MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of this Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies which management believes are appropriate for the Company are described in note 1 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, the majority of whose members are non-management Directors, is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy and internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, audited the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

Kelly E.Ambrose
Chief Executive Officer and President

Robert von der Porten
Interim Chief Financial Officer

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
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Auditors' Report

To the Shareholders of
Advantex Marketing International Inc.

We have audited the consolidated balance sheets of **Advantex Marketing International Inc.** as at June 30, 2007 and 2006 and the consolidated statements of loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

September 28, 2007

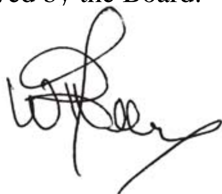
PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2007 AND 2006

ASSETS	NOTE	2007	2006
Current:			
Cash and cash equivalents		$910,995	$1,807,042
Accounts receivable		737,485	909,158
Transaction credits	1(e)	5,390,412	3,916,302
Prepaid expenses and sundry assets		185,955	154,837
		7,224,847	6,787,339
Long-term:			
Property, plant and equipment and other assets	2	775,733	623,831
Deferred financing charges	3	384,594	189,170
		1,160,327	813,001
TOTAL ASSETS		**$8,385,174**	**$7,600,340**
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		$3,707,243	$3,122,006
Long-term:			
Other liabilities	12	450,856	-
Convertible debenture payable	3	4,426,929	3,518,706
		4,877,785	3,518,706
		8,585,028	6,640,712
SHAREHOLDERS' (DEFICIENCY) EQUITY			
Capital Stock	4		
Class A preference shares		3,815	3,815
Common shares		24,106,281	24,106,281
		24,110,096	24,110,096
Contributed surplus	4 (d)	412,223	243,448
Equity portion of convertible debenture	3	2,114,341	848,297
Deficit		(26,836,514)	(24,242,213)
		(199,854)	959,628
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		**$8,385,174**	**$7,600,340**

(see accompanying notes)

Approved by the Board:



Director:__________________________ William Polley

Director:__________________________ Kelly E. Ambrose

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF LOSS
YEARS ENDED JUNE 30, 2007 AND 2006

	NOTE	2007	2006
REVENUE		$11,346,359	$8,626,688
Direct expenses		4,259,543	2,785,216
GROSS PROFIT		7,086,816	5,841,472
OPERATING EXPENSES			
Selling and marketing		3,494,907	2,898,667
General and administrative		3,784,564	4,464,916
		7,279,471	7,363,583
CONTRIBUTION FROM OPERATIONS		(192,655)	(1,522,111)
Restructuring costs	12	1,088,657	-
Stock-based compensation		168,775	59,756
LOSS BEFORE AMORTIZATION AND INTEREST		(1,450,087)	(1,581,867)
Amortization of property, plant and equipment		240,848	293,274
Interest expense			
Stated interest on convertible debenture		542,180	408,082
Accretion charge on convertible debenture and amortization of deferred financing charges		361,186	312,685
LOSS FROM CONTINUING OPERATIONS		(2,594,301)	(2,595,908)
Earnings from discontinued operations	5	-	100,000
NET LOSS FOR THE YEAR		**$(2,594,301)**	**$(2,495,908)**
LOSS PER COMMON SHARE	7		
Continuing operations		$ (0.03)	$ (0.04)
Discontinued operations		0.00	0.00
NET LOSS PER COMMON SHARE		**$ (0.03)**	**$ (0.04)**

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED JUNE 30, 2007 AND 2006

	2007	2006
BALANCE AT THE BEGINNING OF THE YEAR	**$(24,242,213)**	**$(21,746,305)**
Net loss for the year	(2,594,301)	(2,495,908)
BALANCE AT THE END OF THE YEAR	**$ (26,836,514)**	**$(24,242,213)**

(see accompanying notes)

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	NOTE	2007	2006
OPERATING ACTIVITIES			
Net loss from continuing operations		$(2,594,301)	$(2,595,908)
Items not affecting cash			
Amortization of property, plant and equipment		240,848	293,274
Accretion charge on convertible debenture	3	271,045	209,011
Amortization of deferred financing charges		90,141	103,674
Issuance of shares		-	35,000
Stock-based compensation		168,775	59,756
Accrued restructuring		450,856	-
		(1,372,636)	(1,895,193)
Changes in non-cash working capital items			
Accounts receivable		171,673	329,561
Transaction credits		(1,474,110)	(1,552,874)
Prepaid expenses and sundry assets		(31,118)	70,232
Accounts payable and accrued liabilities		585,237	(722,255)
		(748,318)	(1,875,336)
		(2,120,954)	(3,770,529)
FINANCING ACTIVITIES			
Proceeds from convertible debenture		1,617,657	-
Share issue proceeds		-	2,550,032
		1,617,657	2,550,032
INVESTING ACTIVITIES			
Net proceeds on sale of business	5	-	100,000
Purchase of property, plant and equipment		(392,750)	(43,088)
		(392,750)	56,912
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(896,047)	(1,163,585)
Cash and cash equivalents at the beginning of the year		1,807,042	2,970,627
CASH AND CASH EQUIVALENTS AT END OF YEAR		**$910,995**	**$1,807,042**
ADDITIONAL INFORMATION			
Interest paid		$595,000	$ 412,500

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

a. Nature of business

Advantex Marketing International Inc. (Advantex or the Company) is a public company with common shares listed on the Toronto Stock Exchange (trading symbol ADX.TO). Advantex operates in the marketing services industry. The Company develops and manages loyalty programs for financial institutions, airlines and other major organizations through which their customers earn frequent flyer miles or points on purchases at a wide selection of participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives and secured future sales through its Advance Purchase Marketing model.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Advantex Dining Corporation, Advantex Marketing Corporation, Advantex Marketing International Inc. (US), Advantex Marketing (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership and Advantex GP Inc.

c. Revenue recognition

Advantex provides marketing services to participating establishments and provides awards to customers who make purchases at participating establishments. There are two types of agreements with participating establishments:

(i) The Company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments. The Company records as revenue the spread between credit card transaction and its costs to acquire the rights (cost of transaction credits).

(ii) The Company provides marketing and loyalty services to participating establishments and records as revenue the fee charged for services. Fee is a percentage of customer purchases made at participating establishments.

The revenue is recognized at the time that a consumer makes a designated credit card purchase from participating establishments enrolled in these programs.

The reported revenues consist of the following:

	2007	2006
Gross revenues	$85,829,805	$68,678,621
Cost of purchasing transaction credits	74,483,446	60,051,933
Revenues	$11,346,359	$8,626,688

1. SIGNIFICANT ACCOUNTING POLICIES continued

d. Cash and cash equivalents

Cash and cash equivalents include highly liquid investments redeemable at any time and are stated at cost, which approximates market value.

e. Transaction credits

The Company purchases the rights to receive future cash flows associated with designated credit card purchases at a discount from participating establishments. The Company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

f. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided for at the following annual rates and methods:

Computer equipment	-	30% using the declining balance method
Furniture and equipment	-	20% using the declining balance method
Leasehold improvements	-	Straight-line over the term of the lease
Computer software	-	3 to 5 years straight-line

Property, plant and equipment are tested for impairment when evidence of a decline in value exists. If it is determined that the carrying value of the property, plant and equipment is not recoverable, a write-down to fair value is charged to earnings in the year that such a determination is made.

g. Deferred financing charges

Deferred financing charges are amortized over the term of the convertible debenture payable.

h. Income taxes

The Company provides for income taxes using the liability method of income tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and the corresponding income tax values of assets and liabilities using enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

1. SIGNIFICANT ACCOUNTING POLICIES continued

i. Stock option plan

The Company has a stock option plan which is described in note 4(d). The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

j. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the average rate of exchange for the year. Gains or losses on foreign currency translation are included in loss.

k. Use of estimates

The preparation of these consolidated financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
June 30, 2007			
Computer equipment	$ 2,893,587	$ 2,589,076	$ 304,511
Furniture and equipment	1,112,293	972,185	140,108
Leasehold improvements	504,773	504,773	-
Computer software	1,667,455	1,584,128	83,327
Assets-in-progress	247,787	-	247,787
	$ 6,425,895	$ 5,650,162	$ 775,733
June 30, 2006			
Computer equipment	$ 2,812,686	$ 2,465,228	$ 347,458
Furniture and equipment	1,108,921	937,694	171,227
Leasehold improvements	504,647	504,647	-
Computer software	1,606,801	1,501,655	105,146
Assets-in-progress	-	-	-
	$ 6,033,055	$ 5,409,224	$ 623,831

Since July 2006, the Company has commenced development of new processing systems for its Canadian credit card loyalty programs. The costs incurred to date on this project approximate $247,787 and are included in property, plant and equipment. Amortization will commence when these systems are in use.

3. CONVERTIBLE DEBENTURES PAYABLE AND DEFERRED FINANCING CHARGES

In 2003, the Company issued $4,000,000 of senior convertible debentures (the convertible debentures) for net proceeds of $3,542,498, after issuance costs of $457,502. The conversion price of the debentures was $0.17 per common share. In accordance with The Canadian Institute of Chartered Accountants Handbook Section 3855 “Financial Instruments” (CICA 3855), the convertible debentures were bifurcated into debt and equity portions. The amount allocated to the equity portion of the convertible debentures, net of allocated financing costs of $70,457, was $546,315. The debt portion of the convertible debentures is being accreted to its face value at maturity over the term of the debt by way of a charge to interest expense.

In December 2003, in exchange for an amendment to the convertible debenture agreement, the conversion price of the convertible debentures was reduced to $0.15 per common share. As a result of this amendment, an additional $333,993, net of $35,100 of financing costs, was allocated to the equity portion of the convertible debentures.

In July 2004, the Company issued an additional $125,000 of convertible debentures with the same terms as the previously issued convertible debentures, except that the conversion price was $0.13 per common share.

In March 2006, $150,000 of the convertible debentures were converted at the exercise option price of $0.15 per share for 1,000,000 common shares of the Company. A proportionate amount, $32,011, was transferred from the equity portion of convertible debentures to capital stock related to this conversion.

In November 2006, the Company issued an additional $2,025,000 of convertible debentures and revised the terms of the convertible debentures. The term of the convertible debentures was extended to December 2011 and the conversion price was reduced to $0.10 per common share. In addition, the Company is now allowed, under certain conditions, to obtain additional secured debt financing.

Costs related to the revision of the convertible debentures terms and issuance of additional convertible debentures totalled $407,343 and included $10,000 for 500,000 compensation warrants issued to the financing agent of the transaction.

The convertible debentures bear interest at 10% per annum payable semi-annually in arrears in June and December of each calendar year, mature on December 9, 2011 and are secured by a general security interest over assets of the Company and its subsidiaries. The significant financial covenants of the convertible debentures require the Company to meet a defined level of working capital at each quarter and interest coverage commencing the quarter ending on March 31, 2008. On

May 11, 2007, the working capital covenant was amended, from fiscal quarter-end commencing on March 31, 2007, to a current asset test. Management expects to meet these covenants. If the Company is in breach of any of the covenants over the term of the subordinated debt, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants. The Company met its covenants during the year ended June 30, 2007.

In accordance with CICA 3855, the fair value of the new convertible debentures was bifurcated into debt and equity portions and a fair value adjustment was applied to the conversion option of the existing convertible debentures. Accordingly, $1,387,822 was allocated to the equity portion of the convertible options. In addition, financing costs of $121,778 were allocated to the equity portion of the convertible debentures.

The Black-Scholes option pricing model was used to determine the fair value of the conversion feature in the convertible debentures. The following assumptions were used in the Black-Scholes option pricing model:

Common share price:	$0.05
Exercise price of conversion option	$0.10
Expected life of conversion option	5 years
Expected volatility	89%
Risk-free interest rate	3.75%

A summary of the debt and equity portions of the convertible debentures and the related balance of deferred financing charges is as follows:

	Debt portion	**Equity portion**	**Deferred financing costs**
Balance June 30, 2005	3,459,695	880,308	292,844
Amortization of issuance costs	-	-	(103,674)
Conversion of debenture	(150,000)	(32,011)	-
Accretion charge	209,011	-	-
Balance June 30, 2006	3,518,706	848,297	189,170
Issuance of additional debt	637,178	1,387,822	-
Issuance costs	-	(121,778)	285,565
Amortization of issuance costs	-	-	(90,141)
Accretion charge	271,045	-	-
Balance June 30, 2007	4,426,929	2,114,341	384,594

$6,000,000 will be repayable on maturity of the convertible debenture on December 9, 2011.

4. CAPITAL STOCK

(a) Authorized

Class A preference – 500,000 shares non-voting, non-participating, redeemable (at stated capital amount), 8% (of stated capital amount) non-cumulative dividend rate

Class B preference – Unlimited number of shares, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue

Common – Unlimited number of shares

(b) Issued Class A preference shares

	2007	2006
459,781 shares	$ 3,815	$ 3,815

(c) Issued common shares

	Number	Amount
Balance as at June 30, 2006 and 2007	97,030,868	$ 24,106,281

(d) Stock options

The Company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable; the stock option price is to be fixed by the Board of Directors (but may not be less than the closing price on the day immediately preceding the date of the grant of the stock option); the term of the stock options may not exceed five years, and payment for the optioned shares is required to be made in full on the exercise of the stock options. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediately to four years. On January 26, 2006, the Company received approval from the shareholders to amend its stock option plan from a fixed maximum number of common shares issuable to a rolling maximum number of common shares issued and outstanding (calculated on a non-diluted basis).

A summary of the status of the Company's stock option plan as at June 30, 2007 and 2006, and changes during the years then ended is presented below:

	2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the year	5,267,500	$0.10	2,927,500	$0.40
Granted	3,000,000	0.06	4,735,000	0.09
Forfeited and expired	(287,500)	0.11	(2,395,000)	0.43
Outstanding at the end of the year	7,980,000	0.08	5,267,500	$0.10
Options exercisable at the end of the year	6,510,833		4,500,000	

During the year, 2,625,000 stock options were issued to certain directors at an exercise price of $0.055 and vested immediately. The exercise price was fixed at the closing price on the day immediately preceding the date of the grant.

The following table summarizes information about stock options outstanding as at June 30, 2007:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
0.055-0.150	7,580,000	3.3	$ 0.07	6,350,833	$ 0.07
0.155-0.250	400,000	3.9	0.20	160,000	0.20
	7,980,000	3.3	$ 0.08	6,510,833	$ 0.07

The number of stock options available for future issuance as at June 30 is as follows:

	2007	2006
Maximum number reserved for issuance	9,703,087	9,703,087
Less: Outstanding at end of year	(7,980,000)	(5,267,500)
Number of options available for future issuance	1,723,087	4,435,587

The Company calculated the fair value of the stock options issued during 2007 using the Black-Scholes option pricing model and determined their value to be $113,045 (2006 - $210,907); $168,775 of stock option expense for the year ended June 30, 2007 was recorded in these consolidated financial statements, and is reflected as increase in the contributed surplus. The assumptions used in the model were:

	2007	2006
Expected life of stock option	1 to 5 years	1 to 5 years
Expected volatility of common share price	74 to 100%	74 to 100%
Risk-free rate of return	5.0%-5.5%	5.5%

(e) Shareholders' rights plan

Under the shareholders' rights plan, certain rights become exercisable and permit shareholders to purchase common shares from the Company at 50% of the then current market price if any entity or person acquires or announces an intention to acquire 20% or more of the common shares, other than with the approval of the Board of Directors or pursuant to the "permitted bid" procedures, as defined by the shareholders' rights plan. The shareholders' rights plan expires on July 10, 2007. The Company intends to renew this plan.

(f) Incentive Warrants

On February 6, 2001, the Company agreed to issue up to 55,000,000 incentive warrants to Air Canada and CIBC, allocated on a 50:50 basis. A total of 175,974 incentive warrants was issued under the agreement. The Incentive Warrants expired between January 2, 2006 and January 2, 2007.

On July 12, 2005, the Company and CIBC signed a supplementary agreement in which CIBC waived its right to any additional incentive warrants.

5. DISCONTINUED OPERATIONS

The Company sold its Samplex business in fiscal 2005 by way of an asset sale as it was determined not to be core to the Company's objectives. Under the terms of the sale agreement, the purchaser acquired substantially all of the net assets of Samplex including accounts receivable, inventory and accounts payable and accrued liabilities. The Company was entitled to receive additional consideration during the year ended June 30, 2006 based on the occurrence of certain events. During the year ended June 30, 2006, a net amount of $100,000 was received and classified as

earnings from discontinued operations in the consolidated statement of loss, and was classified as net proceeds on sale of business in the consolidated statement of cash flows.

6. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk arises from the possibility that counterparties will be unable to discharge their obligations. The Company routinely assesses the financial strength of its merchants and, as a consequence, believes that risk exposure is limited in its accounts receivable and transaction credits.

(b) Currency risk

The Company is exposed to foreign exchange risk as a portion of its revenue is earned in US dollars and it has assets and liabilities that will be settled in US dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.

Included in the undernoted accounts are the following:

	2007	2006
Cash and cash equivalents	$365,113	$428,791
Accounts receivable	522,665	458,370
Accounts payable and accrued liabilities	455,476	239,362

(c) Fair value

The carrying values of cash and cash equivalents, accounts receivable, transaction credits, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments.

The stated value of the convertible debenture payable approximates its fair value, as its interest rate is representative of current market rates for loans with similar terms, conditions and maturities.

(d) Interest rate risk

The Company is exposed to price risk on the convertible debentures payable, as this amount is subject to a fixed interest rate.

7. LOSS PER COMMON SHARE

Loss per share is calculated on the basis of net loss divided by the weighted average number of common shares outstanding for the year. Diluted loss per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. Diluted loss per share

information has not been presented, as the effect of potential exercise of the convertible debenture, stock options and warrants would be anti-dilutive.

8. INCOME TAXES

The Company has $19,324,000 (2006 - $20,005,000) of non-capital losses available to be applied against future taxable income. The losses expire as follows:

Year ending June 30,	2008	-	$ 3,869,000
	2009	-	1,959,000
	2010	-	2,344,000
	2011	-	1,154,000
	2015 and thereafter	-	9,998,000
			$ 19,324,000

The income tax effect of these losses and other temporary differences give rise to future income tax assets against which a valuation allowance has been applied as follows:

	2007	2006
Income tax effect of:		
Non-capital losses carried forward	$ 6,980,000	$ 7,328,000
Property, plant and equipment	(103,000)	9,000
Deferred financing charges	(9,000)	88,000
Research and development	65,000	65,000
Other	27,000	27,000
	6,960,000	7,517,000
Valuation allowance	(6,960,000)	(7,517,000)
Future income taxes	$ -	$ -

9. LEASE COMMITMENTS

The Company is committed to minimum rental payments under existing leases for equipment and premises for the next five years as follows:

Year ending June 30,	2008	215,928
	2009	48,521
	2010	9,638

10. RELATED PARTY TRANSACTIONS

The following transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties:

(i) On January 17, 2006, the Company entered into an agreement appointing Notre-Dame Capital Inc. (Notre-Dame) to act as its exclusive agent in connection with a series of financing transactions. In addition, Notre-Dame was appointed as the Company's exclusive financial advisor for a period of two years from January 17, 2006. The agreement was terminated by the Company effective February 5, 2007. The agreement allowed the agent to earn a commission on issuance of common shares and debentures plus, in case of common shares, stock options corresponding to 10% of the common shares sold. On March 14, 2006, the Company issued 37,037,037 common shares by way of a private placement and in its capacity as agent for the private placement, Notre-Dame earned and was paid commission of $287,770 and received 3,552,716 stock options exercisable at the offering price of 8.1 cents per share for a period of 24 months from the closing date of the placement. In its capacity of financial adviser, Notre-Dame was paid a monthly fee of $3,000. The president and managing partner of Notre-Dame has been a director of the Company since January 26, 2006.

(ii) As at June 30, 2007, the following related parties are holders of the convertible debentures described in note 3:

Title	Principal Amount
Chief Executive Officer	$ 50,000
Directors	$ 290,000
Interim CFO	$ 40,000

(iii) During the fiscal 2006, a director of the Company was a partner with the law firm engaged by the Company to provide legal and tax services. During 2006, the Company paid $129,680 for services provided by this firm.

11. ECONOMIC DEPENDENCE

A significant portion of the Company's current revenue is dependent upon its offline value-added loyalty program agreement with CIBC under which Aeroplan Miles are awarded to holders of certain CIBC *Visa* credit cards. The Company purchases Aeroplan Miles from CIBC, which in turn purchases Aeroplan Miles from Aeroplan LP, a subsidiary of ACE Aviation Holdings Inc.

The agreement with CIBC was renewed in July 2005, for an additional term ending on December 31, 2009. The agreement may be renewed for a further three years upon mutual agreement. If CIBC terminates its offline value-added loyalty program agreement with the Company, this could materially and adversely affect the Company. However, CIBC can only terminate such agreement with the Company if the Company is in material breach thereof. In the event that the agreement expires or is terminated by the Company as a result of a breach by CIBC, CIBC is not entitled to offer a similar

offline program to its *Visa* cardholders for a period of six months and the Company will be entitled to offer such cardholders a similar replacement program on the Company's behalf.

As part of Air Canada's restructuring under the Companies' Creditor Arrangement Act in 2004, Air Canada and CIBC entered into a new contract under which CIBC is entitled to purchase Aeroplan Miles, which will be available to support the CIBC Aerogold ADVANTEX BENEFIT program respecting restaurants, golf courses, and small inns and resorts. If Aeroplan Miles cease to be available for award in respect of purchases by holders of CIBC *Visa* credit cards, the Company has agreed to offer to such cardholders the same rewards as CIBC offers to them as a replacement for Aeroplan Miles, so long as the per unit cost of such rewards to the Company is the same or less than the Company's per unit cost of Aeroplan Miles.

12. RESTRUCTURING COSTS

Restructuring costs of $1,088,657 are primarily severance payments due to former employees, of which $450,856 (2006 - $ nil) is payable one year after June 30, 2007 and is disclosed as long-term other liabilities on the balance sheets.

13. COMPARATIVES

Certain of the comparative figures have been reclassified to conform to consolidated financial statement presentation adopted in the current year.

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