Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended June 30, 2013

This Management's Discussion and Analysis ("MD&A") is dated August 14, 2013 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes of DirectCash Payments Inc. ("DirectCash" or the "Company") for the period ended June 30, 2013 (the "2013 Q2 Financial Statements"), along with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2012 (the "2012 Year End Financial Statements"). Results are reported in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") which comprise International Financial Reporting Standards ("IFRS").

The financial statements include those of DirectCash and all of its subsidiaries and partnerships which include 100% of the outstanding partnership units of (a) DirectCash Canada Limited Partnership, a limited partnership established under the laws of Alberta (b) DirectCash ATM Processing Partnership (the "Processing Partnership"), a general partnership established under the laws of Alberta, (c) DirectCash ATM Management Partnership (the "Management Partnership"), a general partnership established under the laws of Alberta, and 100% of the outstanding shares of DirectCash Management Inc., incorporated under the laws of Alberta, DirectCash Payments Australia Pty Ltd., organized under the laws of Australia and DirectCash Management UK Limited, incorporated under the laws of England and Wales, and all of their respective subsidiary companies.

Cautionary statement regarding forward-looking information and statements

This MD&A offers our assessment of DirectCash's future plans and operations and contains "forward-looking information" relating to future events as defined under applicable Canadian securities legislation. The Company's actual results or performance could differ materially from those expressed in, or implied by, this forward-looking information. DirectCash can give no assurance that any of the events anticipated will transpire or occur or, if any of them do, what benefits or costs we will derive from them. Forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond DirectCash's ability to control, including but not limited to general economic conditions, interest rates, foreign currency rates, consumer spending, borrowing trends and regulatory changes to name a few. Additional risk and uncertainties are described in DirectCash's Annual Information Form for the year ended December 31, 2012 which is available at www.SEDAR.com.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Certain statements that contain words such as "could", "may", "believe", "should", "expect", "will", "intends", "plan", "anticipates", "potential", "estimates", "continues" or similar words relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation.

The assumptions and estimates relating to the forward-looking information referred to above are updated quarterly and except as required by law, we do not undertake to update any other forward-looking information.

Forward-looking information and statements contained in this MD&A include statements related to DirectCash's projected growth in operations in the Americas, Australasia and Europe, ability to complete accretive acquisitions on a go forward basis, ability to grow organically though the Company's sales force, expansion of DirectCash's merchant base through new and innovative products and services, impact of acquisitions in the United Kingdom and Australia including realizing on expected synergies, ability to continue to acquire long-term recurring services contracts and negotiate renewals thereof in advance of their expiry, ability to maintain current customer relationships, ability to obtain improved supplier terms and manage cost structures internationally, ability to increase product offerings in Australia and the United Kingdom, ability to diversify into new industry segments or to increase diversification in terms of product offerings and the number of customers served and the possible increase in capital expenditures for technology and infrastructure or due to regulatory mandated security upgrade changes.

Readers are cautioned that our expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, expectations are based on our current strategic plan and management forecasts, the historical financial performance and operational data of acquired entities, our existing contracts schedule, forecast and budgeted projections of increased capital expenditures required based on management's view of the age of capital assets currently in use by DirectCash.

Business Strategy

ATM business

DirectCash's growth in the ATM business is focused on continuing to add ATM assets through our organic sales force in each of the markets we operate, and acquiring ATM competitors and distributors to add scale and efficiency in our operations. We have typically been able to make these acquisitions at reasonable EBITDA multiples and improve operating efficiencies when we assume control.

Our existing client base of ATMs is managed through dedicated account management teams focused on customer service and negotiating contract renewals well in advance of the contract expiry so that we can maximize shareholder value. We continue to invest in technology and infrastructure that offers our clients the best in class reporting and customer service.

The acquisitions in Australia and the United Kingdom in 2012 have provided DirectCash with a greater market for additional acquisitions as well as organic growth opportunities. Both of these acquisitions provide DirectCash with an increased ability to add value by benchmarking our cost structures across multiple jurisdictions leading to improved supplier terms, and operating efficiencies.

Prepaid and other products business

The prepaid and other products business offers new and unique products and services to DirectCash clients and further diversifies our business in new industry segments. The existing business includes prepaid debit and credit cards, prepaid long distance and cellular products as well as debit terminal sales and transaction processing.

Our existing sales and service infrastructure has allowed us to transition our existing customer relationships in international markets to in-country personnel rather than servicing these relationships from Canada. We expect that this will increase our ability to service these relationships and increase

our sales presence with other clients in these regions. In addition we expect to expand our product offering in Australia and the United Kingdom to include the entire product line currently being offered in Canada.

We continue to augment our technology in the prepaid space to make our products and service different than our competitors and our strategic alliance with DC Bank continues to allow us to offer new innovative products and services that are not easily replicated by our competitors.

Outlook

The Company's focus for 2013 will be to continue to integrate the Australasia and Europe divisions, driving operating efficiencies as well as to continue to grow the business in a reasonable and sustainable manner.

DirectCash is the largest deployer of ATMs in Australia and New Zealand. As at June 30, 2013 DirectCash had 6,433 transacting ATMs in Australia and New Zealand. The Company actively seeks growth opportunities through the existing ATM business platform and capitalizes on the less mature Australian market, where transactions and gross profits per ATM are significantly greater than in the mature Canadian ATM market.

Since the acquisition in the United Kingdom in May 2012, DirectCash has grown to be the third largest deployer of non bank branded ATMs in the United Kingdom and has added 1,042 ATMs. As at June 30, 2013 DirectCash had 5,742 ATMs in United Kingdom. DirectCash's focus in this market moving forward is to continue to grow the ATM business in Europe through quality accretive acquisitions and organic growth, while adding other product offerings to its Europe division.

In the ATM business in Canada, emphasis continues to be on maintaining existing customer relationships. With the completion of regulatory mandated security upgrade changes in Canada in 2012, DirectCash is positioned to refocus its efforts on growth in Canada.

Our Mexico operations although small have been challenging due to a change in our bank sponsor arrangement in Q2 2013. We expect this business to stabilize in the second half of the year as we focus on organic growth in the Mexican tourist market with our new bank sponsor.

In the prepaid products line of business our focus is diversification both domestically and internationally, to reduce historical reliance on a small group of large volume customers in certain market segments.

The Australian dollar has declined relative to the Canadian dollar by 8.8% percent since December 31, 2012. We believe that the devaluation is reflective of economic news from China and a strengthening US economy and that the dollar will not return to the highs experienced during 2012. Our Australian operations continue to perform consistently and in line with expectations but the devaluation of the Australian dollar over the last several months has had a negative impact on our consolidated EBITDA. This has been somewhat mitigated by our Australian dollar denominated debt and our hedging program. While our overall funds from operations payout ratio has moved up with the currency volatility, we expect this to improve over the long term. We are currently reviewing our hedging strategy for the Company, and will continue the historic strategy of managing our cost structures and focusing on improving margins to mitigate the future impact. We have recently repaid $10.0 million on our term loan which will reduce our fixed payment commitments over the next four years by an equivalent amount, including a reduction of $1.8 million over the next 12 months. On our revolving facility, we have taken steps to increase flexibility targeted at reducing interest costs. We also have two initiatives underway in

both the UK and Australia designed to test our options for intra-day settlements and cash scheduling with a goal to reducing overall bailment facility costs.

We continue to focus on the management and operation of our businesses. DirectCash believes it is well positioned with a strong balance sheet and a steady cash flow stream based on long term contracts.

Summary Operating and Financial Results

	Three months ended June 30		Six months ended June 30	
	2013	**2012**	**2013**	**2012**
Summary operating results				
Number of machines				
Active ATM terminals[(1)]	**19,686**	12,758	**19,686**	12,758
Number of transactions				
ATM transactions	**26,973,724**	11,856,615	**52,858,675**	19,803,021
Other transactions	**3,463,418**	4,573,233	**7,254,160**	9,198,028
Summary financial results				
($ thousands, except for per share amounts)				
Revenue	**$58,620**	$32,078	**$117,241**	$59,960
EBITDA[(2)]	**15,180**	11,395	**32,422**	20,130
EBITDA margin[(3)]	**25.9%**	35.5%	**27.7%**	33.6%
Net income	**2,276**	3,903	**1,545**	7,123
Net income attributable to common shareholders	**2,262**	3,903	**1,540**	7,123
Per share, basic	**0.14**	0.28	**0.09**	0.52
Per share, diluted	**0.14**	0.28	**0.09**	0.51
Funds from operations[(3)]	**$8,352**	$8,017	**$18,864**	$15,477
Funds from operations per share, basic	**0.50**	0.58	**1.14**	1.13
Funds from operations per share, diluted	**0.50**	0.58	**1.13**	1.12
Dividends declared	**5,741**	4,774	**11,481**	9,549
Dividends declared per share	**0.35**	0.35	**0.35**	0.35
Funds from operations payout ratio[(3)]	**68.7%**	59.5%	**60.9%**	61.7%
Total assets	**399,952**	419,290	**399,952**	419,290
Total long-term debt	**$185,283**	$50,474	**$185,283**	$50,474
Common shares outstanding, end of period	**16,639**	13,839	**16,639**	13,839

[1]*DirectCash has included statistics only for sites that recorded a transaction in the last calendar month of the period indicated*

[2]*An additional GAAP measure – see definition under "Additional GAAP Measure"*

[3]*A non-GAAP measure – see definition under "Non-GAAP Measures"*

Additional GAAP Measure

DirectCash has presented earnings before interest, taxes, depreciation and amortization ("EBITDA") as a subtotal in its consolidated statement of operations. EBITDA is an important measure utilized by management in assessing the financial performance of the Company relative to its operating plans and budgets. It is also the primary measurement utilized by the holders of our long-term debt. The Company has presented EBITDA prior to the deduction for acquisition-related expenses. These expenses relate

to the 2012 corporate acquisitions which resulted in the expansion of the Company into two new primary geographical segments and are non-recurring expenditures. The company has also presented EBITDA prior to unrealized foreign exchange gains and losses which is consistent with the Company's financial covenants. The Company's EBITDA may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to EBITDA as reported by such issuers. The Company has provided a reconciliation between EBITDA and net income (loss) which is disclosed in the "EBITDA" discussion below.

Non-GAAP Measures

There are a number of financial calculations that are not defined performance measurements under GAAP but which DirectCash believes are useful and accepted performance measurements utilized by the investing public in assessing the overall financial performance of the Company and to compare cash flows between entities.

EBITDA margin

EBITDA margin means EBITDA expressed as a percentage of total revenue.

EBITDA per share

EBITDA per share is calculated on the same basis as basic net income (loss) per share, utilizing the basic and diluted weighted average number of common shares outstanding during the period presented.

Funds from operations and funds from operations per share

DirectCash calculates funds from operations as net income (loss) plus or minus depreciation, amortization, deferred income taxes expense (benefit), non-cash finance costs and unrealized foreign exchange loss (gain) and after provision for productive capital maintenance expenditures (see discussion below). Funds from operations per share is calculated on the same basis as basic net income (loss) per share, utilizing the basic and diluted weighted average number of common shares outstanding during the period presented. Readers are cautioned that funds from operations cannot be assured to continue at equivalent levels in the future. DirectCash's funds from operations and funds from operations per share may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to funds from operations and funds from operations per share as reported by such issuers. The reconciliation between funds from operations and net income (loss) is disclosed in the "Funds from Operations" discussion below.

Shareholders of DirectCash receive monthly payments in the form of dividends. All dividends are eligible dividends for the purpose of the Income Tax Act (Canada) unless indicated otherwise. Dividends are funded by the generation of funds from operations of the business. All of the income generated at the level of the various subsidiaries of the Company is taxed by applicable government authorities with the remaining after-tax funds either being retained by the subsidiary or distributed up to the Company where it can be made available for payment of dividends by DirectCash. Continued future distribution of dividends (and the amount of any dividends) is subject to DirectCash's Board of Directors approval. DirectCash's Board of Directors is not obligated to distribute all net available cash as dividends to shareholders.

Productive capital maintenance expenditures

DirectCash differentiates capital expenditures between growth and productive capital maintenance. There is no such distinction under GAAP. However, DirectCash believes it is important to differentiate between them. Maintenance capital expenditures represent an adjustment to funds from operations while growth capital does not.

Maintenance capital expenditures are defined as expenditures required to service and maintain DirectCash's existing productive capacity, while growth capital is expended to increase DirectCash's productive capacity by adding additional sources of revenue not currently in existence. Current measures of productive capacity that DirectCash utilizes include ATMs and debit terminals under contract. Maintenance capital expenditures include software and hardware upgrades to existing infrastructure, ATM and debit terminal equipment upgrades necessary to meet changing regulatory requirements, contract extension incentives including replacement of equipment under existing or renewed contracts, and fleet vehicle purchases and upgrades. Examples of growth capital expenditures include the acquisition of a competitor's assets, the cost of an ATM in a new location, or technology costs related to new sources of revenue.

Readers are cautioned that the Company's computation of maintenance capital expenditures may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to productive maintenance capital expenditures as reported by such issuers.

Non-cash working capital

Non-cash working capital is not a defined IFRS measure. DirectCash calculates changes in non-cash working capital as changes during a reporting period in current assets (excluding cash in circulation and restricted funds) and current liabilities (excluding revolving credit facility, bank overdraft, restricted funds and current portion of long-term debt).

Financial and Operating Review

Operations for the three months ended June 30, 2013 and 2012:

	Three months ended June 30, 2013			Three months ended June 30, 2012		
	Active ATM terminals(1)	ATM Transactions	Other transactions	Active ATM terminals(1)	ATM transactions	Other transactions
Americas	7,511	7,085,796	3,431,467	7,668	7,803,405	4,523,127
Australasia	6,433	13,135,271	18,499	-	-	20,497
Europe	5,742	6,752,657	13,452	5,090	4,053,210	29,609
Total	19,686	26,973,724	3,463,418	12,758	11,856,615	4,573,233

	Six months ended June 30, 2013			Six months ended June 30, 2012		
	Active ATM terminals(1)	ATM Transactions	Other transactions	Active ATM terminals(1)	ATM Transactions	Other transactions
Americas	7,511	14,078,516	7,194,187	7,668	15,749,811	9,095,233
Australasia	6,433	25,987,195	36,394	-	-	58,309
Europe	5,742	12,792,964	23,579	5,090	4,053,210	44,486
Total	19,686	52,858,675	7,254,160	12,758	19,803,021	9,198,028

[1] DirectCash has included statistics only for sites that recorded a transaction in the last calendar month of the period indicated

The number of active ATMs in the America's division declined by 157 machines compared to June 30, 2012, reflecting the loss of approximately 175 ATMs on the expiry of one contract and the closure of low volume locations by a second customer. In the first six months of this year we also saw a decrease in transactions in our Mexico business as we transitioned this business to a new bank sponsor and experienced interruption in ATM transactions. From March 31, 2013 the number of active ATMs in the America's division has increased by 81 ATMs, reflecting typical seasonality in activity. Transactions per active terminal were constant from Q1 to Q2. Discounting for seasonality, we continue to see a decrease in ATM usage in Canada.

Since the acquisition in the United Kingdom in May 2012, DirectCash has grown from approximately 4,700 ATMs on acquisition to 5,742 transacting ATMs in June, 2013. June is a high month for special events in the United Kingdom. However, on an average quarterly basis, the Company has grown the active fleet by 13% since June 30, 2012. The average transaction per ATM for Q2 2013 increased by 7% over Q1 2013 and by 4% over Q4 2012, with the difference reflecting the high volume Christmas season. Both Q4 2012 and Q2 2013 include a higher proportion of pay to use transactions– 27% of total transactions compared to 25% for Q1 2013.

In Australasia, the number of active ATMs dropped in Q2 2013 to levels consistent with Q4 2012. While the Company has added 224 ATMs through its sales process, we continue to remove ATMs from non-performing locations, which should ultimately result in higher volumes per ATM and a lower cost structure. Transaction volumes for Q2 2013 do not reflect the full benefit of 224 ATMs installed in April and May, 2013 as the machines went live gradually throughout the quarter.

Other transactions declined by 24% and 21% for the three and six months ended June 30, 2013 compared to the prior year periods, respectively, reflecting a contract expiry with a major customer and the closure of locations by a second customer. Other transactions declined by 9% for Q2 2013 relative

to Q1 2013. Currently, the Company has two significant customers in the prepaid debit and credit card business. One of these customers has a highly cyclical business, with highest transaction volume in Q1, declining into Q2 and dropping off significantly for the balance of the year. This customer accounted for the decline in transaction volumes from Q1 2013 to Q2 2013.

Revenue

Total revenue increased by 83% and 96% for the three and six months ended June 30, 2013 compared to 2012, respectively. Revenue by geographical segment, which includes the Americas, Australasia and Europe, is as follows:

Revenue by line of business ($ thousands)

	Three months ended June 30, 2013			Three months ended June 30, 2012		
	ATM Business	Prepaid and other	Total	ATM Business	Prepaid and other	Total
Americas	$11,396	$6,954	$18,350	$12,465	$13,308	$25,773
Australasia	31,824	167	31,991	-	131	131
Europe	8,214	65	8,279	5,714	460	6,174
Total	$51,434	$7,186	$58,620	$18,179	$13,899	$32,078

	Six months ended June 30, 2013			Six months ended June 30, 2012		
	ATM Business	Prepaid and other	Total	ATM Business	Prepaid and other	Total
Americas	$22,555	$15,531	$38,086	$26,161	$27,172	$53,333
Australasia	63,880	290	64,170	-	398	398
Europe	14,873	112	14,985	5,714	515	6,229
Total	$101,308	$15,933	$117,241	$31,875	$28,085	$59,960

Revenue from the ATM business includes the revenue from the sale of ATM machines and parts and processing ATM transactions as well as miscellaneous revenues and interest received.

Revenue from the prepaid and other business includes the revenue from processing transactions from the debit terminal and prepaid product lines of business as well as revenue from sales of debit terminals and related parts and prepaid products, consisting of (a) prepaid cash cards (debit and credit) and (b) prepaid telephone cards (both physical (“hard cards”) and electronic (“virtual vouchers”)).

Revenue – Americas

The Americas includes DirectCash’s Canadian, Mexican and U.S.A. operations and was DirectCash’s main operation prior to the transformative international acquisitions in 2012.

The overall decrease in the Americas’ revenue for the three and six months ended June 30, 2013 comparing to 2012 was 29% and 29%, respectively. ATM revenue in the Americas declined by 9% and 14% for the three and six months ended June 30, 2013 compared to 2012, respectively. The decrease was due to a combination of reduction in ATMs transactions across Americas, a decline in ATM parts sales as all ATMs were upgraded in Canada resulting in no upgrades being purchased after December, 2012 and revenue from Mexico. In Mexico, our sponsor bank would not allow us foreign exchange mark-ups on foreign currency dispensing. Given the imminent expiry of this bank sponsor contract, the

Company has reached an arrangement with a new sponsor bank and has migrated the majority of its ATMs in Mexico over to the new sponsor. This arrangement is for three years and provides for more favorable financial terms for the Company. This transition has caused a temporary interruption in transactions. Revenue in Mexico declined by $1.4 million and gross profit declined by $1.3 million for the six months ended June 30, 2013 compared to the prior year period.

The decrease in prepaid and other products revenue was $6.4 million for the three months ended June 30, 2013 relative to 2012. This includes $0.6 million of non-transaction based revenue streams as a result of services that the Company is no longer providing, and $1.2 million of non-transaction based revenue streams due to the contract expiry of a major customer. For the six months ended June 30, 2013 these variances represent $3.2 million of the total decline in revenue of $11.6 million. The decrease in transaction based revenue streams for the three and six months was due to the decline in activity as discussed above.

Prepaid and other products revenue for Q2 2013 was $7.0 million compared to $8.6 million in Q1 2013, on transaction volumes of 3.5 million compared to 3.8 million. The revenue variance occurs because different fees apply so the revenue earned will vary based on the “basket” of transactions for the applicable period.

The Company is re-focusing its attention on the prepaid business. While working on the infrastructure required internationally to add new customers in its prepaid business line, the Company also renewed its contract with a major prepaid card customer in the payday loan segment to December 31, 2020 under substantially the same terms and conditions.

Revenue – Australasia

DirectCash entered into the Australian and New Zealand ATM market through the acquisition of DC Payments Pty Ltd., formerly Customers Limited (“DC Australia”) on July 4, 2012. DirectCash had pre-existing prepaid and other product operations in Australia prior to the acquisition.

ATM revenue for Q2 2013 was $31.8 million on transaction volumes of 13.1 million, compared to Q1 2013 revenue of $32.1 million on transaction volumes of 12.9 million. Q2 2013 revenue was negatively impacted by approximately 3% due to erosion of the Australian dollar from Q1 to Q2.

Revenue – Europe

DirectCash achieved a significant market share of the United Kingdom (“UK”) non-bank ATM industry through the acquisition of InfoCash Holdings Ltd. (“InfoCash”) in 2012. DirectCash had pre-existing prepaid and other product operations in UK prior to the acquisition.

ATM revenue for Q2 2013 was $8.2 million on transaction volumes of 6.8 million, compared to Q1 2013 revenue of $6.7 million on transaction volumes of 6.0 million. Q2 2013 revenue increased primarily due to more ATMs being deployed and was also positively impacted by the higher proportion of pay to use transactions at special events which typically earn the Company higher gross transaction fees.

DirectCash’s prepaid and other products business revenue in UK decreased by 86% and 78% for the three and six months ended June 30, 2013 compared to the prior year periods. The decrease is primarily due to the closure of approximately 44 locations in UK by one significant customer.

Gross Profit

On an aggregate basis, gross profits increased by 96% for the three months ended June 30, 2013 and increased by 109% for the six months ended June 30, 2013, as compared to the prior year periods. Gross profit by geographical segment is as follows:

Gross Profit by line of business ($ thousands)

	Three months ended June 30, 2013			Three months ended June 30, 2012		
	ATM Business	**Prepaid and other**	**Total**	**ATM Business**	**Prepaid and other**	**Total**
Americas	$5,981	$3,583	$9,564	$6,291	$6,541	$12,832
gross profit margin	*52.5%*	*51.5%*	*52.1%*	*50.5%*	*49.2%*	*49.8%*
Australasia	16,241	121	16,362	-	66	66
gross profit margin	*51.0%*	*72.5%*	*51.1%*	-	*50.4%*	*50.4%*
Europe	2,587	(7)	2,580	1,662	(28)	1,634
gross profit margin	*31.5%*	*(10.8%)*	*31.2%*	*29.1%*	*(6.1%)*	*26.5%*
Total	$24,809	$3,697	$28,506	$7,953	$6,579	$14,532
gross profit margin	*48.2%*	*51.4%*	*48.6%*	*43.7%*	*47.3%*	*45.3%*

	Six months ended June 30, 2013			Six months ended June 30, 2012		
	ATM Business	**Prepaid and other**	**Total**	**ATM Business**	**Prepaid and other**	**Total**
Americas	$12,100	$8,245	$20,345	$13,221	$13,219	$26,440
gross profit margin	*53.6%*	*53.1%*	*53.4%*	*50.5%*	*48.6%*	*49.6%*
Australasia	33,559	205	33,764	-	249	249
gross profit margin	*52.5%*	*70.7%*	*52.6%*	-	*62.6%*	*62.6%*
Europe	5,110	(18)	5,092	1,662	(13)	1,649
gross profit margin	*34.4%*	*(16.1%)*	*34.0%*	*29.1%*	*(2.5%)*	*26.5%*
Total	$50,769	$8,432	$59,201	$14,883	$13,455	$28,338
gross profit margin	*50.1%*	*52.9%*	*50.5%*	*46.7%*	*47.9%*	*47.3%*

Gross profit represents the margin of the revenue over the cost of sales attributable to each geographical location. Gross profit margin is the percent of gross profit over revenue attributable to each geographical location.

Gross Profitability – Americas

Total gross profit from the Americas for the three and six months ended June 30, 2013 decreased by $3.3 million and $6.1 million or 25% and 23% over the prior year comparable periods.

ATM gross profit decreased by $0.3 million and $1.1 million or 5% and 8% during the three and six months ended June 30, 2013, respectively, due to declining revenues as previously discussed. The gross profit margin of the ATM business increased from 50.5% in 2012 to 52.5% in 2013 for the three months ended June 30 and from 50.5% in 2012 to 53.6% in 2013 for the six months ended June 30. The increase can be attributed to the gross profit margin generated from ancillary revenue in Canada, the contract that expired was a lower margin contract, and the asset acquisitions made in the fourth

quarter of 2012. We also continue to adjust our fees to compensate for transaction declines in the ATM business.

The prepaid and other products gross profit decreased by $3.0 million and $5.0 million or 45% and 38% during the three and six months period ended June 30, 2013, respectively, compared to the prior year periods due to declining revenues. The gross profit margin of the prepaid business increased from 49.2% in 2012 to 51.5% in 2013 for the three months ended June 30 and from 48.6% in 2012 to 53.1% in 2013 for the six months ended June 30. The increase is attributable to the renegotiation of contract terms with one major prepaid customer, resulting in the transition to the Company's higher margin prepaid credit card product as well as variations in types of services provided across periods.

Gross Profitability – Australasia

Gross profit from the ATM Business is fully attributable to the acquisition of DC Australia in July 2012. From the date of acquisition to Q1 2013, its gross profit margin showed a steady upward trend reflecting efficiency achieved through the Company's integration process, including pushing the Canadian operating philosophy to these operations.

The ATM business gross profit margin, excluding hedging gains/losses, decreased from 54.0% in Q1 2013 to 51.0% in Q2 2013. On an Australian dollar basis, gross profit was $16.5 million for Q1 2013 and $16.1 million for Q2 2013, a decline of 2.9%.In Q2 2013 the Company incurred costs associated with both the installation of 224 ATMs for a new customer and in cash loading costs in managing the transition from the competitor's site. As previously stated, the associated transaction and revenue stream commenced in Q2 2013 and continues to ramp up.

Gross Profitability – Europe

Total gross profit from Europe for the three months ended June 30, 2013 increased by $0.9 million or 58% over the prior year comparable period. The prior year comparable only includes financial results from May 1 to June 30, 2012.

ATM gross profit margin increased from 29.1% in 2012 to 31.5% in 2013 for the three months ended June 30, also reflecting efficiency achieved through the Company's integration process. Further contributing to the increase was the asset acquisition completed in the fourth quarter in 2012.The gross profit margin decreased from 37.9% in Q1 2013 to 31.5% in Q2 2013. One of the Company's customers had significantly higher transaction volumes during Q2 2013 which negatively impacted gross profit margin for the quarter because the net profit associated with these transactions is lower than the corporate average.

The prepaid and other products gross profit margins decreased during the three and six months ended June 30, 2013 in the UK primarily due to the fixed nature of certain transaction processing costs.

Selling, General & Administrative Expenses ("SG&A")

SG&A is made up of personnel and other expenses. For the three and six months ended June 30, 2013 SG&A expenses increased by 89% and 100% over the prior year periods.

Personnel expenses for the three and six months ended June 30, 2013 increased $3.4 million and $6.8 million or 88% and 96% compared to the prior year periods. The Company nearly doubled its headcount through the two international acquisitions completed in 2012.

Other expenses for the three and six months ended June 30, 2013 increased by $1.8 million and $4.1 million or 91% and 109% compared to the prior year period, reflecting the Australasia acquisition which

was effective July 4, 2012. Personnel and other expenses for the three and six months ended June 30, 2013 also increased for one time termination payments and litigation expenses settling lawsuits as we rationalize this business. Further contributing to the increase across periods is the Europe division expenses for 2012 include only two months of SG&A. The other expenses in Americas are consistent across the periods presented.

As a percentage of gross profits, SG&A was 38% and 37% during the three and six months ended June 30, 2013, respectively. SG&A was 40% and 38% for the comparative 2012 periods.

Bailment Facilities

DirectCash has access to bailment facilities for the supply of cash to ATMs owned by the Company in Australia and United Kingdom. In Australia, the bailment facility is charged based on the amount drawn at the BBSY 30-day rate plus a margin and facility fees for unutilized amounts as defined in the agreement. In United Kingdom, the bailment facility is charged based on the amount utilized at the lender's base rate plus a margin, fixed management fees per ATM and a fixed percentage for rental of the cash. The Company incurred $2.2 million and $4.6 million bailment facility costs in Australia for the three and six months ended June 30, 2013 and nil in the comparative prior year period.

Finance Costs

For the three and six months ended June 30, 2013 finance costs increased by $4.5 million and $8.5 million over the period year comparable periods. This is primarily due to the addition of the unsecured senior notes of $125.0 million and an $85.0 million term loan, both acquisition related debt. The interest expense related to the unsecured senior notes and term loan amounted to $3.7 million and $7.3 million for the three and six months ended June 30, 2013. The Company also incurred amortization expenses on the finance costs capitalized on acquisition related debt of $0.5 million and $0.9 million for the three and six months ended June 30, 2013. Further attributable to the increase was the $0.7 million and $0.7 million for the three and six months ended June 30, 2013, respectively of loss on the interest rate swaps the Company holds in Australia and other fees associated with the revolving and term facilities. The increase for the three and six months ended June 30, 2013 was slightly offset by the reduction of revolving facility interest by $0.3 million and $0.4 million, respectively.

Foreign Exchange

The Company's primary foreign exchange risk is on the Australian dollar. The dollar has experienced extreme volatility over the last year, ranging from highs of 1.048 to lows of .935 for the twelve months ended June 30, 2013. The closing exchange rate utilized by the Company in translating Australian denominated assets and liabilities has eroded from 1.0339 on December 31, 2012 to 0.9636 on June 30, 2013, a 6.8% decline. A similar variation occurred in June and July 2012 as the Company was funding and closing its Australian purchase.

The Company's earnings are impacted by unrealized gains and losses associated with holding A$ denominated debt, cash balances, hedges and some temporary A$ working capital balances. For the three and six months ended June 30, 2013 the Company incurred unrealized gains of $4.5 million and $3.4 million related to these items (June 30, 2012 - $1.6 million for both the three and six months).

For the three and six months ended June 30, 2013 the Company also realized gains and losses associated with the repayment of A$ denominated debt, settlement of A$ hedges and for other foreign currency denominated transactions. Realized losses were $0.1 million for both the three and six

months ended June 30, 2013 and realized gains were $2.8 million for the three and six months ended June 30, 2012.

Net Income

Net income decreased by $1.6 million and $5.6 million for the three and six months ended June 30, 2013, respectively, compared to the prior year periods. The decrease is primarily due to amortization of intangible assets, higher finance and bailment facility costs and higher SG&A, offset by unrealized gains on foreign exchange. Depreciation and amortization expenses on assets acquired pursuant to the InfoCash and DC Australia acquisitions was $10.3 million for the three months ended June 30, 2013 (June 30, 2012 - $1.7 million) and $20.8 million for the six months ended June 30, 2013 (June 30, 2012 - $1.7 million). Bailment facility costs incurred was $2.3 million for the three months ended June 30, 2013 (June 30, 2012 – $0.1 million) and $4.9 million for the six months ended June 30, 2013 (June 30, 2012 - $0.1 million). The above decrease was also offset by the increases in gross profit and a reduction in acquisition costs.

EBITDA

The following is the reconciliation from net income to EBITDA:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2013**	**2012**	**2013**	**2012**
Net income	**$2,276**	$3,903	**$1,545**	$7,123
Add (deduct):				
Finance costs	**5,077**	544	**9,400**	888
Acquisition-related expenses	**-**	2,121	**-**	2,372
Depreciation of property and equipment	**4,049**	1,574	**7,999**	2,746
Amortization of intangible assets	**8,900**	3,848	**18,051**	6,508
Unrealized gain on foreign exchange	**(4,534)**	(1,624)	**(3,386)**	(1,617)
Current income tax expense	**1,128**	183	**2,666**	274
Deferred income tax expense (benefit)	**(1,715)**	846	**(3,853)**	1,836
EBITDA	**$15,181**	$11,395	**$32,422**	$20,130
EBITDA margin(1)	***25.9%***	*35.5%*	***27.7%***	*33.6%*

1A non-GAAP measure – see definition under “Non-GAAP Measures”

For the three months ended June 30, 2013, EBITDA increased by 33% over the prior year period, as compared with the 96% increase in gross profits. For the six months ended June 30, 2013, EBITDA increased by 61% over the prior year period, as compared with the 109% increase in gross profits. The increase in SG&A and operating costs exceeded the increase in revenue which can be expected in the early stages of the integration process subsequent to significant acquisitions. Further contributing to the gap between EBITDA increase and gross profit increase was the one time significant realized gain on foreign exchange incurred in 2012 on the acquisition of DC Australia.

As a percentage of revenue, EBITDA was 26% and 28% during the three and six months ended June 30, 2013, respectively, compared to 36% and 34% during the prior year periods.

Funds from Operations

The following is the reconciliation from net income to funds from operations:

	Three months ended June 30		Six months ended June 30	
($ thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Net income	$2,276	$3,903	$1,545	$7,123
Add (deduct):				
Depreciation of property and equipment	4,049	1,574	7,999	2,746
Amortization of intangible assets	8,900	3,848	18,051	6,508
Unrealized gain on foreign exchange	(4,534)	(1,624)	(3,386)	(1,617)
Deferred income tax expense (benefit)	(1,715)	846	(3,853)	1,836
Other non-cash charges	1,006	-	1,314	-
	9,982	8,547	21,670	16,596
Productive capacity maintenance capital(1)	(1,630)	(530)	(2,806)	(1,119)
Funds from operations(1)	$8,352	$8,017	$18,864	$15,477
Funds from operations per share, basic(1)	*0.50*	*0.58*	*$1.14*	*$1.13*
Funds from operations per share, diluted(1)	*0.50*	*0.58*	*$1.13*	*$1.12*
Dividends declared	$5,741	$4,774	$11,481	$9,549
Dividends declared per share	*$0.35*	*$0.35*	*$0.35*	*$0.35*
Funds from operations payout ratio	*68.7%*	*59.5%*	*60.9%*	*61.7%*

[1]*A non-GAAP measure – see definition under "Non-GAAP Measures"*

Cash dividends and productive maintenance capital programs have been historically funded via cash from operations, while growth capital expenditures have primarily been funded with debt. Additional borrowing and equity issues may be required to increase productive capacity over time and to fund acquired operations.

Funds from operations cannot be assured to continue at historical levels. See "Key Business Risks" in the December 31, 2012 Management's Discussion and Analysis and the Annual Information Form dated March 16, 2013 for a list of factors which could negatively impact cash flows. DirectCash intends to utilize DirectCash's credit facilities as part of its capital structure in order to fund future capital growth, operating within the covenants of DirectCash's credit facility, thus enhancing funds from operations.

Capital Expenditures

DirectCash incurred the following expenditures of a capital nature:

($ thousands)	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
Property and equipment	$1,252	$778	$3,686	$1,779
Intangible assets	476	195	602	204
Acquisition	49	23,156	257	23,156
Capital expenditures	$1,777	$24,129	$4,545	$25,139
Split between growth and maintenance:				
Growth capital	$147	$23,599	$1,739	$24,020
Maintenance capital	1,630	530	2,806	1,119

Growth capital expenditures relate to acquisitions and other expenditures that increase DirectCash's productive capacity, while maintenance capital expenditures maintain productive capacity at existing levels. In our Australian operations, the Company has started to capitalize on the excess inventory acquired pursuant to the corporate acquisition.

Maintenance capital expenditures for the period are higher as compared to the prior year period due to the expanded operations. Growth capital expenditures can vary widely between reporting periods due to the intermittent nature and varying size of acquisitions.

In the United Kingdom, the Company is required to upgrade approximately 150 ATMs in 2013 as part of our normal maintenance program.

Acquisition

InfoCash Holdings Limited

On May 25, 2012 DirectCash completed an acquisition of 100% of the shares of InfoCash Holdings Limited ("InfoCash") for consideration of £11.8 million (approximately $19 million). InfoCash operates a portfolio of ATMs in the United Kingdom. A total of 4,700 ATM sites and related contracts were acquired as well as the related business and staff.

The following summarizes the InfoCash acquisition. The total purchase consideration was allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the date of acquisition:

	Cdn$	GBP£
Cash	$400	£250
Working capital deficiency[1]	(3,535)	(2,212)
Property and equipment	5,589	3,503
Intangible assets	21,874	13,685
Other long-term liabilities	(570)	(357)
Deferred tax liability	(4,898)	(3,063)
Total	$18,860	£11,806

1. *Includes Cdn $3.50 million in merchant liabilities which were repaid in June, 2012.*

Subsequent to the disclosure made in the audited financial statements for the year ended December 31, 2012, the Company adjusted the purchase price allocation by approximately $0.5 million for adjustments to working capital deficiency, intangible assets and deferred tax liability, related to finalization of provisions.

Related Party Transactions

DirectCash Bank

DirectCash is party to various service and marketing agreements with DirectCash Bank ("DC Bank"), in which DirectCash provides transaction processing and technology services to DC Bank and DC Bank provides services and products to DirectCash or its customers for a fee. All contracts are negotiated at market terms and rates. DC Bank is indirectly owned by two of the original principals of DirectCash, who continue to maintain significant ownership in the Company. One of DC Bank's significant shareholders (indirectly through a holding corporation) is also DirectCash's President and CEO. Any transactions between DirectCash and DC Bank are approved by independent directors. DirectCash has agreed to indemnify DC Bank from certain losses/costs that DC Bank may incur as a result of DC Bank's involvement in issuing prepaid debit and credit cards ("Prepaid Cards") to the customers of DirectCash. DirectCash has also provided a guarantee of indebtedness to a maximum of $2 million for the benefit of DC Bank.

During the three and six months ended June 30, 2013, DirectCash paid approximately $0.4 million and $0.8 million (June 30, 2012: $0.4 million and $0.7 million) of fees to DC Bank associated with various agreements with DC Bank. The related party balance payable to DC Bank at June 30, 2013 was approximately $0.2 million (December 31, 2012: $0.1 million).

Changes in Capital Structure

As at August 14, 2013 the number of common shares outstanding was 16,639,279.

Liquidity and Capital Resources

DirectCash believes that the funds generated from operations will be sufficient to allow DirectCash to meet ongoing requirements for working capital, maintenance capital expenditures including investments in technology capital, interest expense, and cash dividends to shareholders.

DirectCash's actual funds generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors.

Credit Facilities utilized for working capital

As of June 30, 2013, DirectCash had utilized approximately $6.2 million of total available credit facilities of $115 million. A summary of DirectCash's available credit at June 30, 2013 is as follows:

Credit Facilities

($ thousands)	Utilized	Limit	Available
Revolving credit facility	$15,600	$115,000	$99,400
Total	$15,600	$115,000	$99,400

DirectCash has a $115 million five-year revolving credit facility available for general corporate purposes, maturing June 28, 2017. As at June 30, 2013, the Company has posted letters of credit

totaling approximately $6.2 million (US$ 5.3 million and A$ 0.6 million) in connection with third-party contracts in Canada and Australia. These letters of credit reduce the Company's borrowing capacity under the revolving facility.

As at June 30, 2013, the Company had utilized $15.6 million of the revolving credit facility (December 31, 2012: $3.1 million). This increase reflects the principal repayment made on the term facility on June 28, 2013.

Long-term Debt

The Company's long-term debt consists of the following:

($ thousands)	***Principal***	**June 30, 2013**	December 31, 2012
Term Loan, due June 28, 2017	*$61.9m Cdn*	**$61,944**	$72,250
	$10.4m A$	**10,059**	12,660
Unsecured Senior Notes, due August 8, 2019	*$125.0m Cdn*	**125,000**	125,000
Minimum finance lease payments, due 2013-2016	*£0.3m GBP*	**470**	561
Total		**$197,473**	$210,471
Less: interest on finance leases		**(51)**	(69)
Unamortized transaction costs		**(7,126)**	(7,827)
		190,296	202,575
Current portion of long-term debt		**(5,508)**	(5,229)
Current portion of unamortized transaction costs		**495**	543
Long-term debt		**$185,283**	$197,889

Senior Secured Facilities

DirectCash has established certain credit facilities with a syndicate of lenders including a revolving facility and a term loan.

Under these credit facilities, DirectCash is subject to certain financial covenants and has agreed that the ratio of consolidated funded debt to consolidated EBITDA (as defined in the credit facilities) will not exceed 3.5 to 1.0, with the permitted ratio decreasing to 2.5 to 1.0 by July, 2015, and that the ratio of EBITDA (as defined in the credit facilities) less unfunded capital expenditures, dividends and cash taxes to interest expense and scheduled principal payments on funded debt will equal or exceed 1.25 to 1.0. On an annual basis, until such time as the ratio of consolidated funded debt to consolidated EBITDA is less than or equal to 2.75, the Company is required to repay outstanding advances to the extent of 50% of excess cash flow (as defined in the credit facilities) for the previous year. As at June 30, 2013, DirectCash was in compliance with all applicable covenants and ratios under the facilities.

Substantially all of the Company's assets, including the shares of its material subsidiaries (as defined in the credit facilities) and partnership interests are pledged to secure borrowings made under the senior facilities.

On February 28, 2013 and May 31, 2013, the Company repaid $1.8 million and A$0.3 million on its term loan. Under the terms of this facility, 50% of the loan amortizes over five years in escalating quarterly instalments commencing February 28, 2013 and matures on June 28, 2017.

On June 28, 2013, the Company made $10.0 million of discretionary repayments on its term loan. Concurrent with the repayment the lenders agreed to reduce the mandatory principal repayments due over the next four years by $10.0 million.

Unsecured Senior Notes

DirectCash has $125 million aggregate principal amount of seven year unsecured senior notes (the "Notes") outstanding, maturing on August 8, 2019. The Notes are direct senior unsecured obligations ranking pari passu with all other present and future senior unsecured indebtedness of DirectCash and bear interest at 8.125% per annum, payable semi-annually on February 8th and August 8th. The Notes contain no maintenance covenants. Pursuant to the terms of the indenture, the Company is limited on the amount of restricted payments, including dividends, which it can make, such restrictions being generally governed by a fixed charge coverage incurrence test and an overall restricted payments basket.

The Notes are guaranteed by all of the Company's material subsidiaries and partnerships.

Working Capital

Non-cash working capital fluctuates between periods and is dependent upon factors such as short term inventory requirements, the timing of bulk inventory shipments, and the timing of accounts receivable collections and payment of liabilities.

Fluctuations in DirectCash's non-cash working capital requirements are funded with DirectCash's revolving credit facility.

Financial Instruments and Risk Management

The Company's financial instruments include its cash in circulation, trade and other receivables, loans receivable, revolving credit facility, interest rate swaps, foreign exchange contracts, trade and other payables, other liabilities and long-term debt.

Fair value measurements for financial instruments

The following table shows the comparison of the carrying and fair values of the Company's financial instruments:

($ thousands)	**June 30, 2013** Carrying value	**June 30, 2013** Fair Value	December 31, 2012 Carrying value	December 31, 2012 Fair Value
Held for trading				
Cash and cash equivalents	**$20,140**	**$20,140**	$28,451	$28,451
Loans and receivables				
Trade and other receivables	**10,465**	**10,465**	11,446	11,446
Loans receivable	**250**	**250**	468	468
Fair value through profit and loss				
Interest rate swaps, liability (1)	**760**	**760**	688	688
Foreign exchange contracts, asset (2)	**394**	**394**	-	-
Other liabilities				
Trade and other payables	**28,952**	**28,952**	35,304	35,304
Other liabilities	**4,681**	**4,681**	3,351	3,351
Long term debt	**$197,422**	**$202,422**	$210,402	$213,840

(1) Included in other non-current liabilities and the unrealized loss is reported in finance costs.
(2) Included in trade and other receivables and the unrealized gain is reported in unrealized gain on foreign exchange.

The fair values of financial instruments are determined with respect to the hierarchy that prioritizes the input to fair value measurement. In the absence of an active market, the Company determines fair value by using valuation techniques that refer to observable market data or estimated market process. Fair values are inherently judgmental, thus the estimated fair values do not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments. The use of different estimations, methodologies and assumptions could have a material effect on the estimated fair value amounts.

The carrying value of cash and cash equivalents, trade and other receivables, loan receivable, trade and other payables and other liabilities approximate their fair values due to the relatively short-term nature of these balances. The carrying amount of the long-term debt balance related to borrowings under the Company's term loan, unsecured senior notes and obligations under finance leases. The term loan carrying amount approximates fair value since borrowings are subject to short-term floating interest rates and the spread is consistent with the Company’s current credit spreads. As at June 30, 2013, the fair value of the Company's unsecured senior notes was approximately $130.0 million (December 31, 2012 - $128.4 million) based on best available estimated quoted price. The fair value of the obligations under finance leases is determined by estimating future cash flows on a borrowing by borrowing basis, and discounting these future cash flows using the effective interest rate.

As at June 30, 2013 the Company held two interest rate swaps on these facilities: October 31, 2012 to October 31, 2014 – A$50 million at a 3.22% fixed BBSY rate and October 31, 2012 to October 31, 2015 – A$50 million at a 3.28% fixed BBSY rate.

As at June 30, 2013 the Company held the following instruments to hedge its exposure to the Australian dollar:

			Australian dollar sell position	
			Q3 2013	Q4 2013
Fixed rate forward contract A$1.024			$1,465	$1,465
European option	Call A$1.05	Put A$1.00	$2,000	$2,000
Barrier strike price on expiry: A$1.03[1]				

[1]If A$ is trading at 1.05 or higher at 10 a.m. (New York) on each of September 24 and December 23, 2013 (the expiry dates of each $2m quarterly amount), then the counterparty pays A$1.03. Otherwise, the put is at A$1.00 and the call is at A$1.05.

As at June 30, 2013, the fair value of the Company's interest rate swap was a liability of approximately $0.8 million and the fair value of the Company's foreign exchange contracts was an asset of approximately $0.4 million. The fair value of the interest rate swap and foreign exchange contracts were based on best available estimated quoted price from the issuing financial institutions.

Risk exposures

The Company is exposed to certain risks relating to its ongoing business operations. DirectCash's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Certain intercompany balances between the Company and its Australian subsidiary are designated as short-term in nature, and the changes in these balances are translated through the consolidated statement of operations. As such, the Company is exposed to foreign currency exchange risk as it relates to these intercompany balances.

The volatility and devaluation of the Australian dollar has increased the Company's risk exposure to lower than anticipated consolidated EBITDA as well as translation risk on the Company's balance sheet.

There was no change on risk exposures and the Company's strategies to mitigate identified risks from the prior year.

Off Balance Sheet Arrangements

DirectCash has access to bailment facilities for the supply of cash to ATMs owned by the Company in Australia and United Kingdom. Under these facilities, cash is owned by the bailment provider who has contracts directly with transaction acquirers' settlement agents and armored car carriers. DirectCash does not have access to this cash; the only purpose is to load cash into ATMs governed under the bailment agreement. The settlement of the cash asset and corresponding liability is through regulated clearing systems and as such a right of set-off exists. As a result of the above factors, no asset or liability is shown for these amounts in the financial statements. The amount of cash in circulation in Australia and United Kingdom under these facilities was approximately $159 million and $199 million as of June 30, 2013 and December 31, 2012, respectively.

As at June 30, 2013, the Company has posted letters of credit totaling approximately $6.2 million (US$ 5.3 million and A$ 0.6 million). These letters of credit reduce the Company's borrowing capacity under the revolving facility.

Disclosure Controls and Procedures (DC&P)

DC&P are defined in Multilateral Instrument 52-109, "Certification of Disclosure in Issuers Annual and Interim Filings" as "controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure".

DC&P are designed to provide reasonable assurance that all relevant information is gathered and reported to senior DirectCash management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the end of 2012, DirectCash management evaluated the effectiveness of the design and operation of DirectCash's disclosure controls and procedures and concluded that DirectCash's DC&P are not effective to ensure that material information relating to DirectCash is made known to management of DirectCash on a timely basis and is included in DirectCash's public disclosures, due to the weaknesses in internal control identified below in the "Internal control over financial reporting" section.

Due to the timing of the acquisition, for the period ended June 30, 2013 DirectCash has limited its design of DC&P to exclude controls, policies and procedures for DirectCash Payments Australia Pty Ltd. and its subsidiary companies.

Internal control over financial reporting (ICFR)

ICFR is defined in Multilateral Instrument 52-109, "Certification of Disclosure in Issuers Annual and Interim Filings" as "a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

DirectCash's management is responsible for establishing and maintaining adequate internal control over financial reporting of DirectCash.

DirectCash's internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of DirectCash;

(i) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of DirectCash are being made only in accordance with authorizations of management and directors of DirectCash; and

(ii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of DirectCash's assets that could have a material effect on the financial statements.

A material weakness in internal controls is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by DirectCash.

Internal control over financial reporting, no matter how well designed has inherent limitations and cannot provide absolute assurance that the objectives of the control system will be met. Therefore internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Management of DirectCash conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework from "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, DirectCash's management concluded that DirectCash's ICFR, as defined in NI 52-109, was not effective as at the reporting date, due to the following material weaknesses:

- Due to the small size of DirectCash, it did not maintain effective segregation of duties over certain transactions which can lead to ineffective monitoring, supervision and potential misappropriation of assets.
- Due to the limited number of people employed, DirectCash does not have in-house expertise to deal with complex legal, taxation, regulatory and reporting issues.

Impact of Material Weaknesses

Due to their nature, the potential impact of these material weaknesses cannot be assessed or predicted with any degree of accuracy.

Remediation to Address Material Weakness

DirectCash is expanding in-house expertise in several of these areas. However, in some instances the cost would outweigh the benefits. DirectCash engages outside expertise to assist with complex issues when deemed necessary.

Changes in Internal Control over Financial Reporting ("ICOFR")

Due to the timing of the acquisition, for the period ended June 30, 2013 DirectCash has continued to limit its design of ICFR to exclude controls, policies and procedures of DirectCash Payments Australia Pty Ltd. and its subsidiary companies. There was no significant change in ICOFR since December 31, 2012.

The following are included in the Company's June 30, 2013 Condensed Consolidated Interim Financial Statements:

($ thousands)	**DirectCash Payments Australia Pty Ltd.**[1]
Current assets	$12,747
Non-current assets	230,080

($ thousands)	DirectCash Payments Australia Pty Ltd.(1)
Current liabilities	13,826
Non-current liabilities	$27,962

[1]*Excludes intercompany debt that has been eliminated on consolidation*

Critical accounting judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The following judgements and estimates are those deemed by management to be material to DirectCash's financial statements:

Judgements:

Depreciation and amortization

Depreciation and amortization methods for ATM equipment, office equipment, computers, automobiles, debit terminal equipment and acquired contracts and other intangible assets are based on management's judgement of the most appropriate method to reflect the pattern of each class of asset's future economic benefit expected to be consumed. Among other factors, these judgements are based on industry standards and DirectCash's specific history and experience.

Impairment

Assessment of impairment is based on management's judgement of whether there are sufficient internal and external factors that would indicate that an asset or CGU is impaired. The determination of CGUs is also based on management's judgements and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

Lease classification

Assessing whether a lease is a finance lease or an operating lease is based on management's judgement of the criteria applied in International Accounting Standard ("IAS") 17 – Leases. The most prevalent leases of DirectCash are for ATM leases in the UK operations. Management has determined that all of the UK leases referred to above are finance leases.

Business combination

The purchase price allocation for business combinations is based on management's judgements of the criteria applied in International Financial Reporting Standard ("IFRS") 3 – Business Combinations.

Estimates:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of (a) its fair value less costs to sell and (b) its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The

cash flows are derived from internal budgets and do not include restructuring activities that DirectCash is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. There is a certain amount of subjectivity and judgement in the CGUs determination and recoverable amount calculation. Judgements and assumptions, described in the consolidated financial statements note detail, are subject to measurement uncertainty and the impact of differences between actual and estimated amounts on the consolidated financial statement of future periods could be material.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. DirectCash reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assessed when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in net income (loss) in the period in which the change occurs.

Useful lives of long-lived assets

DirectCash estimates the useful lives of equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of equipment would increase recorded expenses and decrease the carrying value of non-current assets.

DirectCash estimates the useful lives of contracts included in intangible assets based on the average remaining primary term of the contracts acquired and assigns an estimated retention period based on the Company's historical information in the applicable market. It is possible, however, that future regulatory or general economic changes, among other factors, could significantly impact the estimated retention period. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of contracts would increase the recorded expenses and decrease the varying value of non-current assets.

Other significant areas of judgements

The estimates of fair value for assets acquired and liability assumed through business combination involve certain assumptions and judgements that are subject to measurement uncertainty.

The estimates of net realizable value of inventory involve estimating future selling prices in the applicable market and accordingly, are subject to measurement uncertainty.

Key Business Risks

Key business risks for the three and six months ended June 30 2013 are consistent with those identified at year ended December 31, 2012. For discussion of additional business risks, see "Risk Factors" detailed in the Annual Information Form dated March 16, 2013 available on SEDAR (www.sedar.com).

Additional Information

Additional information about DirectCash, including DirectCash's Annual Information Form and other public filings is available on SEDAR (www.sedar.com) and on DirectCash's website (www.directcash.net).

Summary of Quarterly Results

The following table presents a summary of DirectCash's selected consolidated financial information for the eight quarters ended June 30, 2013:

Quarterly information ($ thousands except per share amounts)

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Revenue								
ATM Business	$51,434	$49,874	$53,287	$54,294	$18,179	$13,696	$12,644	$13,660
Prepaid and other	7,186	8,747	11,856	12,723	13,899	14,186	14,447	14,806
Total Revenue	58,620	58,621	65,143	67,017	32,078	27,882	27,091	28,466
Gross Profit								
ATM business	$24,809	$25,960	$26,436	$24,954	$7,965	$6,929	$6,320	$7,753
Gross profit margin	*48.2%*	*52.1%*	*49.6%*	*46.0%*	*43.8%*	*50.6%*	*50.0%*	*56.8%*
Prepaid and other	3,697	4,735	5,996	5,978	6,568	6,876	7,120	7,207
Gross profit margin	*51.4%*	*54.1%*	*50.6%*	*47.0%*	*47.3%*	*48.5%*	*49.3%*	*48.7%*
Total Gross Profit	28,506	30,695	32,432	30,932	14,533	13,805	13,440	14,960
Gross profit margin	*48.6%*	*52.4%*	*49.8%*	*46.2%*	*45.3%*	*49.5%*	*49.6%*	*52.6%*
EBITDA	$15,181	$17,241	$18,318	$18,095	$11,395	$8,756	$8,036	$9,935
EBITDA margin	*25.9%*	*29.4%*	*28.1%*	*27.0%*	*35.5%*	*31.4%*	*29.7%*	*34.9%*
EBITDA per weighted share (basic)	*0.92*	*1.04*	*1.11*	*1.18*	*0.83*	*0.64*	*0.58*	*0.72*
EBITDA per weight share (diluted)	*0.91*	*1.04*	*1.10*	*1.17*	*0.82*	*0.63*	*0.58*	*0.72*
Net income (loss) attributable								
to common shareholders	$2,262	$(722)	$1,828	$(2,094)	$3,902	$3,220	$8,549	$4,379
per share, basic	*0.14*	*(0.04)*	*0.11*	*(0.14)*	*0.28*	*0.23*	*0.62*	*0.32*
per share, diluted	*0.14*	*(0.04)*	*0.11*	*(0.14)*	*0.28*	*0.23*	*0.62*	*0.32*
Dividends declared	$5,741	$5,741	$5,741	$5,418	$4,775	$4,775	$4,775	$4,775
Dividends declared per share	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*
Total assets	**$399,952**	**$428,579**	**$442,738**	**$436,252**	**$419,290**	**$151,086**	**$166,302**	**$157,774**
Total long-term debt	**$185,283**	**$196,340**	**$197,889**	**$199,113**	**$50,475**	**$-**	**$-**	**$-**
Common shares outstanding end of period	**16,639**	**16,639**	**16,639**	**16,639**	**13,839**	**13,839**	**13,839**	**$13,839**