine-months ending September 30, 2014, interest expense of $80,530 and $253,923 (2013 - $33.527 and $105,196) respectively, was recorded in the consolidated statements of operations in relation to notes payable.

11. INCOME TAXES

Income tax expense has been recognized based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year for each taxable entity, less a valuation adjustment in instances where it was not probable that any future income tax assets would be realized. The estimated average annual rate used for the three and nine-months ended September 30, 2014 and September 30, 2013, by taxable entity, ranged from 0% to 34%. Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 5.

12. SHARE CAPITAL

(a) Authorized and issued

Authorized

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

An unlimited number of Class B non-voting common shares (“Class B”) – non-voting convertible into Common Shares at the option of the holder, on a share for share basis, with no par value. As at September 30, 2014 and December 31, 2013 there are nil Class B issued or outstanding.

Common Shares Issued	Number of Common Shares	$
Balance December 31, 2013	**59,343,087**	**53,319,143**
Exercise of Stock Options	31,000	13,020
Balance September 30, 2014	**59,374,087**	**53,332,163**

(in Canadian dollars, except as noted)

12. SHARE CAPITAL (*continued*)

(b) Stock options and stock-based compensation

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

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

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

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

	September 30, 2014	
	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the period	**4,939,105**	**$ 0.32**
Exercise of employee and directors options	(31,000)	$ 0.25
Expiry of employee and directors options	(148,681)	$ 0.25
Options outstanding, end of the period	**4,759,424**	**$ 0.32**
Options exercisable, end of the period	**4,479,174**	**$ 0.32**

(in Canadian dollars, except as noted)

12. SHARE CAPITAL (*continued*)

The following table summarizes information about options outstanding as at;

September 30, 2014

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	1,604,656	2.71	0.25	1,604,656	0.25
0.28	250,000	2.75	0.28	250,000	0.28
0.30	400,000	1.15	0.30	400,000	0.30
0.32	1,165,500	4.55	0.32	905,250	0.32
0.34	637,563	1.95	0.34	637,563	0.34
0.40	290,304	1.16	0.40	290,304	0.40
0.50	400,000	1.16	0.50	400,000	0.50
2.70	11,400	0.33	2.70	11,400	2.50
	4,759,424	**2.70**	**$0.32**	**4,479,174**	**$0.32**

December 31, 2013

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	1,784,338	3.17	0.25	1,664,338	0.25
0.28	250,000	3.50	0.28	250,000	0.28
0.30	400,000	1.90	0.30	400,000	0.30
0.34	637,563	2.70	0.34	637,563	0.34
0.40	290,304	1.91	0.40	290,304	0.40
0.50	400,000	1.91	0.50	400,000	0.50
2.70	11,400	1.08	2.70	11,400	2.50
	3,773,605	**2.74**	**$0.32**	**3,653,605**	**$0.32**

Of the options outstanding as at September 30, 2014 250,000 (December 31, 2013 – 250,000) with an exercise price of $0.28, of which 250,000 (December 31, 2013 – 250,000) are exercisable, are consultant compensation options.

For the three and nine-months ended September 30, 2014, the Company recognized an expense of $35,608 and $257,404 (2013 – $4,178 and $23,992) respectively for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenditures.

(in Canadian dollars, except as noted)

12. SHARE CAPITAL *(continued)*

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

	Three-months ended September 30, 2014	Three-months ended September 30, 2013
Risk-free rate of return	1.65%	1.18%
Expected volatility (i)	104%	110%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 5%	0 - 5%

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

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance December 31, 2013	**$ 6,782,106**
Stock-based compensation expense recognized during the period	255,382
Issuance of Convertible Debenture (Note 10)	92,000
Exercise of stock options	(5,270)
Balance September 30, 2014	**$ 7,124,218**

(d) Warrants

The warrants outstanding are as follows:

	September 30, 2014		December 31, 2013	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at $0.30 per share. The warrants expire on December 19, 2015	405,000	$ 32,092	405,000	$ 32,092
Outstanding share purchase warrants to purchase Common Shares at $0.45 per share. The warrants expire on December 6, 2015	177,533	4,045	177,533	4,045
Total	**582,533**	**$ 36,137**	**582,533**	**$ 36,137**

(e) Loss per share

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

(in Canadian dollars, except as noted)

12. SHARE CAPITAL *(continued)*

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with dilutive impact	Number exercisable with anti-dilutive impact
Stock options	Note 12(b)	Note 12(b)	4,759,424	-	4,479,174
Conversion Option	Note 10	January 15, 2017	3,333,333	-	3,333,333
Warrants	$0.30	December 19, 2015	405,000	-	405,000
Warrants	$0.45	December 6, 2015	177,533	-	177,533

13. RELATED PARTY TRANSACTIONS

The Company recognized revenue from a company controlled by the CEO, who is also a director of the Company, during the three and nine-months ended September 30, 2014, based on amounts agreed upon by the parties, in the amounts of $10,113 and $30,176 respectively (2013 - $18,640 and $35,751). The Company recognized operating expenses related to shared office space and employees, and purchased products of $70,290 and $222,793 during the three and nine-months ended September 30, 2014 respectively (2013 - $85,516 and $251,793) from a Company controlled by the CEO at the exchange amount based on amounts agreed to by the parties. As at September 30, 2014, the Company has a receivable position of $25,197 (December 31, 2013 - $38,015), and a payable of $89,813 (December 31, 2013 - $106,764), which will be settled between the related parties in the normal course of business.

During the three and nine-months ended September 30, 2014, the Company received legal fees and disbursement invoices totaling $24,998 and $55,682 respectively (2013 - $31,693 and $85,812) from a law firm, a partner of which is a director of the Company. As at September 30, 2014, the Company has a payable position of $71,612 (December 31, 2013 - $117,588) which will be settled between the related parties in the normal course of business.

Compensation of key management

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

	Three-months ended September 30, 2014	Three-months ended September 30, 2013	Nine-months ended September 30, 2014	Nine-months ended September 30, 2013
Salaries and short-term employee benefits	$ 252,180	$ 255,409	$ 796,678	$ 740,786
Share-based payments	29,160	4,178	236,054	12,533
Total	**$ 281,340**	**$ 259,587**	**$ 1,032,732**	**$ 753,319**

The salaries and short-term employee benefits are expensed as occurred, whereas the share-based payments are recorded at the date of grant and expensed over the vesting period to the Consolidated Statement of Operations and Comprehensive Loss. The Company granted 990,000 and 990,000 options during the three and nine-months ended September, 2014 (2013 – Nil and Nil) respectively to key management.

(in Canadian dollars, except as noted)

14. CHANGES IN WORKING CAPITAL ITEMS

	Three-months September 30, 2014	Three-months September 30, 2013	Nine-months September 30, 2014	Nine-months September 30, 2013
Accounts receivable	$ 327,198	$ (160,351)	$ 1,021,730	383,105
Other receivables	(392,000)	-	(392,000)	-
Investment tax credits and investment credits receivable	432,001	(172,341)	254,915	404,887
Income taxes payable and recoverable	(269,351)	(59,680)	(372,016)	(115,946)
Lease receivable	(8,989)	2,532	(3,577)	(10,049)
Inventory	81,609	(96,983)	(147,905)	96,006
Prepaid expenses and deposits	36,864	(63,297)	31,519	(89,229)
Accounts payable and accrued liabilities	(260,596)	141,187	(550,898)	397,208
Provisions	(34,175)	-	(34,175)	-
Deferred revenue	(234,347)	(50,881)	(432,047)	(320,755)
Total	**$ (321,786)**	**$ (459,814)**	**$ (624,454)**	**$ 745,227**

15. FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities, excluding notes payable, approximate their carrying value as at September 30, 2014 and December 31, 2013. The fair value of the note payables is disclosed in Note 10. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The fair-value estimates for notes payable utilized a discounted cash-flow valuation method, with an estimated discount rate in the range of 10.25 – 18.67% as at September 30, 2014 (December 31, 2013 – 10.25%). Changes in assumptions could materially affect estimates.

The Company's financial instruments' carrying values by classification have been summarized below:

	September 30, 2014	December 31, 2013
Financial assets		
Loans and receivables	$ 6,749,524	$ 8,549,679
Financial liabilities		
Other financial liabilities	5,176,235	5,776,648

(in Canadian dollars, except as noted)

16. SEGMENTED INFORMATION

The Company is divided into two reportable segments: Point of Sale ("POS") and Payment Processing. The POS segment focuses primarily on selling, installing and servicing POS hardware and software directly to end-users and on developing, licensing, distributing and marketing POS software indirectly through a dealer network. The Payment Processing segment focuses primarily on selling and installing payment processing hardware and recurring payment processing services for credit and debit cards. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the profit and loss from operations before income taxes, amortization, interest, realized and unrealized foreign exchange gains or losses, other gains or losses and other comprehensive income. The Company manages each segment separately and management at the time of the acquisitions were retained.

Disclosure by Segment

	Revenue for the three-months ended		Operating profit for the three-months ended (i)	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
POS	$ 3,809,907	$ 5,169,015	$ 63,621	$ 902,885
Payment Processing	885,636	2,540	(44,102)	(157,176)
Intersegment	(1,838)	-	-	-
Total	**$ 4,693,705**	**$ 5,171,555**	**$ 19,519**	**$ 745,709**

	Revenue for the nine-months ended		Operating profit for the nine-months ended (i)	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
POS	$ 12,217,371	$ 13,563,273	$ 348,102	$ 1,382,520
Payment Processing	2,535,553	7,398	(72,625)	(444,462)
Intersegment	(3,005)	-	-	-
Total	**$ 14,749,919**	**$ 13,570,671**	**$ 275,477**	**$ 938,058**

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

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

	Three-months ended September 30, 2014	Three-months ended September 30, 2013	Nine-months ended September 30, 2014	Nine-months ended September 30, 2013
Total segmented operating profit	$ 19,519	$ 745,709	$ 275,477	$ 938,058
Corporate headquarter operating expenditures	(35,342)	(188,854)	(622,726)	(645,145)
Other non-operating expenditures	(184,353)	(958,353)	(919,481)	(1,646,124)
Net Loss	**$ (200,176)**	**$ (401,498)**	**$ (1,266,730)**	**$ (1,353,211)**

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the condensed consolidated interim financial statement presentation adopted in the current period.

18. SUBSEQUENT EVENTS

On October 14, 2014, the Company finalized a settlement and release agreement pertaining to indemnifications arising from a previous acquisition. This release provided that the Company would be reimbursed $350,000 USD and to release the indemnifiers from further liability pertaining to the indemnified amounts, subject to normal limitations. As partial settlement of this claim, the Company and certain indemnifiers agreed to modify the Convertible Debenture owing to the indemnifiers by reducing the principal amount by $268,660 USD. Additionally, a change to the repayment schedule was made such that the $33,633 USD of monthly payments owing but not paid from April 2013 to July 2014 would not be required. Finally, the repayment schedule was extended with monthly payments of $33,633 USD commencing August 2014 to October 2016, with a suspension in repayments of the Convertible Debenture from and including June 2015 to January 2016, while the Company is making payments on other debts owing to the indemnifiers.