ADVANTEX

# Letter to Shareholders for the fiscal year ended June 30, 2022

Dear Shareholders,

I am pleased to report that Advantex has made significant progress re-building its business from the adverse impact of the pandemic. This is evident in Fiscal 2022 revenues which were 41.5% higher than Fiscal 2021.

Your support at the August 2021 special meeting of the shareholders, along with continued support from the principal holders of the debentures, enabled Advantex to close, in early September 2021, a $1.0 million debenture financing. This allowed us to begin re-building our core business - merchant cash advance - a process that continued with a $150,000 debenture financing in March 2022. This business relies also on a line of credit facility and our long term partner, Accord, extended the term of their agreement with Advantex until 2024. Our Aeroplan re-seller program has also begun to recover, albeit somewhat slower than our retail business, consistent with the delayed reopening of consumer travel. The pandemic also provided an opportunity to further streamline costs. Fiscal 2022 is the outcome of shareholders, business partners, Advantex staff and board of directors coming together as a team.

Revitalizing the economy, post Pandemic, will open up opportunities for us to develop our business in the next twelve months. To accomplish our growth opportunities we will need additional capital in short order, not only consolidate the progress made to date but to expand. This is essential to ensure Advantex's continuity, and financial stability. Secondly, prudent and economic investment is required in technology and staffing to support the growth phase. Thirdly, provided the outcomes to the previous two conditions are positive, we should be prepared for gradual progress and for the journey to be uneven. Finally, we should carry the confidence that comes from coming out, albeit slimmed down, of the pandemic, an event as disruptive as the 2008 financial crises.

I wish you the best for coming twelve months.

"Kelly E. Ambrose"
Kelly E. Ambrose
President and CEO
October 20, 2022

This letter to shareholders contains "forward-looking statements" within the meaning of applicable securities laws relating to the future business and operations of Advantex. Actual results and developments may differ materially from those contemplated by these statements. The business and operations of Advantex described herein is dependent on a number of factors and is subject to a number of risks and uncertainties. Factors that could cause actual results to differ material include, but are not limited to, changes in Advantex's economic and competitive conditions including but not limited to the industry sectors in which Advantex operates. The statements in this letter to shareholders are made as of the date of this release. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and Advantex undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at October 20, 2022. Management's Discussion and Analysis ("MD&A") is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the twelve months ended June 30, 2022, compared to the twelve months ended June 30, 2021. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2022, and which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Some dollar amounts have been rounded and may not tie directly to the audited consolidated financial statements.

## Overall Performance

Advantex is an aggregator of independent merchants, and currently provides merchant cash advance ("MCA") and loyalty marketing services to its community of merchants. MCA program meets working capital needs of merchants. It is the core business of the company. Loyalty marketing provides merchants an economic way to market their establishments to about 5 million consumers. Loyalty marketing services are delivered through its re-seller relationship with Aeroplan loyalty program owned by Air-Canada.

The company's merchants operate across Canada in diverse business segments: restaurants; independent inns, resorts and selected hotels; spas; retailers of men's and ladies fashion, footwear and accessories; florists and garden centres; health and beauty centres; gift stores; and home décor, many of which are leaders in their respective business segment.

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased receivables. The amount collected against the pre-purchased receivables less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

In the loyalty marketing program the company is a re-seller of aeroplan points. Participating merchants are able to leverage a powerful currency – aeroplan points - to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan points. Advantex earns its revenue from selling aeroplan points, at an agreed price per aeroplan point.

While year ended June 30, 2021 ("Fiscal 2021") was shaped by the devastating adverse impact of the Covid-19 pandemic on both programs - MCA and loyalty marketing, coinciding with the gradual end of public health restrictions and infusion of capital, year ended June 30, 2022 ("Fiscal 2022") was the year of gradual re-build of the two programs.

The key events of Fiscal 2022 and Fiscal 2021 and their outcomes on the financial performance are discussed in this Section.

### Capital raise

The company raised capital to address the erosion of working capital and its continuity.

In March 2021 it raised $250,000 by issuing 9% non-convertible debentures payable (Section 9% Non-Convertible Debentures Payable). This was followed by raise of $1.0 m and $150,000 in September 2021 and March 2022 respectively by way of 9% non-convertible debentures payable ("9% 2025 debentures"). The three

funds raises were related party transactions (Section Related Party Transactions) where the purchasers were led by the existing primary shareholder and primary holder of 9% 2025 debentures.

The net proceeds of the March 2021 raise were used to bring the company back into regulatory compliance, for general corporate purposes and the residual towards the start of a re-build of MCA business. The net proceeds of raises in September 2021 and March 2022 were used to stabilize Advantex's financial position, fund re-build of its MCA business and for general corporate purposes.

The re-build of the MCA program – a process which is partially complete at end of Fiscal 2022 – is evident in the MCA program revenues, Fiscal 2022 in $1,167,998 vs $745,781 in Fiscal 2021.

Support of shareholders and holders of 9% 2025 debentures

At the August 2021 special meeting the shareholders approved resolutions that enabled close of the September 2021 capital raise.

In addition to an aggregate of $1.4 m invested between March 2021 and March 2022, in March 2021, the holders of 9% non-convertible debentures payable extended term of the maturity of the 9% non-convertible debentures payable from December 31, 2021 to December 31, 2025 and gave easier terms respecting schedule of interest payments whereby their debentures were replaced by 9% 2025 debentures (Section 9% Non-Convertible Debentures Payable). In June 2022 further support was extended to the company by way of waiver of financial covenant defaults, re-set of certain financial covenants and deferral of interest payment falling due in September 2022 (additional detail in Section 9% Non-Convertible Debentures Payable).

These steps enabled the company to maximize the capital raise towards re-build of its MCA business.

Agreements with other partners

In September 2021 the company and Accord Financial Inc. ("Accord") agreed to extend the term of their agreement to June 30, 2022 and amongst other amendments lower interest rate payable by the company. In March 2022 the company and Accord agreed 1) to extend the term of their agreement to July 31, 2024, and 2) a payment plan for Advantex to re-pay the overdraft facility by July 31, 2024. Accord provides a line of credit facility that is available to the company only for acquisition of transaction credits under its MCA program and Aeroplan programs (additional details available in Section Loan Payable). This relationship enabled the company to re-build its MCA program.

During Fiscal 2022 the company and Aeroplan Inc. ("Aeroplan") continued to work together under the terms of the original agreement which ended April 30, 2021. In August 2022 the two parties signed an extension until December 31, 2022 while discussing future terms and direction (Section Economic Dependence). Under this agreement the company operated as a reseller of aeroplan points.

Re-commencement of trading of common shares

Since the company was not in a financial position to timely file its year ended June 30, 2019 annual financial statements and related financial documents the Ontario Securities Commission ("OSC") issued a failure to file cease trade order ("FFCTO") on November 1, 2019. In May 2021 the company applied to the OSC for a revocation of the FFCTO and in June 2021 the OSC issued an order revoking the FFCTO. The company's common shares re-commenced trading in June 2022 on Canadian Securities Exchange ("CSE"). This followed completion of a share consolidation on the basis of one post consolidation common share for every 30 pre consolidation common shares. Share consolidation was a pre-condition of the CSE to commencement of trading following completion of capital raise in September 2021.

Financial Outcome

The gradual re-build of MCA and Aeroplan programs is reflected in higher Fiscal 2022 revenues of $509,817 (Fiscal 2022 $1,739,697 vs Fiscal $1,229,880) and higher Fiscal 2022 gross profit of $136,658 (Fiscal 2022 $997,888 vs Fiscal 2021 $861,230).

The company qualified for lower ($395,990) federal wage and rent subsidies in Fiscal 2022 vs Fiscal 2021 and this is reflected in higher general and general & administrative expenses of $364,570 in Fiscal 2022 (Fiscal 2022 $1,650,314 vs Fiscal 2021 $1,285,744). Controlling for federal wage and rent subsidies and certain one-time adjustments the company continued its cost control and Fiscal 2022 selling and general & administrative expenses were flat vs Fiscal 2021 (Fiscal 2022 $1,837,409 vs $1,833,766).

Consequently the loss from operations before depreciation, amortization and interest in Fiscal 2022 is $227,912 higher (Fiscal 2022 $652,426 vs Fiscal 2021 $424,514).

The stated interest cost comprised:

a. interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022 (Fiscal 2022 $476,961 vs Fiscal 2021 $355,986). The interest rate from September 2021 is 8.80% (9.05% until August 2021) + prime rate of a certain Canadian Bank. The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit with the lower interest rate from September 2021 offset by the increase in prime rates since March 2022
b. interest payable to 9% 2025 debentures. The increase in Fiscal 2022 cost of $218,845 (Fiscal 2022 $773,733 vs Fiscal 2021 $554,888) reflects the higher principal outstanding during Fiscal 2022 consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and interest payable on unpaid interest and deferred interest. Fiscal 2021 reflects increase in principal outstanding from capital raise in March 2021 and interest payable on unpaid interest. The interest in Fiscal 2022 and Fiscal 2021 was not paid. The holders of 9% 2025 debentures agreed to defer the interest payments.

The balance of costs are non-cash and are $48,139 higher in Fiscal 2022 (Fiscal 2022 $804,718 vs Fiscal 2021 $756,579). The non-cash interest on 9% 2025 debentures – comprising accretion charges arising on the attribution of fair value to debentures between debt and equity, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 (Fiscal $798,958 vs Fiscal 2021 $644,798) reflecting the amendment of terms in March 2021 and capital raises of March 2021, September 2021 and March 2022. Other non-cash expenses, an outcome of accounting for the head office lease, were $106,021 lower in Fiscal 2022 (Fiscal 2022 $5,760 vs Fiscal 2021 $111,781) primarily reflecting complete write-off of right of use asset in Fiscal 2021.

Despite strides made to re-build the business post Covid-19 pandemic, from above it is evident the company used cash in operations exceeding its revenues during Fiscal 2022 and Fiscal 2021. In addition, the company continued to pay back arrears due to Aeroplan.

The company could have made greater progress in re-building its MCA program but for want of capital.

At the end of June 2022 the company is in need of capital to maintain its current MCA program activity level, to continue to re-build its MCA program, and continue operations.

## Outlook

The company believes its core business - MCA program - is a growth industry because institutional lenders are not focused on meeting working capital needs of independent merchants, even more so because of impact of Covid-19 pandemic and the currently prevailing economic uncertainties. Independent merchants are the engines of significant economic activity and although there are several competitors in the MCA space the company believes its strategy of transparent and competitive pricing give it an ability to grow its MCA portfolio if it has access to growth capital.

The loyalty marketing program the company provides is dependent on its agreement with Aeroplan. Operating this program gives the company a significant secondary business line and an advantage over competition in the MCA space. The current agreement expires December 2022. The company expects to sign a multi-year renewal.

The company believes it has the support of the primary holder of 9% 2025 debentures, evidenced by their additive investment of $1.3 million since March 2021. The company believes it has the support of Accord. The company and Accord extended the term of the agreement to July 31, 2024.

Primarily due to Covid-19 pandemic, the company's MCA portfolio had declined significantly. Since the raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and as of June 30, 2022 it had about 125 merchants up from about 80 at start of September 2021. The company believes with adequate capital it has the ability to initially go back to pre Covid-19 pandemic level of about 250 merchants and expand beyond significantly thereafter. The $1.0 million and $150,000 the company raised in September 2021 and March 2022 was used to stabilize its financial position, fund re-build of its MCA business and for general corporate purposes. However, the company needs access to capital to maintain its MCA portfolio at June 30, 2022 level and from there to expand its MCA portfolio. In addition to capital the growth of MCA portfolio depends, given the prevailing economic environment, on the return of merchant business confidence. The maintenance and growth of company's MCA portfolio is essential to bring financial stability.

The company is engaging with primary holder of 9% 2025 debentures and potential investors to raise capital necessary to maintain and expand its MCA program, and continue operations.

There is reason to be cautiously optimistic about Advantex's future. The optimism comes from market size for the company's products and its experience of working in the market. Caution comes from uncertainty in the company's ability to raise capital to maintain and expand its business which is the path to financial stability. Additional risk factor is the current inflationary and high interest environment and its fallout on the economy which in turn could adversely impact business and consumer confidence.

## Twelve months ended June 30, 2022

Both Fiscal 2022 and Fiscal 2021 reflect the impact of Covid-19 pandemic partially offset by federal wage and rent subsidies – which were tapering down during Fiscal 2022 - to assist organizations impacted by Covid-19. In addition, Fiscal 2022 reflects gradual re-build of the MCA program after capital raise in September 2021 and March 2022, and gradual re-development of the Aeroplan program.

The financial highlights for Fiscal 2022 compared to Fiscal 2021 are summarized in the tabulation.

| | Fiscal 2022 | Fiscal 2021 |
|---|---|---|
| | $ | $ |
| **Revenues** | | |
| MCA program | 1,167,998 | 745,781 |
| Aeroplan program | 571,699 | 484,099 |
| | **$ 1,739,697** | **$ 1,229,880** |
| | | |
| **(Loss) from operations before depreciation, amortization and interest** | **$ (652,426)** | **$ (424,514)** |
| | | |
| **Net (loss) and Comprehensive (loss)** | **$ (2,707,838)** | **$ (2,091,967)** |

*Income Statement – Fiscal 2022 compared to Fiscal 2021*

Revenues. Both Fiscal 2022 and Fiscal 2021 reflect impact of Covid-19. In addition, Fiscal 2022 reflects gradual re-build of the MCA program after capital raise in September 2021 and March 2022, and gradual re-development of the Aeroplan program. The 41.5% increase of $509,817 in revenues to $1,739,697 reflects improvement of 56.6% in MCA program revenues of $422,217 and the 18.1% increase of $87,600 in Aeroplan program revenues.

Gross profit. Fiscal 2022 reflects a higher expense for provision for delinquencies against MCA program transaction credits (Fiscal 2022 $318,000 vs Fiscal 2021 $67,500). An outcome of Covid-19. This was the primary reason for compression of company's gross margin (Fiscal 2022 57.4% vs Fiscal 2021 70.0%) and consequently the 15.9% increase of $136,658 in Fiscal 2022 gross profit to $997,888. Increase of 25.7% in Fiscal 2022 MCA program gross profit of $172,374 to $842,672 reflects increase in revenues partially offset by increase in direct costs. Aeroplan program gross profit was lower 18.7% lower ($35,716) at $155,216 reflecting the increase in revenues offset by decline in gross margin (Fiscal 2022 27.1% vs Fiscal 2021 39.4%).

Selling expenses were $72,974 higher, an increase of 14.7% to $569,827 compared to Fiscal 2021. In both Fiscal years to offset some of the financial impact of Covid-19, since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration. Web marketing of website promoting MCA program cost the company $31,275 in Fiscal 2022 (Fiscal 2021 $nil), and Fiscal 2021 reflects more temporary lay-offs of sales staff.

General & Administrative ("G&A"). In both periods the administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration. G&A reflects federal wage and rent subsidies for Fiscal 2022 of $152,033 vs Fiscal 2021 $548,021. In addition, the company in partnership with its landlord availed federal rent relief since the start of the program until its termination in September 30, 2020. Controlling for the federal subsidies and other one-time adjustments, the underlying G&A was $69,329 lower in Fiscal 2022 (Fiscal 2022 $1,267,583 vs Fiscal 2021 $1,336,912). The reported G&A, which reflects federal subsidies and other one-time adjustments, for Fiscal 2022 was $1,080,487 vs Fiscal 2021 $788,891, and increase of $291,596.

Loss from operations before depreciation, amortization and interest. The above are reflected in Fiscal 2022 loss from operations before depreciation, amortization and interest of $652,426 vs $424,514 for Fiscal 2021.

The stated interest cost comprised:

c. interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022 (Fiscal 2022 $476,961 vs Fiscal 2021 $355,986). The interest rate from September 2021 is 8.80% (9.05% until August 2021) + prime rate of a certain Canadian Bank. The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit with the lower interest rate from September 2021 offset by the increase in prime rates since March 2022
d. interest payable to 9% 2025 debentures. The increase in Fiscal 2022 cost of $218,845 (Fiscal 2022 $773,733 vs Fiscal 2021 $554,888) reflects the higher principal outstanding during Fiscal 2022 consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and interest payable on unpaid interest and deferred interest. Fiscal 2021 reflects increase in principal outstanding from capital raise in March 2021 and interest payable on unpaid interest. The interest in Fiscal 2022 and Fiscal 2021 was not paid. The holders of 9% 2025 debentures agreed to defer the interest payments.

The non-cash interest on 9% 2025 debentures – comprising accretion charges arising on the attribution of fair value to debentures between debt and equity, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 (Fiscal $798,958 vs Fiscal 2021 $644,798) reflecting the amendment of terms in March 2021 and capital raises of March 2021, September 2021 and March 2022. Other non-cash expenses, an outcome of accounting for the head office lease, were $106,021 lower in Fiscal 2022 (Fiscal 2022 $5,760 vs Fiscal 2021 $111,781) primarily reflecting complete write-off of right of use asset ($53,072) in Fiscal 2021.

The above factors are reflected in a higher net loss. Fiscal 2022 $2,707,838 vs Fiscal 2021 $2,091,967.

*Balance Sheet – Fiscal 2022 compared to Fiscal 2021*

Transaction credits, which represent balance due of working capital advanced to merchants, net of provision for delinquent accounts, are about 93.8% of total assets at June 30, 2022 compared to 88.7% at June 30, 2021. Transaction credits, net of provision for delinquent accounts, at June 30, 2022 is $1,585,605 higher vs June 30, 2021. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022. Coinciding with the commencement of Covid-19

driven public health restrictions in March 2020 the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. While the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies. These factors led to decline in transaction credits, net of provision for delinquent accounts, standing at $1,726,663 at June 30, 2021. The provision for delinquent transaction credits at June 30, 2022 amounts to $1,379,853 vs $1,061,295 at June 30, 2021.

Loan payable of $4,019,685 at June 30, 2022 was $1,632,246 higher compared to $2,387,439 at June 30, 2021. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. To support the company during Covid-19 pandemic Accord provided company with a working capital overdraft. The loan payable balance at June 30, 2022 and June 30, 2021 includes amounts payable under the working capital overdraft provided by Accord (Fiscal 2022 $493,000 vs Fiscal 2021 $454,000). The loan payable balance at June 30, 2022 and June 30, 2021 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods. Section Loan Payable.

The 9% debenture at June 30, 2022 reflects the additional $1.0 million and $150,000 issued in September 2021 and March 2022 and the attribution of fair value to debt and equity arising from the two issuances. Principal balance of 9% 2025 debentures payable at June 30, 2022 $7,159,000, debt portion on statement of financial position $6,953,878. The 9% debenture at June 30, 2021 reflects the additional $250,000 issued in March 2021 and the attribution of fair value to debt and equity arising from this issuance and extension in March 2021 of maturity date of 9% non-convertible debentures payable from December 31, 2021 to December 31, 2025. Principal balance of 9% 2025 debentures payable at June 30, 2021 $6,009,000, debt portion on statement of financial position $4,694,885. The debt portion at the end of the two fiscal periods reflects accrued and unpaid interest. The company does not have the ability to pay the interest. Section 9% non-convertible debentures payable.

## Results of Operations

| | Fiscal 2022 | Fiscal 2021 |
|---|---|---|
| | $ | $ |
| **Revenue** | **$ 1,739,697** | **$ 1,229,880** |
| Cost of loyalty rewards and marketing on connection with merchant based loyalty program | 416,483 | 293,167 |
| Expense for provision against delinquent accounts, credit/collection expense | 325,326 | 75,483 |
| **Gross profit** | **$ 997,888** | **$ 861,230** |
| Selling and General & Administrative | 1,650,314 | 1,285,744 |
| **(Loss) from operations before depreciation, amortization, interest** | **$ (652,426)** | **$ (424,514)** |
| Cash interest on loan payable and debentures | 1,250,694 | 910,874 |
| **(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses** | **$ (1,903,120)** | **$ (1,335,388)** |
| Non cash interest expense on 9% debentures - accretion, performance bonus, amortization of transaction costs | 798,958 | 644,798 |
| Interest - Lease | 5,760 | 13,219 |
| Depreciation of right of use asset | - | 45,490 |
| Impairment of right of use asset | - | 53,072 |
| **Net (loss) and comprehensive (loss)** | **$ (2,707,838)** | **$ (2,091,967)** |
| | | |
| **Basic and Diluted (loss) per share** | **$ (0.01)** | **$ (0.07)** |

*Extract from the Statement of Financial Position*

| | At June 30, 2022 | At June 30, 2021 | Increase/ (Decrease) |
|---|---|---|---|
| | $ | $ | $ |
| Current assets | $ 3,530,362 | $ 1,946,034 | $ 1,584,328 |
| Total assets | $ 3,530,362 | $ 1,946,034 | $ 1,584,328 |
| Shareholders' deficiency | $ (10,341,883) | $ (8,012,127) | $ 2,329,756 |

The change in current assets primarily reflects increase in transaction credits, net of provision for delinquent accounts, of $1,585,605.

Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits. During Fiscal 2021 – a period of heightened public health restrictions - while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment leading to reduction, net of provision for delinquent accounts, in transaction credits.

The change in the total assets primarily reflects increase in the current assets.

On the current liabilities side, the main change is on account of loan payable. Loan payable of $4,019,685 at June 30, 2022 was $1,632,246 higher compared to $2,387,439 at June 30, 2021. Loan payable supports 90% investment in transaction credits. The loan payable balance at June 30, 2022 and June 30, 2021 includes amounts payable under the working capital overdraft provided by Accord (Fiscal 2022 $493,000 vs Fiscal 2021 $454,000). The loan payable balance at June 30, 2022 and June 30, 2021 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods. Section Loan Payable.

The 9% debenture at June 30, 2022 reflects the additional $1.0 million and $150,000 issued in September 2021 and March 2022 and the attribution of fair value to debt and equity arising from the two issuances. Principal balance of 9% 2025 debentures payable at June 30, 2022 $7,159,000, debt portion on statement of financial position $6,953,878. The 9% debenture at June 30, 2021 reflects the additional $250,000 issued in March 2021 and the attribution of fair value to debt and equity arising from this issuance and extension in March 2021 of maturity date of 9% debenture from December 31, 2021 to December 31, 2025. Principal balance of 9% 2025 debentures payable at June 30, 2021 $6,009,000, debt portion on statement of financial position $4,694,885. The debt portion at the end of the two fiscal periods reflects accrued and unpaid interest. The company does not have the ability to pay the interest. Section 9% Non-Convertible Debentures Payable.

The movement in the shareholders' deficit reflects net loss during Fiscal 2022 and recording of contributed surplus-upon the issuance of 9% 2025 debentures (see Section 9% Non-Convertible Debentures Payable).

*Extracts from the Statement of Cash Flow*

| | Fiscal 2022 | Fiscal 2021 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Net (loss) | $ (2,707,838) | $ (2,091,967) | $ (615,871) |
| Adjustments for non cash expenses | 1,578,451 | 1,311,467 | 266,984 |
| (Loss) after adjustments for non cash expenses | $ (1,129,387) | $ (780,500) | $ (348,887) |
| Changes in working capital | (1,478,993) | 2,604,570 | (4,083,563) |
| Net cash generated from/(used in) financing activities | 2,618,959 | (1,908,065) | 4,527,024 |
| Net cash generated from/(used in) operations | $ 10,579 | $ (83,995) | $ 94,574 |
| Increase/(Decrease) in cash | 10,579 | (83,995) | $ 94,574 |
| Cash at start of year | $ 82,606 | $ 166,601 | $ (83,995) |
| Cash at end of year | $ 93,185 | $ 82,606 | $ 10,579 |

*Adjustments for non-cash expenses. A* significant item for Fiscal 2022 and Fiscal 2021 is accrued and unpaid interest on 9% 2025 debentures (Fiscal 2022 $773,733 vs. Fiscal 2021 $554,888). Furthermore, Fiscal 2022 charges for Accretion and Restructuring bonus respecting 9% 2025 debentures are $783,515 (Fiscal 2021 $631,491).

*Changes in working capital*. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The significant items during both fiscal periods is transaction credits – Fiscal 2022 increase of $1,585,605 vs Fiscal 2021 decrease of $2,197,254. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits. During Fiscal 2021 – a period of heightened public health restrictions - while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment leading to reduction, net of provision for delinquent accounts, in transaction credits. The provision for delinquent transaction credits at June 30, 2022 amounts to $1,379,853 vs $1,061,295 at June 30, 2021.

From time to time the company enters into payment plans to settle its dues. The company has arrears with respect to amounts due to Aeroplan. The company primarily fell into arrears on account of Covid-19. A payment plan was established in April 2021 and it ends in December 2022. As of date hereof the company is current with the payment plan obligations.

*Financing activities*. During Fiscal 2022 the primary change was: a) the increase of $1,632,246 in loan payable which is primarily due to above noted increase in transaction credits, and b) raise of gross proceeds of $1,150,000 through issuance of 9% 2025 debentures in September 2021 and March 2022. Furthermore, the loan payable balance during Fiscal 2022 also includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2022 $493,000). During Fiscal 2021 the primary change was: a) the decrease of $1,981,567 in loan payable which is primarily due to above noted decrease in transaction credits, and b) raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures in March 2021. Furthermore, the loan payable balance during Fiscal 2021 includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2021 $454,000).

*Investing activities*. The company is frugal with capital expenditures given its financial situation. The company plans to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures in the next twelve months.

*The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the audited consolidated financial*

*statements for the fiscal year ended June 30, 2022, and have been included to provide additional analysis for the reader.*

## Revenue

The company's revenues were derived from merchants participating in the MCA program, and the Aeroplan program which the company has been operating for about a decade.

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased cash flows. The amount collected against the pre-purchased cash flows less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

The Aeroplan program. Here the company is a re-seller. The company sells aeroplan points to merchants who are small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan point, when the participating merchant issues aeroplan points to an Aeroplan member completing a qualifying transaction at the merchant.

The drivers for revenues from the MCA program are primarily the amount of working capital advances deployed with merchants, the discount at which future cash flows are purchased from merchants, followed by number of participating merchants.

The revenues from the Aeroplan program reflects the number of participating merchants, traffic of Aeroplan members completing purchases at participating merchants, the level of engagement of participating merchants in the program and mix of merchants issuing aeroplan points.

The significant factor adversely impacting revenues of both periods was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) | Inc./(Dec) |
|---|---|---|---|---|
| | $ | $ | $ | % |
| **Revenues** | | | | |
| MCA program | 1,167,998 | 745,781 | 422,217 | 56.6% |
| Aeroplan program | 571,699 | 484,099 | 87,600 | 18.1% |
| | **$ 1,739,697** | **$ 1,229,880** | **$ 509,817** | **41.5%** |

MCA program

Since the start of Covid-19 pandemic and until June – August 2021 the company reduced the collections from several merchants so as not to stress the merchants' cash flows. It also did not give significant additional advances during Fiscal 2021 – both on account of diminished working capital availability and the credit environment. This led to reduction in transaction credits and participating merchants.

Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio.

The slowdown in contracted collections, primarily during Fiscal 2021, in addition to below tabulated change in transaction credits and participating merchants are reflected in the higher Fiscal 2022 revenues vs Fiscal 2021.

| | Fiscal 2022 | Fiscal 2021 |
|---|---|---|
| Average Transaction credits (net of provision for delinquent accounts) during the period | $ 3,537,881 | $ 2,546,164 |
| Average # of merchants during the period | 111 | 109 |
| # of merchants at end of year | 124 | 78 |

Aeroplan program

Covid-19 was the primary factor depressing revenues in both periods. It had an economic impact on participating merchants and diminished their requirement and ability to carry on with loyalty marketing using this program. With easing of public health restrictions during Fiscal 2022 the company was re-developing this business and the timing coincided with merchants initiating marketing activities post Covid-19, and hence the improvement in revenues of $88,700 for Fiscal 2022

Both periods reflect revenue from a wholesale account (Fiscal 2022 $88,000 vs Fiscal 2021 $74,000).

Average number of merchants about 100 during Fiscal 2022 and Fiscal 2021.

## Direct Expenses

The MCA direct expenses are provision for delinquencies (Fiscal 2022 $318,000 vs Fiscal 2021 $67,500), and credit and collection expense (Fiscal 2022 $7,326 vs Fiscal 2021 $7,983) against transaction credits.

In the Aeroplan program, direct expenses are primarily costs of aeroplan points which the company purchases from Aeroplan. Other costs include cost of marketing and advertising on behalf of merchants and provision against receivables.

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) | Inc./(Dec) |
|---|---|---|---|---|
| | $ | $ | $ | % |
| **Revenues** | | | | |
| MCA program | 1,167,998 | 745,781 | 422,217 | 56.6% |
| Aeroplan program | 571,699 | 484,099 | 87,600 | 18.1% |
| | **$ 1,739,697** | **$ 1,229,880** | **$ 509,817** | **41.5%** |
| | | | | |
| **Direct expenses** | | | | |
| MCA program | 325,326 | 75,483 | 249,843 | 76.8% |
| Aeroplan program | 416,483 | 293,167 | 123,316 | 42.1% |
| | **$ 741,809** | **$ 368,650** | **$ 373,159** | **101.2%** |

MCA program

While the company believes it has adequate provision for delinquencies as at June 30, 2022, the after effects of Covid-19 pandemic are a risk factor when assessing the collectability of transaction credits.

The methodology for estimating the provision for delinquencies against transaction credits is discussed in this document in Credit Risk under Section Critical Accounting Estimates.

The company monitored credit risk along above methodology during Fiscal 2022.

Aeroplan program

Direct cost relative to revenues is primarily attributable to the mix of gross margins the company earns from transacting merchants.

The revenue activity for Fiscal 2022 is proportionality more from the larger accounts which enjoy better rates and have had relatively more aeroplan transaction vs. smaller merchants compared to Fiscal 2021.

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) | Inc./(Dec) |
|---|---|---|---|---|
| | $ | $ | $ | % |
| Revenue - Re-seller program | $ 571,699 | $ 484,099 | $ 87,600 | 18.1% |
| | $ 571,699 | $ 484,099 | $ 87,600 | 18.1% |
| Direct expenses | | | | |
| Consumer rewards | $ 416,483 | $ 293,167 | $ 123,316 | 42.1% |
| | $ 416,483 | $ 293,167 | $ 123,316 | 42.1% |

## Gross Profit

Fiscal 2022 gross profit reflects increase in revenues offset by decline in gross margin in revenues. Revenues and direct costs are discussed above in respective Sections.

Gross profit tabulation:

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) | Inc./(Dec) |
|---|---|---|---|---|
| | $ | $ | $ | % |
| MCA program | 842,672 | 670,298 | 172,374 | 25.7% |
| Aeroplan program | 155,216 | 190,932 | (35,716) | -18.7% |
| | **$ 997,888** | **$ 861,230** | **$ 136,658** | 15.9% |
| | | | | |
| Company gross margin | 57.4% | 70.0% | | |
| MCA program gross margin | 72.1% | 89.9% | | |
| Aeroplan gross margin | 27.1% | 39.4% | | |

## Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, and other selling activities. The significant component is cost – remuneration and travel/cell - of the sales staff.

During Fiscal 2022 and Fiscal 2021 the company's sales force is common to MCA and Aeroplan programs.

Remuneration/expenses of sales staff are the primary selling expenses.

Both fiscal years reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of Covid-19 pandemic on the company. The cost assistance in both fiscal years from federal wage subsidy programs for sales and administration staff is reflected in G&A (Section G&A). But for lay-offs of some sales staff during Fiscal 2021 the remuneration for both fiscal years are comparable.

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) | Inc./(Dec) |
|---|---|---|---|---|
| | $ | $ | $ | % |
| **Revenues** | | | | |
| MCA program | 1,167,998 | 745,781 | 422,217 | 56.6% |
| Aeroplan program | 571,699 | 484,099 | 87,600 | 18.1% |
| | **$ 1,739,697** | **$ 1,229,880** | **$ 509,817** | **41.5%** |
| | | | | |
| **Selling expenses** | | | | |
| Remuneration/expenses of sales staff | 528,669 | 488,141 | $ 40,529 | |
| Web marketing for MCA program | 31,275 | - | 31,275 | |
| All other | 9,883 | 8,712 | 1,170 | |
| | **$ 569,827** | **$ 496,853** | **$ 72,974** | **14.7%** |
| | | | | |
| Remuneration/expenses as % of selling expenses | 92.8% | 98.2% | | |

## General and Administrative Expenses ("G&A")

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs, shareholder and public relations costs, office overheads, capital and income taxes, and foreign exchange gains/(losses).

Both fiscal years reflect administration staff including management receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of Covid-19 pandemic on the company.

The CEO and CFO were issued 10,018,037 common shares in lieu of a part of their vacation dues ($35,063) in September 2021.

The cost assistance in Fiscal 2022 and Fiscal 2021 from Canada Emergency Wage Subsidy ("CEWS") and in Fiscal 2022 the Hardest Hit Business Recovery Program ("HHBRP") Wage Subsidy for sales and administration staff is reflected in G&A.

Federal pandemic related rent subsidy is reflected in G&A. The company in partnership with its landlord availed relief under Canada Emergency Commercial Rent Assistance ("CECRA") since the start of the program until its termination September 30, 2020. Fiscal 2022 and Fiscal 2021 reflect receipt of Canada Emergency Rent Subsidy ("CERS"), successor to CECRA program. Fiscal 2022 also reflects rent subsidy from HHBRP.

The company sub-let effective November 1, 2021 a part of its head office for a monthly rent of $6,000. The sub-let was on a month to month basis and ended June 30, 2022. The company's lease for head office expires August 31, 2022.

The G&A expenses are tabulated. Excluding government subsidies and the extinguishment of part of vacation dues, Fiscal 2022 G&A expenses are 5% below Fiscal 2021.

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) | Inc./(Dec) |
|---|---|---|---|---|
| | $ | $ | $ | % |
| **Revenues** | | | | |
| | | | | |
| **G&A** | | | | |
| Compensation for non-sales staff (incl Aeroplan sales/admin), directors, and including staff travel | 786,814 | 824,515 | (37,701) | |
| Directors fees | 65,002 | 48,750 | 16,252 | |
| Extinguishment of part of vacation pay dues of CEO and CFO | (35,063) | - | (35,063) | |
| Wage subsidy - for sales and non-sales staff | (125,010) | (463,580) | 338,570 | |
| Rent subsidy | (27,024) | (84,442) | 57,418 | |
| All other G&A expenses | 415,767 | 463,647 | (47,880) | |
| | **$ 1,080,487** | **$ 788,891** | **$ 291,596** | **37.0%** |
| | | | | |
| **G&A Excluding wage and rent subsidies and Extinguishment of part of vacation pay** | 1,267,583 | 1,336,912 | (69,329) | **-5.2%** |

## Interest Expense

Tabulation:

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) |
|---|---|---|---|
| | $ | $ | $ |
| | | | |
| Stated ("Cash") interest expense | | | |
| Loan payable | $ 476,961 | $ 355,986 | |
| 9% debentures coupon | 619,266 | 524,873 | |
| 9% debentures interest on unpaid interest | 154,467 | 30,016 | |
| | $ 1,250,694 | $ 910,874 | $ 339,820 |
| Non-cash interest expense | | | |
| Accretion charge on 9% non convertible debentures payable | $ 710,452 | $ 453,036 | |
| Restructuring bonus on 9% non convertible debentures payable | 73,063 | 178,455 | |
| Amortization of transaction costs on 9% non convertible debentures payable | 15,443 | 13,307 | |
| | $ 798,958 | $ 644,798 | $ 154,160 |
| Total interest expense | **$ 2,049,652** | **$ 1,555,672** | **$ 493,980** |

Stated interest

Loan payable interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022. The interest rate from September 2021 is 8.80% (9.05% until August 2021) + prime rate of a certain Canadian Bank. The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit (average loan payable balance during Fiscal 2022 $4,025,443 vs Fiscal 2021 $3,111,104) with the lower interest rate from September 2021 offset by the increase in prime rates since March 2022.

9% 2025 debentures interest payable. The increase in Fiscal 2022 cost of $218,845 reflects 1) the higher principal outstanding during Fiscal 2022 consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and 2) interest payable on unpaid interest and deferred interest. Fiscal 2021 reflects increase in principal outstanding from capital raise in March 2021 and interest payable on unpaid interest. The interest in Fiscal 2022 and Fiscal 2021 was not paid. The company has not paid interest since December 16, 2018. The holders of 9% 2025 debentures agreed to defer the interest payments.

Non cash interest expense

The non-cash interest on 9% 2025 debentures – comprising accretion charges arising on the attribution of fair value to debentures between debt and equity, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 reflecting the amendment of terms of 9% 2025 debentures in March 2021 and capital raises of March 2021, September 2021 and March 2022.

**Non-recurring Item**

Impairment of right of use asset respecting the head office lease. The adoption of IFRS 16 Leases at start of Fiscal 2020 resulted in creation of a right of use asset to be amortized over the life of the lease. A charge in $53,072 in Fiscal 2021 respecting full impairment reflects the uncertainty around the company's ability to meet its lease payments and in securing a sub-lease primarily on account of Covid-19 pandemic. This lease expires August 31, 2022.

**(Loss)**

Highlights of Fiscal 2022 compared to Fiscal 2021 are tabulated:

| | Fiscal 2022 | Fiscal 2021 | Inc./(Dec) |
|---|---|---|---|
| | $ | $ | $ |
| Revenues | $ 1,739,697 | $ 1,229,880 | $ 509,817 |
| Gross profit | $ 997,888 | $ 861,230 | $ 136,658 |
| Earnings (loss) from operations before depreciation, amortization and interest | $ (652,426) | $ (424,514) | $ (227,912) |
| Net (loss) and Comprehensive (loss) | $ (2,707,838) | $ (2,091,967) | $ 615,871 |
| Basic and Diluted loss per share * | $ (0.01) | $ (0.07) | |
| | | | |

* The company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The company's board of directors set May 29, 2022 as the effective date of the consolidation. To enable a comparison the average number of issued common shares, in above tabulation, during the year 2022 and 2021 are stated as if the share consolidation had taken place on July 1, 2020. As additional information, the pre-consolidation average number of issued common shares during Fiscal 2021 was 878,948,414 and based on this the reported basic EPS for Fiscal 2021 was $0.00

The detailed analysis of the above tabulated items is provided in Sections Twelve months ended June 30, 2020 - *Income Statement – Fiscal 2022 compared to Fiscal 2021*, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, Interest Expense, Non-recurring Item.

Highlights are provided here:

- The gradual re-build of MCA and Aeroplan programs is reflected in higher Fiscal 2022 revenues of $509,817 and higher Fiscal 2022 gross profit of $136,658 despite a compression in the Fiscal 2022 gross margin (Fiscal 2022 gross profit $997,888 vs Fiscal 2021 $861,230).

- The company qualified for lower ($395,990) federal wage and rent subsidies in Fiscal 2022 vs Fiscal 2021 and this is reflected in higher general and general & administrative expenses of $364,570 in Fiscal 2022 (Fiscal 2022 $1,650,314 vs Fiscal 2021 $1,285,744). Controlling for federal wage and rent subsidies and certain one-time adjustments the company continued its cost control and Fiscal 2022 selling and general & administrative expenses were flat vs Fiscal 2021 (Fiscal 2022 $1,837,409 vs $1,833,766).

- Consequently the loss from operations before depreciation, amortization and interest in Fiscal 2022 is $227,912 higher.

- The stated interest cost comprised:

  interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022 (Fiscal 2022 $476,961 vs Fiscal 2021 $355,986). The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit and changes in interest rates for this line of credit;
  interest payable to 9% 2025 debentures. The increase in Fiscal 2022 cost of $218,845 (Fiscal 2022 $773,733 vs Fiscal 2021 $554,888) reflects primarily the higher principal outstanding during Fiscal 2022

consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and also higher interest payable on unpaid interest and deferred interest.

- The balance of costs are non-cash and are $48,139 higher in Fiscal 2022 (Fiscal 2022 $804,718 vs Fiscal 2021 $756,579). The non-cash interest on 9% 2025 debentures – comprising accretion charges, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 (Fiscal $798,958 vs Fiscal 2021 $644,798) reflecting the amendment of terms in March 2021 and capital raises of March 2021, September 2021 and March 2022. Other non-cash expenses, an outcome of accounting for the head office lease, were $106,021 lower in Fiscal 2022 (Fiscal 2022 $5,760 vs Fiscal 2021 $111,781) primarily reflecting complete write-off of right of use asset in Fiscal 2021.

The above factors are reflected in the net loss of $2,707,838 in Fiscal 2022 vs $2,091,967 in Fiscal 2021, an increase of $615,871.

## Working Capital and Liquidity Management

| | Fiscal 2022 | Fiscal 2021 |
|---|---|---|
| | $ | $ |
| **Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs** | | |
| Net (loss) | $ (2,707,838) | $ (2,091,967) |
| Adjustments for non cash expenses | 1,578,451 | 1,311,467 |
| (Loss) after adjustment for non cash expenses | (1,129,387) | (780,500) |
| Cash balances at start of the period | 82,606 | 166,601 |
| Increase/(Decrease) in loan payable | 1,632,246 | (1,981,567) |
| Net proceeds from raise of 9% debentures | 1,064,384 | 131,173 |
| Loan - Canada Emergency Bank Account | - | 20,000 |
| Increase/(Decrease) in accounts receivable | 9,770 | 25,811 |
| | **$ 1,659,619** | **$ (2,418,482)** |
| | | |
| **Utilization of funds** | | |
| Cash balances at end of periods | $ 93,185 | $ 82,606 |
| Increase/(Decrease) in transaction credits | 1,585,605 | (2,197,254) |
| (Increase)/Decrease in accounts payable and accrued liabilities | (94,756) | (366,399) |
| Changes in all other working capital items | (2,086) | (15,106) |
| Change in other financing items | 77,671 | 77,671 |
| | **$ 1,659,619** | **$ (2,418,482)** |

*Working Capital Movement during Fiscal 2022 and Fiscal 2021*

*Adjustments for non-cash expenses. A* significant item for Fiscal 2022 and Fiscal 2021 is accrued and unpaid interest on 9% 2025 debentures (Fiscal 2022 $773,733 vs. Fiscal 2021 $554,888). Furthermore, Fiscal 2022 charges for Accretion and Restructuring bonus respecting 9% 2025 debentures are $783,515 (Fiscal 2021 $631,491).

*Changes in working capital.* Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The significant items during both fiscal periods is transaction credits – Fiscal 2022 increase of $1,585,605 vs Fiscal 2021 decrease of $2,197,254. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in

September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits. During Fiscal 2021 – a period of heightened public health restrictions - while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment leading to reduction, net of provision for delinquent accounts, in transaction credits. The provision for delinquent transaction credits at June 30, 2022 amounts to $1,379,853 vs $1,061,295 at June 30, 2021.

From time to time the company enters into payment plans to settle its dues. The company has arrears with respect to amounts due to Aeroplan. The company primarily fell into arrears on account of Covid-19. A payment plan was established in April 2021 and it ends in December 2022. As of date hereof the company is current with the payment plan obligations.

*Financing activities*. During Fiscal 2022 the primary change was: a) the increase of $1,632,246 in loan payable which is primarily due to above noted increase in transaction credits, and b) raise of gross proceeds of $1,150,000 through issuance of 9% 2025 debentures in September 2021 and March 2022. Furthermore, the loan payable balance during Fiscal 2022 also includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2022 $493,000). During Fiscal 2021 the primary change was: a) the decrease of $1,981,567 in loan payable which is primarily due to above noted decrease in transaction credits, and b) raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures in March 2021. Furthermore, the loan payable balance during Fiscal 2021 includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2021 $454,000).

*Investing activities*. The company is frugal with capital expenditures given its financial situation. The company plans to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures in the next twelve months.

From time to time the company negotiates payment plans with suppliers. The company does not have the wherewithal to re-pay its legacy suppliers i.e. those providing services connected to CIBC/TD program which ended in fiscal year ended June 30, 2019 and those suppliers not essential to operating the MCA and Aeroplan re-seller business model. It will have to reach settlement accommodation with these suppliers. Of the critical suppliers the company has a payment plan with 1) Aeroplan with respect to arrears as at April 2021. The payment plan ends December 2022 and as of date hereof the company is current with its payment obligations, and 2) Accord to settle the overdraft facility portion of the loan payable by July 2024. This payment plan commences October 2021.

Cash balances at the end of periods reflect cash (used) by operations [(loss) after adjustment for non-cash expenses – see above tabulation], payments of accounts payable, collection of transaction credits, deployment of advances with merchants, raise of $1.0 million in September 2021 and $150,000 in March 2022 by issuance of 9% 2025 debentures, and usage for general corporate purposes.

The company's operations are funded by debt – loan payable and 9% 2025 debentures (Sections Loan Payable, 9% Non-Convertible Debentures Payable). The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (Section Economic Dependence), and access to additional working capital in the form of debt and or equity.

The $1.0 million the company raised in September 2021 and $150,000 in March 2022 was used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it was able to expand its MCA portfolio was dependent on the return of merchant business confidence and the availability of funds – after use to stabilize its financial position and for general corporate purposes - from the money raised in Fiscal 2022 to expand MCA portfolio. The return of merchant business confidence and the company's ability to raise growth capital are matters of uncertainty given the prevailing economic environment. The growth of company's MCA portfolio is essential to bring financial stability.

At the end of June 2022 the company is in need of capital to maintain its current MCA program activity level, to continue to re-build its MCA program, and continue operations.

As of June, 2022 the company does not have any off balance sheet financing arrangements.

Going Concern

The consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the Company will be able to realize its assets and settle its liabilities as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $10,341,883 and negative working capital of $3,388,005 as at June 30, 2022. During the year ended June 30, 2022 the Company closed two financings, $1.0 million in September 2021 and $150,000 in March 2022. The continuing negative effects of the pandemic, and the prevailing inflationary and increasing interest rate environment have created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The Company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the Company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to Company being unable to continue operations due to: denial by suppliers of products and services; loss of access to a) loan payable which supports the Company's merchant cash advance program, and b) general working capital provided by 9% 2025 debentures; and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments or disclosures that may result from the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for the consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

## Contractual Obligations

Contractual obligations as at June 30, 2022 were due as follow:

| | | Total | Less than 1 year | 1 to 3 years | 4 to 5 years |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Loan payable | | $ 4,019,685 | $ 4,019,685 | $ - | $ - |
| 9% debentures | | 7,159,000 | - | - | 7,159,000 |
| Canada Emergency Business Account | | 60,000 | - | 60,000 | - |
| Head office lease | | 12,945 | 12,945 | - | - |
| | | **$ 11,251,630** | **$ 4,032,630** | **$ 60,000** | **$ 7,159,000** |

In addition, there is a contractual obligation to holders of 9% 2025 payable for interest of: a) $1,150,383 payable for the period December 16, 2018 to March 14, 2021, as holders of 9% 2025 debentures b) $3,033,976 for the period March 15, 2021 to December 31, 2025 as holders of 9% 2025 debentures, and c) interest on interest of $632,186. The company also has a liability of restructuring bonus for $1,288,620 to the holders of the 9% 2025 debentures payable on maturity. The features of 9% 2025 debentures are described in Section 9% Non- Convertible Debentures Payable.

The company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease. The lease ends August 31, 2022. The expense related to this lease is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

**Loan Payable**

The loan payable is a line of credit facility provided by Accord Financial Inc. ("Accord"), and was established in December 2007.

The loan payable has a limit of $8.5 million and is only available to the company for acquisition of transaction credits under its MCA and Aeroplan programs. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This facility was increased by $75,000 in June 2022, to be paid back by middle of September 2022 and the company repaid the $75,000 by due date. This is a general working capital facility and is a carve-out from the loan payable limit of $8.5 million. The interest rate is similar to the loan payable. As of June 30, 2022, the company has utilized $492,750 from this overdraft facility (June 30, 2021 $454,000).

In September 2021 the company and Accord agreed to: 1) extend the term of their agreement, which was due to end in December 2021, to June 30, 2022, 2) amend, effective September 1, 2021, the interest rate to the prime rate of a certain Canadian bank plus 8.80% from prime rate of a certain Canadian bank plus 9.05%, and 3) the overdraft facility would be repayable by the company in equal monthly instalments between January 2022 and June 2022.

In December 2021 Accord deferred the start of the re-payment of the overdraft facility to April 1, 2022.

In March 2022 the company and Accord agreed to: 1) extend the term of their agreement, which was due to end June 30, 2022, to July 31, 2024, and 2) a payment plan for the company to re-pay the overdraft facility by July 31, 2024. The agreement is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term.

Accord funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%. The company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

The loan payable is repayable on demand to Accord pursuant to an event of default defined in the agreement.

The company had utilized $4.0 million (which includes the amount due under the overdraft facility) of the loan payable at June 30, 2022 (at June 30, 2021 $2.4 m which includes the amount due under the overdraft facility).

**9% Non-Convertible Debentures Payable**

The company received agreement of the holders of senior secured 9% non-convertible debentures payable ("9% debentures") to extend their maturity date from December 31, 2021 to December 31, 2025. The 9% debentures were issued as 5,759 units (5,559 units in December 2017 and 200 units in October 2019) consisting of principal amount of $5,759,000 and 623,377,196 common shares of the company. Effective March 15, 2021 the 9% debentures were replaced by way of senior secured non-convertible debentures payable ("9% 2025 debentures") on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% 2025 debentures.

The company closed a $250,000 financing on March 15, 2021 by way of 9% 2025 debentures. The 9% 2025 debentures were issued on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2025. The financing was a related party transaction.

The unpaid interest from December 16, 2018 until March 14, 2021 on the 9% debentures together with interest on interest are due on maturity of 9% 2025 debentures. An additional feature of the 9% 2025 debentures is that the first year interest is deferred and is payable in eight equal instalments, with each

instalment being added to each semi-annual interest payment payable after the first year through December 31, 2025, and the interest on interest will be added in the final interest payment.
On September 7, 2021 the company issued 9% 2025 debentures for gross proceeds of $1.0 million. The financing was a related party transaction. In September 2021, the purchasers of 9% 2025 debentures - $250,000 in March 2021 and $1.0 million in September 2021 - received common shares. The common shares were determined to have nil value.

On March 24, 2022 the company issued 9% 2025 debentures for gross proceeds of $150,000. The financing was a related party transaction. In March 2022, the purchasers of 9% 2025 debenture received common shares. The common shares were determined to have nil value.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at March 31, 2021, June 30, 2021, and September 30, 2021. On June 26, 2022 the company received waiver of the events of default with respect to financial covenants at December 31, 2021 and March 31, 2022. In addition, the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2022 and re-set financial covenants for quarters ended June 30, 2022 until June 30, 2023. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures in the event that the debenture holders demand immediate payment, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them.

The issuance of 9% 2025 debentures in March 2021 was considered a transaction with holders of 9% 2025 debentures in their capacity as shareholders and accounted for as an exchange of the 9% 2025 debentures for 9% 2025 debentures. The value of the 9% 2025 debentures was determined as the amount required to extinguish the 9% 2025 debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,310,989 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,247,550 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2021). In addition, the company incurred $118,827 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the $1.0 million 9% 2025 debentures issued in September 2021 was determined to be $666.183 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result, $333,817 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2022). In addition, the company incurred $77,501 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the $150,000 9% 2025 debentures issued in March 2022 was determined to be $105,735 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result $44,265 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2022). In addition, the company incurred $8,115 of transaction costs related to the transaction and these are being amortized to maturity date.

The principal amount of the 9% 2025 debentures at June 30, 2022 is $7,159,000 (June 30, 2021 $6,009,000).

## Selected Annual and Quarterly Information

The following financial data has been derived from the company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020 ("Fiscal 2020").

| (In millions of dollars except per share amounts) | | | |
|---|---|---|---|
| | Fiscal 2022 | Fiscal 2021 | Fiscal 2020 |
| | $ | $ | $ |
| Revenues | 1.7 | 1.2 | 2.6 |
| Net (loss) | (2.7) | (2.1) | (2.9) |
| Loss per share - Basic and Diluted * | (0.01) | (0.07) | (0.10) |
| Total assets | 3.5 | 1.9 | 4.3 |
| Current liabilities | 6.9 | 5.3 | 13.5 |
| Long-term liabilities | 7.0 | 4.7 | 0.1 |
| No cash dividend declared per common share | | | |
| * Share consolidation in Fiscal 2022. To bring comparability assumed share consolidation completed July 1, 2019, start of Fiscal 2020 | | | |

Working capital represented by current assets less current liabilities as at June 30 for the past three fiscal years was:

| | Fiscal 2022 | Fiscal 2021 | Fiscal 2020 |
|---|---|---|---|
| | $ | $ | $ |
| Working capital | (3,388,005) | (3,304,473) | (9,181,583) |

Composition of total assets is tabulated:

| | Fiscal 2022 | Fiscal 2021 | Fiscal 2020 |
|---|---|---|---|
| | $ | $ | $ |
| Cash and cash equivalents | 93,000 | 83,000 | 167,000 |
| Accounts receivable | 83,000 | 93,000 | 119,000 |
| Transaction credits | 3,312,000 | 1,727,000 | 3,924,000 |
| Prepaid expenses and sundry assets | 42,000 | 44,000 | 59,000 |
| Right of use asset | - | - | 98,000 |
| | 3,530,000 | 1,947,000 | 4,367,000 |

Transaction credits are the significant asset – 93.8% Fiscal 2022; 88.7% Fiscal 2021; and 89.9% Fiscal 2020.

The transactions credits are stated net of provision for delinquent accounts.

Fiscal 2022. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits.

Fiscal 2021. The decrease in transaction credits vs. Fiscal 2020 is an outcome of covid-19 pandemic. Although during March 2021 the company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants the amounts were not significant. Throughout Fiscal 2021 and during the fourth quarter of Fiscal 2020 the company did not give any significant additional working capital advances to merchants - both on account of its diminished working capital availability and the credit environment – leading to reduction in transaction credits.

Fiscal 2020. The decrease in transaction credits vs. Fiscal 2019 ($9,474,000) is an outcome of three factors - Covid-19 pandemic, reserve for delinquencies, and timing of MCA advances vs collection. During the April – June 2020 period, due to covid-19 pandemic, most of the participating merchants either were mandated by the law to close operations or operate with restrictions. The company did not give any additional working

capital advances to merchants during this period although it reduced the collections from merchants so as not to stress the merchants' cash flows. In addition, the balance at June 30, 2020 reflects the additional reserve for transaction credits on account of Covid-19. Relevant to Fiscal 2020 was transition of merchants participating in the CIBC/TD program to the MCA program (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned to MCA program. Collection was the primary activity between completion of transition to MCA by end of first quarter (July to September 2019) of Fiscal 2020 until fourth quarter (January to March 2020) of Fiscal 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020.

The company's transaction credits are funded by its loan payable, and 9% 2025 debentures payable. Loan payable carries a first charge against the merchant transaction credits funded by its proceeds.

The 9% 2025 debentures payable have a general security agreement over the assets of the company and its subsidiaries.

Please refer to the Section Results of Operations in this document for an analysis of Fiscal 2022 and Fiscal 2021.

Fiscal 2021 compared to Fiscal 2020

The results for Fiscal 2021 and Fiscal 2020 were:

| | | Fiscal 2021 | Fiscal 2020 |
|---|---|---|---|
| Net (loss) and Comprehensive (loss) | | $ (2,091,967) | $ (2,927,396) |

Highlights of Fiscal 2021 compared to Fiscal 2020 (in millions of dollars):

Operational Highlights.

| | Revenues | Gross profit | SG&A | (Loss) from operations before depreciation, amortization and interest | Stated and Non cash interest | Non-recurring item | Net profit/(loss) |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| Fiscal 2021 | 1.2 | 0.9 | 1.3 | (0.4) | 1.7 | - | (2.1) |
| Fiscal 2020 | 2.6 | 1.2 | 2.1 | (0.9) | 1.3 | - | (2.9) |

Income statement for Fiscal 2021 reflects the impact of Covid-19 pandemic which was declared on March 11, 2020. Income statement for Fiscal 2020 reflects the transition from CIBC/TD program to MCA program and Covid-19 pandemic. The transition to MCA program was completed during the three months ended September 30, 2019.

Revenues. Fiscal 2021 $1,379,662 (52.9%) drop in revenues to $1,229,880 reflects the impact of Covid-19. MCA program revenues declined $1,145,071 (60.6 %) and Aeroplan program revenues declined $234,591 (32.6%).

Gross profit. Fiscal 2020 reflects a higher expense for provision for delinquencies against MCA program transaction credits (Fiscal 2020 $1,022,015 vs Fiscal 2021 $75,483). An outcome of Covid-19. This compressed the Fiscal 2020 gross profit to $868,837. Fiscal 2021 MCA program gross profit was lower at $670,298 and primarily reflects decline in revenues due to effects of Covid-19. Aeroplan program gross profit was lower primarily reflecting decline in revenues due to effects of Covid-19 on participating merchants (Fiscal 2021 $190,932 vs Fiscal 2020 $331,663).

Selling expenses were $221,414 lower, a 30.8% drop compared to Fiscal 2020. To offset some of the financial impact of Covid-19, since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration with assistance from CEWS. The CEWS received for sales and administration staff is reflected in G&A (see Section G&A). In addition, the headcount was lower reflecting lay-off and termination.

General & Administrative ("G&A") were $558,605 lower, a 41.5% drop compared to Fiscal 2020. To offset some of the financial impact of Covid-19 pandemic, administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. In addition, lower headcount reflecting lay-off. The results for Fiscal 2021 reflect CEWS of $463,580 (Fiscal 2020 $156,492). Staff remuneration including travel expenses are the main component of SG&A. The company in partnership with its landlord availed CECRA since the start of the program until its termination September 30, 2020. The company received rent subsidy through CERS (CECRA's successor program) during Fiscal 2021 of $84,442.

Loss from operations before depreciation, amortization and interest. The above are reflected in Fiscal 2021 loss from operations before depreciation, amortization and interest of $424,514. Fiscal 2020 reflects loss from operations before depreciation, amortization and interest of $865,263.

Stated interest. Fiscal 2021 stated interest consists of stated interest on loan payable ($355,986) and 9% non-convertible debentures payable ($554,888), (Fiscal 2020 $807,189 and $512,761 respectively).The lower interest on loan payable is primarily a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during Fiscal 2021 was $3,111,004 compared to $6,307,996 during Fiscal 2020. The lower loan payable utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Fiscal 2021. While the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. The interest rate charged on the loan payable is at 9.05% + prime rate, so the reduction in prime rate in March 2020 also was a factor in the lower interest cost. The company issued $250,000 of 9% non-convertible debentures payable in March 2021 (principal amount outstanding at June 30, 2021 $6,009,000 vs $5,759,000 at June 30, 2020). Interest on the higher principal amount together with interest on unpaid interest is reflected in the higher 9% non-convertible debentures stated interest cost.

9% non-convertible debentures payable charges for accretion, restructuring bonus and amortization of transaction costs for Fiscal 2021 were $644,798 (Fiscal 2020 $598,733).

The depreciation for right of use asset for Fiscal 2021 at $45,490 was lower reflecting write-off due to its partial impairment at June 30, 2020 (Fiscal 2020 $65,336). At end of Fiscal 2020 the property, plant and equipment were fully depreciated. Consequently depreciation and amortization expense for Fiscal 2021 was $nil vs $15,210 during Fiscal 2020.

The Fiscal 2021 income statement reflects complete write-off of right of use asset ($53,072). Fiscal 2020 reflects partial write-off ($43,000).

The above factors are reflected in a lower net loss. Fiscal 2021 $2,091,967 vs. Fiscal 2020 $2,927,396.

*Cash and Working capital movement during Fiscal 2021 vs 2020*

- Extracts from the Statement of Cash Flow

| | Fiscal 2021 | Fiscal 2020 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Net (loss) | $ (2,091,967) | $ (2,927,396) | $ 835,429 |
| Adjustments for non cash expenses | 1,311,467 | 1,254,989 | 56,478 |
| (Loss) after adjustments for non cash expenses | $ (780,500) | $ (1,672,407) | $ 891,907 |
| Changes in working capital | 2,604,570 | 5,644,816 | (3,040,246) |
| Net cash (used in) financing activities | (1,908,065) | (3,925,444) | 2,017,379 |
| Net cash generated from/(used in) operations | $ (83,995) | $ 46,965 | $ (130,960) |
| Cash at start of year | $ 166,601 | $ 119,636 | $ 46,965 |
| Cash at end of year | $ 82,606 | $ 166,601 | $ (83,995) |

*Adjustments for non-cash expenses. A* significant item for Fiscal 2021 and Fiscal 2020 is accrued and unpaid interest on 9% non-convertible debentures payable (Fiscal 2021 $554,888 vs. Fiscal 2020 $512,761). Furthermore, Fiscal 2021 charges for Accretion and Restructuring bonus respecting 9% non-convertible debentures payable were $631,491 (Fiscal 2020 $586,209).

*Changes in working capital*. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The gradual easing of Covid-19 pandemic public health restrictions commenced late June 2021 onwards. During the fourth quarter of Fiscal 2020 and all of Fiscal 2021 the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. Transaction credits, net of provision for delinquent accounts, of $1,726,663 at June 30, 2021 were $2,197,254 lower compared to $3,923,917 at June 30, 2020. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies during three months ended March 31, 2020 and three months ended June 30, 2020. Relevant to Fiscal 2020 was transition of merchants participating in the CIBC/TD program to the MCA program (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned to MCA program. Collection was the primary activity between completion of transition to MCA by end of first quarter (July to September 2019) of Fiscal 2020 until third quarter (January - March 2020) of Fiscal 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020. These factors led to decline in transaction credits in both Fiscal 2021 and 2020. The transaction credits at June 30, 2021 and June 30, 2020 reflect an additional general reserve for potential delinquent transaction credits on account of Covid-19 pandemic. The general reserve at June 30, 2021 is $165,236 (June 30, 2020 $641,090). Consequently the total provision for delinquent transaction credits at June 30, 2021 was $1,061, 295 (June 30, 2020 $994,198).

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with certain vendors. The company agreement with Aeroplan ended April 30, 2021. As of date hereof they continue to work together under the terms of the original agreement while discussing future terms and direction. The company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter was the establishment of a payment plan to address Advantex's arrears to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it.

*Financing activities*. During Fiscal 2021 the primary change was: a) the decrease of $1,981,567 in loan payable which is primarily due to above noted decrease in transaction credits and raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures on March 15, 2021. Furthermore, the loan payable balance during Fiscal 2021 and Fiscal 2020 also includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2021 $454,000 vs. June 30, 2020 $184,098). During Fiscal 2020 the primary change was the decrease in loan payable ($4,047,070) which is primarily due to above noted decrease in transaction credits of $5,550,082 (net of provision for delinquent accounts).

*Investing activities*. The company is frugal with capital expenditures given its financial situation. The company plans to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures in the next twelve months.

*The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the audited consolidated financial statements for the fiscal year ended June 30, 2021, and have been included to provide additional analysis for the reader.*

## Summary of Quarterly Results

| In millions of dollars, except per share amounts | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| Fiscal 2022 | | | | | | |
| | | Q1 | Q2 | Q3 | Q4 | Total |
| | | Sep 30, 2021 | Dec 31, 2021 | Mar 31, 2022 | Jun 30, 2022 | |
| | | | | | | |
| | | $ | $ | $ | $ | $ |
| Revenues | | 0.4 | 0.4 | 0.5 | 0.5 | 1.8 |
| % of annual revenues | | 22.2% | 22.2% | 27.8% | 27.8% | 100.0% |
| Net (loss) | | (0.5) | (0.7) | (0.6) | (0.9) | (2.7) |
| (Loss) per share - Basic and Diluted | | (0.01) | - | - | - | (0.01) |
| | | | | | | |
| Fiscal 2021 | | | | | | |
| | | Q1 | Q2 | Q3 | Q4 | Total |
| | | Sep 30, 2020 | Dec 31, 2020 | Mar 31, 2021 | Jun 30, 2021 | |
| | | $ | $ | $ | $ | $ |
| Revenues | | 0.3 | 0.4 | 0.2 | 0.3 | 1.2 |
| % of annual revenues | | 25.0% | 33.3% | 16.7% | 25.0% | 100.0% |
| Net (loss) | | (0.5) | (0.5) | (0.5) | (0.6) | (2.1) |
| (Loss) per share - Basic and Diluted | | (0.02) | (0.02) | (0.01) | (0.02) | (0.07) |

Fiscal 2022 reflects impact of Covid-19 pandemic and re-build of business following raise of $1.15 m. Fiscal 2021 primarily reflects impact of Covid-19 pandemic.

## Fourth Quarter of Fiscal 2022 (Q4 F2022) vs. Fourth Quarter of Fiscal 2021 (Q4 F2021)

*Overview*

While year ended Fiscal 2021 was shaped by the devastating adverse impact of the Covid-19 pandemic on both programs - MCA and loyalty marketing, coinciding with the gradual end of public health restrictions and infusion of capital Fiscal 2022 was the year of gradual re-build of the two programs. These circumstances prevailed during fourth quarters of the two fiscal years.

The fourth quarter revenues during the two fiscal years tracked the revenues of the previous three quarters. The fourth quarter net loss during Fiscal 2021 tracked the net loss of the previous three quarters. Fourth quarter net loss of Fiscal 2022 was higher vs the net loss of the previous quarters primarily due to expense for reserve against delinquent transaction credits of $318,000 vs YTD 3 and 9 months ended March 31, 2022 $nil.

Tabulation of financial performance - Q4 F2022 vs. Q4 F2021

| **F2022** | | | | | |
|---|---|---|---|---|---|
| | | MCA program | Aeroplan program | Corporate | Total |
| | | $ | $ | $ | $ |
| Revenues | | 379,422 | 167,679 | - | 547,101 |
| Direct expenses | | 318,751 | 120,081 | - | 438,832 |
| Gross profit | | 60,671 | 47,598 | - | 108,269 |
| Gross margin | | 16.0% | 28.4% | | 19.8% |
| Selling & marketing | | | | | 86,357 |
| General & administrative | | | | | 373,386 |
| (Loss) from operations before depreciation, amortization and interest | | | | | (351,474) |
| Stated interest | | | | | 344,417 |
| Interest - Lease | | | | | 695 |
| Accretion charges, restructuring bonus, amortization of transaction costs | | | | | 210,553 |
| Depreciation and amortization including right of use asset | | | | | - |
| Impairment of right of use asset | | | | - | - |
| Net loss | | | | | (907,139) |

| F2021 | | | | | |
|---|---|---|---|---|---|
| | | MCA program | Aeroplan program | Corporate | Total |
| | | $ | $ | $ | $ |
| Revenues | | 203,525 | 87,006 | - | 290,531 |
| Direct expenses | | 763 | 54,033 | - | 54,796 |
| Gross profit | | 202,762 | 32,973 | - | 235,735 |
| Gross margin | | 99.6% | 37.9% | | 81.1% |
| Selling & marketing | | | | | 73,165 |
| General & administrative | | | | | 206,082 |
| Earnings from operations before depreciation, amortization and interest | | | | | (43,512) |
| Stated interest | | | | | 233,659 |
| Interest - Lease | | | | | 2,637 |
| Accretion charges, restructuring bonus, amortization of transaction costs | | | | | 195,005 |
| Depreciation and amortization including right of use asset | | | | | 11,372 |
| Impairment of right of use asset | | | | 53,072 | 53,072 |
| Net loss | | | | | (539,257) |

## Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company's plan is to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures in the next twelve months.

## Critical Accounting Estimates

The preparation of the company's consolidated financial statements, in accordance with IFRS, requires the company's 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 interim and annual consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The company's significant accounting policies are disclosed in note 3 to the audited consolidated financial statements for year ended June 30, 2022.

*Contingent liabilities*

From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

*Going concern*

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding impact of Covid-19 and its interplay with uncertain economic environment in the foreseeable future, market for its programs, its ability to expand its existing MCA and Aeroplan programs, renewal of its agreement with Aeroplan, ability to reach and fulfil settlement accommodation with suppliers, continued access to existing sources of debt, ability to access additional sources of working capital in the form of either debt or equity to stabilize its financial situation and support growth of its core business, the MCA program.

The company's audited consolidated financial statements for year ended June 30, 2022 carry a going concern note (Note 2a). The note is also carried in the Section Working Capital and Liquidity Management in this document.

*Financial instruments – fair value*

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

A significant amount of estimation was applied in evaluation of the fair value of the 9% 2025 debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

*Credit risk*

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations.

The company has certain business risks linked to the collection of its transaction credits.

Under the MCA program the company acquires the rights to receive future cash flows, associated with future business activity, at a discount from participating merchants ("transaction credits" on consolidated statement of financial position).

The majority of the transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants, there is a credit risk.

The evaluation of collectability of transaction credits is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The amount of the estimates is determined based on the status of the customer and the company's historical experience on recoveries.

Due to the uncertainties created by Covid-19 pandemic, for the unimpaired transaction credits the company has estimated loss based on historical loss rate supplemented by a forecast loss rate. The historical loss ratio is based on the losses experienced over the seven year period prior to start of the Covid-19 pandemic. The forecast loss rate is based on the company's knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. Location of the merchant business, past and current payment history, current economic activity, duration of the public health restrictions, time-line of return to pre-pandemic economic activity levels are the inputs into the forecast loss ratio.

The company collects its dues through pre-authorized debits. The company's past experience is that recurring rejections of payments by a merchant – unless due to administration or clerical oversight and rapidly rectified - is the likely indication of the merchant not being able to operate, pay the company's dues leading to a credit loss. The risk management processes of the company in determining the expected credit losses review: a) the unimpaired portfolio for merchants with recurring rejections, b) reason(s) for the rejection(s) and the time-

line within which satisfactorily resolved, c) location of the merchant and number of years in business, and d) likelihood of continuation of business for the period until the dues are paid to the company.

Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The Covid-19 pandemic restrictions have impacted economic activity. There is uncertainty related to the pace and extent of economic recovery in the business segments the company operates in and hence the evaluation of collectability of transaction credits.

The maximum exposure to credit risk is the balance, net of provision for impaired accounts, of the transaction credits, and accounts receivable.

The accounts receivable, transaction credits, and the allowance is as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| | $ | $ |
| | | |
| Transaction credits | $ 4,692,121 | $ 2,787,958 |
| Accounts receivable | 87,705 | 97,475 |
| Allowance | (1,384,238) | (1,065,680) |
| **Per Consolidated statement of financial position** | **$ 3,395,588** | **$ 1,819,753** |
| | | |
| **Maximum exposure to credit risk** | **$ 3,395,588** | **$ 1,819,753** |

The transaction credits that are considered impaired and the related allowance is as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| | $ | $ |
| | | |
| Impaired transaction credits | $ 1,246,397 | $ 896,059 |
| Allowance | (1,246,397) | (896,059) |
| **Impaired transaction credits not allowed for** | **$ -** | **$ -** |
| | | |
| The company carries a general allowance towards transaction credits. This allowance at June 30, 2022 is the historical loss ratio. At June 30, 2021 this allowance is the historical loss ratio and a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic | $ 133,456 | $ 165,236 |

## 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, 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. All stock options are equity settled. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediately to four years.

The number of employee stock options issuable per the company's stock option plan is 556,285 (16,688,546 pre consolidation).

There were no stock options outstanding during the years ended June 30, 2022 and 2021.

There was no stock based compensation expense during Fiscal 2022 and 2021.

### Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons where the a) maximum number of common shares of the Company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares, and b) eligible persons are directors, officers, employees and consultants of the Company designated by the Board.

On August 26, 2021 at a special meeting of the shareholders the Company received approval from its shareholders to increase to 412,000,000 as the maximum number of common shares of the Company which may be made subject to issuance under RSUs granted under the RSU Plan.

Following the consolidation of common shares in May 2022 the maximum number of common shares of the Company which may be made subject to issuance under RSUs granted under the RSU Plan is 13,733,333.

The Company has not granted any RSUs under the RSU plan as at June 30, 2022 and 2021.

### Outstanding Share Data

Issued and outstanding common shares

| | Number of shares | $ |
|---|---|---|
| | | |
| **No par value. At June 30, 2021** | **878,948,414** | **$ 24,526,740** |
| No par value. Issuance in September 2021 | 6,053,768,037 | - |
| No par value. Issuance in March 2022 | 671,250,000 | - |
| | 7,603,966,451 | |
| Adjustment to reflect share consolidation of common shares in May 2022 - 30 to 1 | (7,350,573,944) | |
| **No par value. At June 30, 2022** | **253,392,507** | **$ 24,526,740** |

In September 2021 the company issued common shares to: 1) purchasers of 9% 2025 debentures, 2) CEO and CFO as retention bonus, and 3) CEO and CFO in lieu of a portion of vacation pay due to them. Details provided in Section Related Party Transactions.

In March 2022 the company issued common shares to purchasers of 9% 2025 debentures. Details provided in Section Related Party Transactions.

### Potentially Dilutive Securities

As of date hereof, there are no potentially dilutive securities exercisable into common shares of the company.

**Related party transactions**

Related parties were issued units of 9% debentures on terms and conditions applicable to other recipients of 9% debentures. Effective March 15, 2021 the 9% debentures held by all debenture holders were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures.

On March 15, 2021, the company closed a $250,000 financing by way of 9% 2025 debentures. Through managed accounts and principals, related parties Generation IACP Inc. and Generation PMCA Corp. purchased $200,000, and Kelly Ambrose, the company's President and Chief Executive Officer and a director purchased $50,000 of the 9% 2025 debentures.

On September 7, 2021, the company closed a $1.0 million financing by way of 9% 2025 debentures. Through managed accounts and principals, related parties Generation IACP Inc. and Generation PMCA Corp. purchased $975,000, and Kelly Ambrose, the company's President and Chief Executive Officer and a director purchased $25,000 of the 9% 2025 debentures.

9% debentures and 9% 2025 debentures are described in Section 9% Non-Convertible Debentures Payable.

In addition, on September 7, 2021 the company issued common shares:

1. For purchase of $200,000 and $975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 175,270,833 common shares (pre consolidation common shares 5,258,125,000) to managed accounts and principals of Generation IACP Inc. and Generation PMCA Corp. For purchase of $50,000 and $25,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 11,187,500 common shares (pre consolidation 335,625,000 common shares) to Kelly Ambrose the company's President and Chief Executive Officer;
2. Kelly Ambrose, the company's President and Chief Executive Officer was issued 10,833,333 common shares (pre consolidation 325,000,000 common shares) as a retention bonus and 219,621 common shares (pre consolidation 6,588,653 common shares) in lieu of a portion of vacation pay due to him; and
3. Mukesh Sabharwal, the company's Vice President and Chief Financial Officer was issued 4,166,666 common shares (pre consolidation 125,000,000 common shares) as a retention bonus and 114,312 (pre consolidation 3,429,384 common shares) in lieu of a portion of vacation pay due to him.

On March 24, 2022 for purchase of $150,000 9% 2025 debentures the company issued 22,375,000 common shares (pre consolidation 671,250,000 common shares) to the principals of Generation IACP Inc. and Generation PMCA Corp.

The following related parties beneficially own or exercise direction and control over the securities of the company:

The holdings of debentures by related parties are summarized below:

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | 9% 2025 debentures | Common shares * | 9% 2025 debentures | Common shares * |
| | | | | |
| Director, Chief Executive Officer - K. Ambrose | $ 575,000 | 25,424,582 | $ 550,000 | 3,184,127 |
| Director - M. Lavine | 500,000 | 2,450,494 | 500,000 | 2,450,494 |
| Director - D. Moscovitz | 9,000 | 38,966 | 9,000 | 38,966 |
| Chief Financial Officer - M. Sabharwal | 115,000 | 5,197,599 | 115,000 | 916,619 |
| R. Abramson, GIACP, GPMCA (a) | 3,543,650 | 158,137,414 | 2,815,229 | 10,720,982 |
| Herbert Abramson (b) | 431,000 | 48,864,527 | 159,891 | 385,360 |
| | $ 5,173,650 | 240,113,582 | $ 4,149,120 | 17,696,548 |
| | | | | |
| Total issued and outstanding 9% 2025 debentures and common shares | $ 7,159,000 | 253,392,507 | $ 6,009,000 | 29,298,280 |
| % held by parties in tabulation | 72.3% | 94.8% | 69.0% | 60.4% |

(a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the above securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms

(b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company

* The company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The company's board of directors set May 29, 2022 as the effective date of the consolidation. To enable a comparison the common shares, in above tabulation, at June 30, 2022 and 2021 are stated as if the share consolidation had taken place on June 30, 2021. As additional information, the pre-consolidation average number of issued common shares at June 30, 2021 was 878,948,414

**Economic Dependence**

The company's has two business units. Its core business is MCA program and the secondary business is operating as a re-seller of aeroplan points as part of Aeroplan program.

While both programs are dependent on the continuity of the support of the 9% 2025 debentures which is the source of general working capital, the MCA program is dependent on the support of asset-based lenders, such as Accord, which provide the financing enabling the company to fund up to 90% of each $ of merchant cash advance.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them. On June 26, 2022 the company received waiver of the events of default with respect to financial covenants at December 31, 2021 and March 31, 2022. In addition, the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2022 and re-set financial covenants for quarters ended June 30, 2022 until June 30, 2023. The company has a 15 year + relationship with the principal holder of the 9% 2025 debentures and the principal holders invested

$1,325,000 through 9% 2025 debentures in the company ($200,000 in March 2021, $975,000 in September 2021 and $150,000 in March 2022) - Section Related Party Transactions.

In March 2022 the company and Accord agreed to: 1) extend the term of their loan payable agreement, which was due to end June 30, 2022, to July 31, 2024, and 2) a payment plan for the company to re-pay the general working capital overdraft facility – provided to enable the company to cope with the adverse impacts of Covid-19 - by July 31, 2024. The agreement is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term. The loan payable is repayable on demand to Accord pursuant to an event of default defined in the agreement. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. During Fiscal 2022 the company and Aeroplan continued to work together under the terms of the original agreement which ended April 30, 2021. In August 2022 the two parties signed an extension until December 31, 2022 while discussing future terms and direction. The agreement can be terminated by Aeroplan under certain circumstances, one of which is if the company is in arrears on its payment obligations to Aeroplan. As of date hereof the company is current on its payment obligations. The company expects to secure a multi-year renewal of the agreement. The company has a 10 year + relationship with Aeroplan.

## General Risks and Uncertainties

The company has a going concern issue as explained in Section Working Capital and Liquidity Management in this document.

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% 2025 debentures (Sections Loan Payable and 9% Non-Convertible Debentures Payable). The loan payable agreement term ends July 31, 2024. The 9% 2025 debentures mature December 31, 2025. The company's secondary business of re-seller of aeroplan points depends on its agreement with Aeroplan. The risks connected to the continuity of the two sources of debt and agreement with Aeroplan are explained in Section Economic Dependence.

Covid-19 pandemic created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration and quantum of the after effects of the pandemic – which currently are manifesting in inflationary and rising interest rate environment - on the economy in general and the company's merchants' in particular. This may adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% 2025 debentures; renew agreement with Aeroplan; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern.

To continue its current operations and fund growth, the company requires continued access to its existing levels of debt and obtain access to additional working capital in the form of debt and or equity.

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each $ of merchant cash advance and a loan payable facility to fund the balance. However, for access to a loan payable facility in excess of the current $8.5 million provided by Accord the company needs to put in higher % as co-fund. The company has limited ability to fund and consequently retain the MCA portfolio at June 30, 2022 levels using the Accord loan payable facility. The retention of June 30, 2022 level of MCA portfolio and thereafter growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% 2025 debenture holders and other critical suppliers. General market conditions; the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet, general security interest held by 9% 2025 debentures over the assets of the company and its subsidiaries may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

If the company is not successful in raising additional debt financing and or equity, its ability to retain and expand its MCA program and increase revenue may be impeded, resulting in reduced growth in cash flows from operations. This could affect the company's liquidity and working capital position, and ability to continue as a going concern.

The company has certain business risks linked to the collection of its transaction credits. Under the MCA program the company acquires the rights to cash flow, from future business activity, at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). The majority of the transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants there is a credit risk. The evaluation of collectability of transaction credits requires making assumptions and estimates which are explained under Credit risk in Section Critical Accounting Estimates. Actual results could differ materially from the estimates. Adverse recovery outcome could have a material effect on the company's cash flows, its credit environment, its attractiveness as a borrower and its ability to access existing or additional or alternative debt or debt at economic terms and this could materially and adversely affect the company.

The company's activities are funded by two sources of debt. The 9% 2025 debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% 2025 debentures, its future cash flows and profitability are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 8.80%, effective September 1, 2021 on loan payable. The current inflationary and resulting interest rate environment has heightened this risk to the company's future cash flows and profitability. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During the year ended June 30, 2022, the company incurred interest expense of $476,961 on utilization of loan payable. During the year ended June 30, 2022 the prime rate from July 1, 2021 until March 2, 2022 was 2.45 % increasing to 2.70% on March 3, 2022, 3.20% on April 14, 2022 and 3.70% on June 2, 2022. Since September 8, 2022 it is at 5.45%. Had the interest rate, during year ended June 30, 2022, been at 5.45% the interest expense on loan payable would have been about $590,000, an approximate increase of $124,000.

The company believes the MCA business is a growth industry because institutional lenders are not focused on independent merchants, the engines of significant economic activity. There are several competitors in the MCA space. Currently there is no legislation governing the MCA business. The company believes the transparency of its pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital. Competition, regulation, and the as yet undeterminable adverse impact of Covid-19 pandemic and inflationary environment on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and this in turn could have a material effect on its revenue, costs, cash flows and profitability.

The company's operations are dependent on the abilities, experience and efforts of its management and highly skilled workforce. While the company has entered into employment agreements with key management personnel and other employees, and each of these agreements includes confidentiality and non-competition clauses, the business prospects of the company could be adversely affected if any of these people were unable or unwilling to continue their employment with the company.

The Aeroplan program the company operates is its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The agreement expires December 31, 2022. The company expects to secure a multi-year renewal. If the company cannot secure a renewal it could have a material effect on its revenues, liquidity position, and ability to retain existing financial partners and or attract growth capital.

Under the Aeroplan program the company operates as a re-seller for Aeroplan and is dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on Air-Canada. Due to the rising cost of travel and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currency used in this program could become unavailable to the company, or that consumer

interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

Through its operation as re-seller for Aeroplan the company provides loyalty marketing services to retail organizations and, in more general terms, the company could be considered competitive with other advertising and promotional programs for a portion of a client's total marketing budget. If client promotional spending levels decrease, this could have a material adverse effect on the company's revenue. In addition, there are additional operators of either loyalty programs or merchant cash advance in Canada, targeting the same merchant base as the company. The company believes its substantial client equity, proprietary systems, provide a strong platform for the company to compete effectively and respond to competition in Canada.

In addition to those risk factors noted above and risk factors noted in the Working Capital and Liquidity Management Section, the financial condition and profitability of the company is also subject to a number of additional risk factors including: state of the economy, its ability to negotiate settlement accommodation with its suppliers and changes in taxation regulations.

In the ordinary course of business, the company is subject to ongoing audits by tax authorities. While the company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The company regularly reviews the potential for adverse outcomes in respect of tax matters and believes that any ultimate disposition of a reassessment will not have a material adverse impact on its liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the company's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

## Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to maintain and grow its MCA program, in a competitive environment, upon availability of capital; ability to raise growth capital; expectation of growth capital required and the timing of its raise; expectation of financial stability from expansion of MCA program; expectation of timing of achieving financial stability; expectation of financial impact of Covid-19 on economic activity, company's customers and the company; expectation of being able to meet its payment plans, with Aeroplan and with respect to the working capital overdraft facility, with Accord; expectation of securing a multi-year agreement with Aeroplan; expectation of capital expenditures required to operate the business in the next twelve months; expectation of adequacy of reserve created for delinquent transaction credits; belief it has the ability to manage delinquencies consequent to Covid-19 pandemic and during growth mode; belief drivers of revenues across all programs are those set out in the Revenue Section; belief it may be able to pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable and holders of 9% 2025 debentures; securing waiver to default from holders of 9% 2025 debentures; meeting payment plan with respect to the working capital overdraft facility advanced by Accord; renewal of its agreement with Aeroplan; its ability to access additional working capital in the form of debt and or equity to meet operational needs and to support the growth of the company; its expectation to timely raise growth capital; its ability to manage risks connected to collection of transaction credits; current and future economic

and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 , inflationary and interest rate environment on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of the company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, those listed under "Working Capital and Liquidity Management", "Economic Dependence" and "General Risks and Uncertainties" in this Management Discussion and Analysis.

## Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

Management is responsible for external reporting. The company maintains appropriate processes to ensure that relevant and reliable financial information is produced.

## Additional Information

Additional information relating to the company is available at www.sedar.com, and may also be obtained by request by telephone or facsimile or at the company's website at www.advantex.com.

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# ADVANTEX MARKETING INTERNATIONAL INC.
# CONSOLIDATED FINANCIAL STATEMENTS
# For the years ended June 30, 2022, and June 30, 2021

**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 Advantex Marketing International Inc. ("company"). Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2022.

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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) using the accounting policies described therein. The significant accounting policies which management believes are appropriate for the company are described in note 3 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, 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.

BDO Canada LLP, the company's external auditors, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the consolidated financial statements.

(Signed) – "Kelly Ambrose"

Kelly E. Ambrose
President and Chief Executive Officer

(Signed) - "Mukesh Sabharwal"

Mukesh Sabharwal
V.P. and Chief Financial Officer

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# Independent Auditor's Report

To the Shareholders of Advantex Marketing International Inc.

**Opinion**

We have audited the consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2022 and 2021, and the consolidated statements of (loss) comprehensive (loss), changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2a in the financial statements, which indicates that the Group has current liabilities in excess of current assets of $3,388,005 as at June 30, 2022 and, had an accumulated deficit of $42,567,857. As stated in Note 2a, these events or conditions, along with other matters as set forth in Note 2a, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Matutat.

(signed) BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
October 20, 2022

Advantex Marketing International Inc.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

| | Note | June 30, 2022 | June 30, 2021 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | $ 93,185 | $ 82,606 |
| Accounts receivable | 10 a | 83,320 | 93,090 |
| Transaction credits | 10 a | 3,312,268 | 1,726,663 |
| Prepaid expenses and sundry assets | | 41,589 | 43,675 |
| | | **$ 3,530,362** | **$ 1,946,034** |
| | | | |
| **Total assets** | | **$ 3,530,362** | **$ 1,946,034** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Loan payable | 5 | $ 4,019,685 | $ 2,387,439 |
| Lease liability | 17 | 12,768 | 71,910 |
| Loan | 18 | 60,000 | 60,000 |
| Accounts payable and accrued liabilities | | 2,825,914 | 2,731,158 |
| | | **$ 6,918,367** | **$ 5,250,507** |
| | | | |
| **Non-current liabilities** | | | |
| 9% non convertible debentures payable | 6 | $ 6,953,878 | $ 4,694,885 |
| Lease liability | 17 | - | 12,769 |
| | | **$ 6,953,878** | **$ 4,707,654** |
| | | | |
| **Total liabilities** | | **$ 13,872,245** | **$ 9,958,161** |
| | | | |
| **Shareholders' deficiency** | | | |
| Share capital | 7 | $ 24,530,555 | $ 24,530,555 |
| Contributed surplus | | 7,742,802 | 7,364,720 |
| Accumulated other comprehensive loss | | (47,383) | (47,383) |
| Deficit | | (42,567,857) | (39,860,019) |
| **Total deficiency** | | **$ (10,341,883)** | **$ (8,012,127)** |
| | | | |
| **Total liabilities and deficiency** | | **$ 3,530,362** | **$ 1,946,034** |

**Going concern (note 2a) and Commitments and contingencies (note 12)**

The accompanying notes are an integral part of these consolidated financial statements

**Approved by the Board**

**Director:** Signed "Marc Lavine"
Marc Lavine

**Director:** Signed "Kelly Ambrose"
Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of (Loss) and Comprehensive (Loss)
For the years ended June 30, 2022 and 2021
(expressed in Canadian dollars)

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| | | | |
| **Revenues** | 16 | | |
| Marketing activities | | $ 571,699 | $ 484,099 |
| Interest income | | 1,167,998 | 745,781 |
| | | **1,739,697** | **1,229,880** |
| Direct expenses | 15/16 | 741,809 | 368,650 |
| | | 997,888 | 861,230 |
| **Operating expenses** | | | |
| Selling and marketing | 15/16 | 569,827 | 496,853 |
| General and administrative | 15/16 | 1,080,487 | 788,891 |
| **(Loss) from operations before depreciation, amortization and interest** | | **(652,426)** | **(424,514)** |
| | | | |
| Stated interest expense - loan payable, and 9% non convertible debentures payable | 5/6 | 1,250,694 | 910,874 |
| Interest - Lease | 17 | 5,760 | 13,219 |
| Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures payable | 6 | 798,958 | 644,798 |
| Depreciation of right of use asset | 17 | - | 45,490 |
| Impairment of right of use asset | 17 | - | 53,072 |
| **Net (loss) and comprehensive (loss)** | | **$ (2,707,838)** | **$ (2,091,967)** |
| | | | |
| **(Loss) per share** | | | |
| Basic and Diluted | 14 | **$ (0.01)** | **$ (0.07)** |

The accompanying notes are an integral part of these consolidated financial statements

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended June 30, 2022 and June 30, 2021
(expressed in Canadian dollars)

| | Class A preference shares | Common shares | Contributed surplus | Accumulated other comprehen - sive loss | Deficit | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| | | | | | | |
| **Balance - July 1, 2020** | **$ 3,815** | **$ 24,526,740** | **$ 4,117,170** | **$ (47,383)** | **$ (37,768,052)** | **$ (9,167,710)** |
| Issuance of 9% non convertible debentures payable (note 6) | - | - | 3,247,550 | - | - | 3,247,550 |
| Net (loss) and comprehensive (loss) | - | - | - | - | (2,091,967) | (2,091,967) |
| **Balance - June 30, 2021** | **$ 3,815** | **$ 24,526,740** | **$ 7,364,720** | **$ (47,383)** | **$ (39,860,019)** | **$ (8,012,127)** |
| | | | | | | |
| | | | | | | |
| **Balance - July 1, 2021** | **$ 3,815** | **$ 24,526,740** | **$ 7,364,720** | **$ (47,383)** | **$ (39,860,019)** | **$ (8,012,127)** |
| Issuance of 9% non convertible debentures payable (note 6) | - | - | 378,082 | - | - | 378,082 |
| Net (loss) and comprehensive (loss) | - | - | - | - | (2,707,838) | (2,707,838) |
| **Balance - June 30, 2022** | **$ 3,815** | **$ 24,526,740** | **$ 7,742,802** | **$ (47,383)** | **$ (42,567,857)** | **$ (10,341,883)** |

The accompanying notes are an integral part of these consolidated financial statements

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow
For the years ended June 30, 2022 and 2021
(expressed in Canadian dollars)

| | Note | June 30, 2022 | June 30, 2021 |
|---|---|---|---|
| | | $ | $ |
| **Operational activities** | | | |
| Net (loss) for the year | | $ (2,707,838) | $ (2,091,967) |
| Adjustments for: | | | |
| Accrued and unpaid 9% non convertible debentures payable interest | 6 | 773,733 | 554,888 |
| Interest - Lease | 17 | 5,760 | 13,219 |
| Depreciation of right of use asset | 17 | - | 45,490 |
| Impairment of right of use asset | 17 | - | 53,072 |
| Accretion charge - 9% non convertible debentures payable | 6 | 710,452 | 453,036 |
| Restructuring bonus - 9% non convertible debentures payable | 6 | 73,063 | 178,455 |
| Amortization of transaction costs - 9% non convertible debentures payable | 6 | 15,443 | 13,307 |
| | | (1,129,387) | (780,500) |
| Changes in items of working capital | | | |
| Accounts receivable | | 9,770 | 25,811 |
| Transaction credits | | (1,585,605) | 2,197,254 |
| Prepaid expenses and sundry assets | | 2,086 | 15,106 |
| Accounts payable and accrued liabilities | | 94,756 | 366,399 |
| | | (1,478,993) | 2,604,570 |
| **Net cash (used)/generated - operating activities** | | **$ (2,608,380)** | **$ 1,824,070** |
| | | | |
| **Financing activities** | | | |
| Gross proceeds - 9% non convertibles debentures payable | 6 | $ 1,150,000 | $ 250,000 |
| Transaction costs - 9% non convertible debentures payable | 6 | (85,616) | (118,827) |
| Loan - Canada Emergency Bank Account | | - | 20,000 |
| Payment for lease | | (77,671) | (77,671) |
| Proceeds of loan payable | 5 | 8,868,861 | 2,389,750 |
| (Repayment) of loan payable | | (7,236,615) | (4,371,317) |
| **Net cash generated/(used) - financing activities** | | **$ 2,618,959** | **$ (1,908,065)** |
| | | | |
| **Increase/(Decrease) in cash during the year** | | **$ 10,579** | **$ (83,995)** |
| Cash at beginning of the year | | 82,606 | 166,601 |
| **Cash at end of the year** | | **$ 93,185** | **$ 82,606** |
| | | | |
| **Additional information** | | | |
| Interest paid | | $ 476,961 | $ 355,986 |

The accompanying notes are an integral part of these consolidated financial statements

## 1 General information

Advantex Marketing International Inc. and its subsidiaries (together the company or Advantex) is a public company with common shares listed on the Canadian Securities Exchange (trading symbol ADX).

During years ended June 30, 2022 and 2021 the company's core business was its merchant cash advance program. Under this program, the company provides merchants with working capital through the pre-purchase, at a discount, of merchants' future cash flows.

The company also has an agreement with Aeroplan Inc. owned by Air Canada ("AC") to operate as a re-seller of aeroplan points to merchants. Aeroplan members are eligible to earn aeroplan points on purchases at merchants who acquire aeroplan points from the company. The original five year term of the agreement ended April 30, 2019, was extended to April 2020, thereafter to April 2021 and current extension is to December 31, 2022. The agreement can be terminated by AC under certain conditions during its term.

The company's segment reporting is provided in note 16.

Advantex is incorporated and domiciled in Canada. Until August 31, 2022 the address of its registered office was Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7, and thereafter is 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5

## 2a Going concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the company will be able to realize its assets and settle its liabilities as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $10,341,883 and negative working capital of $3,388,005 as at June 30, 2022. During the year ended June 30, 2022 the company closed two financings (notes 6), $1.0 million in September 2021 and $150,000 in March 2022. The continuing negative effects of the pandemic, and the prevailing inflationary and increasing interest rate environment have created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to a) loan payable (note 5) which supports the company's merchant cash advance program, and b) general working capital provided by 9% 2025 debentures (note 6); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

## 2b Basis of preparation

**Statement of Compliance**

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company Board of Directors on October 20, 2022.

**Basis of measurement**

The consolidated financial statements have been prepared under the historical cost convention.

**Basis of consolidation**

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

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

**Significant Accounting Judgements and Estimates**

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These significant estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.
Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to the recoverability of transaction credits and determining the initial fair value of the 9% non-convertible debentures payable.

*Transaction credits*

The company reviews transaction credits quarterly for indication of the amounts that might be impaired. A significant amount of estimation is applied in determining allowance for transaction credits, which is established based on the specific credit risk associated with the customer and other relevant information.

The net realizable amount of transaction credits is disclosed in note 10 a.

*9% Non-convertible debentures payable ("9% debentures" and "9% 2025 debentures")*

A significant amount of estimation was applied to the evaluation of the initial fair value of the $5,559,000 9% debentures in fiscal 2018, $200,000 9% debentures issued in fiscal 2020, 9% 2025 debentures issued in March 2021, and $1,000,000 and $150,000 in September 2021 and March 2022 respectively in current fiscal year. Estimates applied by management in the determination of fair value were reflective of the company's overall cost of equity capital.

## 3 Summary of significant accounting policies

The significant policies used in the preparation of these consolidated financial statements are described below.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the Chief Executive Officer of the company. The company's operating segments are disclosed in note 16.

**Foreign currency translation**

(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Advantex group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of each of the entities in the Advantex group.

(ii) Translation of transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the approximate exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of income in the current year. The foreign currency gain for year ended June 30, 2022 is $225 (June 30, 2021 gain of $965).

**Financial instruments**

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The company does not have any assets recorded at fair value profit or loss or through other comprehensive income.

Amortized cost

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest.

The company's financial assets measured at amortized cost comprise cash, accounts receivable and transaction credits.

Impairment provisions for transaction credits is determined based on the company's assessment of the collectability of outstanding transaction credits using the simplified approach as prescribed by IFRS 9. The evaluation of collectability of transaction credits is done on an individual customer basis. For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. For year ended June 30, 2022 and June 30, 2021, due to the uncertainties created by covid-19 pandemic, for the unimpaired transaction credits the company estimated losses based on historical loss rate supplemented by a forecast loss rate. This forecast loss rate was based on the company's knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

**Financial liabilities**

The company's liabilities are classified as Other financial liabilities and include accounts payable and accrued liabilities, loans payable, 9% non-convertible debentures payable and lease liability.

The loan payable and 9% non-convertible debentures payable are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

**Transaction credits**

Under the merchant cash advance ("MCA") product, the company acquires the rights to receive future cash flows, associated with future business activity, at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 365 days. The company regularly reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

**Impairment of non-financial assets**

Property, plant and equipment and right of use assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generated units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss, if any, is charged to the consolidated statements of income (loss) and comprehensive income (loss) in the year it arises. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**Non-convertible debentures**

The non-convertible debentures described in note 6 as 9% debentures were issued as units which included debt and common shares. As described in note 6 the 9% debentures were replaced in March 2021 with 9% 2025 debentures. In addition, the company issued $250,000 of 9% 2025 debentures in March 2021, and $1,000,000 and $150,000 in September 2021 and March 2022 respectively.

The proceeds received upon issue of the non-convertible debentures are allocated into their liability and equity components on initial recognition in accordance with IAS 32, Financial Instruments: Presentation. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include common shares. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on maturity. The remainder of the proceeds is allocated to the common shares within shareholders' deficiency.

To the extent there are changes to the terms of the outstanding non-convertible debentures these changes may be recorded as a modification or an exchange of debt instruments. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

**Provisions**

Provisions for legal claims, where applicable, are recognized in other liabilities when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

**Income taxes**
Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income (loss) except to the extent that it relates to items recognized directly in other comprehensive income (loss) or directly in equity, in which case the income tax is also recognized directly in other comprehensive income (loss) or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

**Revenue**
*Merchant Cash Advance ("MCA") program*

Per the contract terms the company earns its revenue as it collects against the pre-purchased future cash flows. The collection is specified in the contract and could be either once or twice a week. Pursuant to IFRS 9 the company treats the revenue as interest income.

*Aeroplan program*

Revenue is recognized using the five step model prescribed by IFRS 15.

Step 1: Identifying the contract

The company's contracts with participating merchants identify the terms, rights and obligations of each party, and payment terms. Before recognizing revenue the company reviews merchants' status to ensure that it is probable that the company will collect the consideration in exchange for the services as stated in the contract.

Step 2: Identifying performance obligations

The company sells aeroplan points to merchants and this gives merchants the ability to reward aeroplan points to their eligible customers.

Step 3: Identifying the transaction price

The contract identifies the price a merchant will pay for each aeroplan point.

Step 4: Allocating the transaction price to performance obligations

The company provides a single product.

Step 5: Recognizing revenue upon satisfaction of performance obligations

Per the contract terms the company earns its revenue when a merchant purchases an aeroplan point.

**Share capital**
Common shares, and preference shares are classified as equity. Incremental costs directly attributable to the issuance of common shares or preference shares are recognized as a deduction from equity. Share capital is described in note 7 to these consolidated financial statements.

**Stock option plan**
The company has a stock option plan which is described in note 8 a. The company uses the Black-Scholes option pricing model to determine the fair value of stock options and expenses the fair value over the estimated vesting periods. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest. Any consideration paid by employees or directors on the exercise of stock options is credited to share capital together with any previously recognized compensation expense in contributed surplus.

**Restricted Share Unit Plan**
The company has a restricted share unit plan which is described in note 8 b.

**Earnings (loss) per share**
Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, and similar instruments is computed using the treasury stock method. As at June 30, 2022 and 2021 the company did not have any outstanding stock options or restricted share grants.

**Leases**
At inception, the company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control use of the asset for a period of time in exchange for consideration. The company allocates the consideration to each lease and non-lease component on the basis of their relative stand-alone prices.

The right of use asset and a lease liability are recognized at the lease commencement date. The right of use asset is initially measured at present value of lease payments adjusted for initial direct costs and incentives received. The right of use asset is depreciated over the lesser of the useful life of the asset or lease term, and is assessed for impairment on an annual basis. The lease term includes the renewal option or early termination if it is reasonably certain to be exercised.

The lease liability is initially measured at present value of lease payments to be made over the lease term and includes fixed payments and variable payments that depend on the terms of the lease. The cost of an option that is reasonably certain to be exercised by the company is included in the lease payments. In calculating the present value of the lease payments, the company uses the discount rate reflective of the borrowing rate for the asset and the company's financial condition. The lease liability is increased to reflect the accretion of interest and reduced to reflect lease payments made, and the carrying amount of the lease liability is re-measured for any lease modifications.

In computing the right of use asset and lease liability the company determines its fixed and variable payment obligations and uses a discount rate reflective of the borrowing rate for the asset and the company's financial condition.

The company has applied the practical expedient of excluding application of IFRS 16 with respect to leases where the lease term is 12 months or less or the underlying asset is of low value.

In 2020, the adoption of IFRS 16 in these consolidated financial statements is with respect to the company's head office lease.

**Recent accounting pronouncements not in effect**
The below standards have been issued but are not yet effective for the financial period ended June 30, 2022, and accordingly, have not been applied in preparing the consolidated financial statements:

| | |
|---|---|
| IFRS 17 | Insurance Contracts |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IFRS 4 | Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' |
| Amendments to IFRS 9 | Interest Rate Benchmark Reform |
| Amendments to IAS 16 | Property, Plant and Equipment—Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts -Cost of Fulfilling a Contract |
| Annual Improvements to IFRS | Amendments to IFRS 1 First-time Adoption of International Financial |
| Standards 2018-2020 Cycle | Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture |

The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and is currently analyzing them to determine their impact on the consolidated financial statements.

## 4 Property, plant and equipment

| | Computer equipment | Furniture & equipment | Total |
|---|---|---|---|
| | **$** | **$** | **$** |
| | | | |
| **Year ended June 30, 2021 and June 30, 2022** | | | |
| Opening & closing net book value | $ - | $ - | $ - |
| | | | |
| At June 30, 2021 and June 30, 2022 | | | |
| **Cost** | **$ 417,405** | **$ 160,026** | **$ 577,431** |
| **Accumulated amortization** | **$ 417,405** | **$ 160,026** | **$ 577,431** |

## 5 Loan payable

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| | $ | $ |
| | | |
| **Balance at start of year** | **$ 2,387,439** | **$ 4,369,006** |
| Increase/(Decrease) in borrowing | 1,632,246 | (1,981,567) |
| **Balance at end of year** | **$ 4,019,685** | **$ 2,387,439** |

The Loan payable is a line of credit facility provided by Accord Financial Inc. ("Accord"), and was established in December 2007. The loan payable has a facility limit of $8.5 million and is only available to the company for acquisition of transaction credits. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This overdraft facility was increased by $75,000 in June 2022, to be paid back by middle of September 2022 and the company repaid the $75,000 by due date. The overdraft facility is a general working capital facility and is a carve-out from the loan payable limit of $8.5 million. The interest rate is similar to the loan payable. As of June 30, 2022, the company has utilized $492,750 from this overdraft facility (June 30, 2021 $454,000).

In September 2021 the company and Accord agreed to: 1) extend the term of their agreement, which was due to end in December 2021, to June 30, 2022, 2) amend, effective September 1, 2021, the interest rate to the prime rate of a certain Canadian bank plus 8.80% from prime rate of a certain Canadian bank plus 9.05%, and 3) the overdraft facility would be repayable by the company in equal monthly instalments between January 2022 and June 2022.

In December 2021 Accord deferred the start of the re-payment of the overdraft facility to April 1, 2022.

In March 2022 the company and Accord agreed to: 1) extend the term of their agreement, which was due to end June 30, 2022, to July 31, 2024, and 2) a payment plan for Advantex to re-pay the overdraft facility by July 31, 2024. The agreement is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term.

Accord funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%. The company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

The loan payable is repayable on demand to Accord.

The interest cost during year ended June 30, 2022 was $476,961 (2021 $355,986).

Tabulation of re-payment of overdraft facility

| | |
|---|---|
| 12 months ended June 30, 2022 | 151,207 |
| 12 months ended June 30, 2023 | 124,086 |
| 12 months ended June 30, 2024 - Payment due July 2024 | 217,457 |
| | 492,750 |

## 6 9% Non-convertible debentures payable

The company received agreement of the 9% debentures holders to extend their maturity date from December 31, 2021 to December 31, 2025. The 9% debentures were issued as 5,759 units (5,559 units in December 2017 and 200 units in October 2019) consisting of principal amount of $5,759,000 and 623,377,196 common shares of the company. Effective March 15, 2021 the 9% debentures were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures.

The company closed a $250,000 financing on March 15, 2021 by way of senior secured non-convertible debentures ("9% 2025 debentures"). The 9% 2025 debentures were issued on the same terms and rank pari passu with existing 9% Non-convertible debentures payable ("9% debentures") bearing interest at 9% per annum and maturing on December 31, 2025. The financing was a related party transaction (note 9).

The unpaid interest from December 16, 2018 until March 14, 2021 on the 9% debentures together with interest on interest are due on maturity of 9% 2025 debentures. An additional feature of the 9% 2025 debentures is that the first year interest is deferred and is payable in eight equal instalments, with each instalment being added to each semi-annual interest payment payable after the first year through December 31, 2025, and the interest on interest will be added in the final interest payment.

On September 7, 2021 the company issued 9% 2025 debentures for gross proceeds of $1.0 million. The financing was a related party transaction (note 9). As described in Note 9, in September 2021, the purchasers of 9% 2025 debentures - $250,000 in March 2021 and $1.0 million in September 2021 - received common shares. The common shares were determined to have nil value.

On March 24, 2022 the company issued 9% 2025 debentures for gross proceeds of $150,000. The financing was a related party transaction (note 9). As described in Note 9, in March 2022, the purchasers of 9% 2025 debenture received common shares. The common shares were determined to have nil value.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at March 31, 2021, June 30, 2021, and September 30, 2021. On June 26, 2022 the company received waiver of the events of default with respect to financial covenants at December 31, 2021 and March 31, 2022. In addition, the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2022 and re-set financial covenants for quarters ended June 30, 2022 until June 30, 2023. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures in the event that the debenture holders demand immediate payment, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them.

The issuance of 9% 2025 debentures in March 2021 was considered a transaction with holders of 9% debentures in their capacity as shareholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures. The value of the 9% 2025 debentures was determined as the amount required to extinguish the 9% debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,310,989 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,247,550 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2021). In addition, the company incurred $118,827 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the $1.0 million 9% 2025 debentures issued in September 2021 was determined to be $666,183 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result $333,817 has been recognized in the contributed surplus (consolidated statements

of changes in shareholder deficiency for year ended June 30, 2022). In addition, the company incurred $77,501 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the $150,000 9% 2025 debentures issued in March 2022 was determined to be $105,735 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result $44,265 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2022). In addition, the company incurred $8,115 of transaction costs related to the transaction and these are being amortized to maturity date.

Movement on 9% debentures and 9% 2025 debentures is tabulated hereunder:

| Movement on 9% debentures | Debt portion | Accrued and Unpaid interest | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at June 30, 2020** | **$ 5,827,191** | **$ 784,385** | **$ 6,611,576** |
| Accretion charge for the period | 248,797 | - | 248,797 |
| Restructuring bonus for the period | 187,689 | - | 187,689 |
| Amortization of transaction costs for the period | 13,307 | - | 13,307 |
| Interest for the period | - | 365,997 | 365,997 |
| Refinanced March 16, 2021 as 9% 2025 debentures | (6,276,984) | (1,150,382) | (7,427,366) |
| **Balance at June 30, 2021** | **$ -** | **$ -** | **$ -** |

| Movement on 9% 2025 debentures | Debt portion | Accrued and Unpaid interest | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Fair value of 9% 2025 debentures in the principal amount of $6,009,000 on issuance March 16, 2021** | **$ 4,310,989** | **$ -** | **$ 4,310,989** |
| Accretion charge for the period | 204,239 | - | 204,239 |
| Restructuring bonus for the period | (9,234) | - | (9,234) |
| Interest for the period | - | 188,891 | 188,891 |
| **Balance at June 30, 2021** | **$ 4,505,994** | **$ 188,891** | **$ 4,694,885** |
| Fair value of 9% 2025 debentures issued in September 2021 | 666,183 | - | 666,183 |
| Transaction costs related to September 2021 raise | (77,501) | - | (77,501) |
| Fair value of 9% 2025 debentures issued in March 2022 | 105,735 | | 105,735 |
| Transaction costs related to March 2022 raise | (8,115) | | (8,115) |
| Accretion charge for the period | 710,452 | - | 710,452 |
| Restructuring bonus for the period | 73,063 | - | 73,063 |
| Amortization of transaction costs for the period | 15,443 | - | 15,443 |
| Interest for the period | - | 773,733 | 773,733 |
| **Balance at June 30, 2022** | **$ 5,991,254** | **$ 962,624** | **$ 6,953,878** |

The interest costs are tabulated hereunder:

| | Year ended June 30, 2022 | | | Year ended June 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Stated interest | Accretion charge | Restructuring bonus | Stated interest | Accretion charge | Restructuring bonus |
| | $ | $ | $ | $ | $ | $ |
| | | | | | | |
| 9% debentures | $ - | $ - | $ - | $ 365,997 | $ 248,797 | $ 187,689 |
| 9% 2025 debentures | 773,733 | 710,452 | 73,063 | 188,891 | 204,239 | (9,234) |
| | **$ 773,733** | **$ 710,452** | **$ 73,063** | **$ 554,888** | **$ 453,036** | **$ 178,455** |

In addition, year ended June 30, 2022 cost includes amortization of transaction costs ($15,443) compared to previous year ($13,307).

## 7 Share capital

The company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The company's Board of Directors set May 29, 2022 as the effective date of the consolidation.

The number of common shares issuable under stock options plan, restricted share unit plan are adjusted on a pro rata basis, in accordance with the terms of such securities, based on the 30 to 1 share consolidation ratio.

### (a) Authorized

Class A preference – 500,000 shares without par value, non-voting, non-participating, redeemable at the company's option (at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Class B preference – Unlimited number of shares, without par value, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue.

Class C preference - 125,000 shares without par value, non-voting, non-participating, redeemable at the option of either the holder or the company(at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Common – Unlimited number of shares without par value.

### (b) Issued Class A preference shares

| | Number of shares | $ |
|---|---|---|
| No par value. At June 30, 2021 and 2022 | 461,887 | $ 3,815 |

(c) Issued common shares

| | Number of shares | $ |
|---|---|---|
| | | |
| **No par value. At June 30, 2021** | **878,948,414** | **$ 24,526,740** |
| No par value. Issuance in September 2021 (notes 6 and 9) | 6,053,768,037 | - |
| No par value. Issuance in March 2022 (notes 6 and 9) | 671,250,000 | - |
| | 7,603,966,451 | |
| Adjustment to reflect share consolidation of common shares in May 2022 - 30 to 1 | (7,350,573,944) | |
| **No par value. At June 30, 2022** | **253,392,507** | **$ 24,526,740** |

## 8 Share-based payments

a. Employee 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, 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. All stock options are equity settled. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediately to four years.

The number of employee stock options issuable per the company's stock option plan is 556,285 (16,688,546 pre consolidation).

There were no stock options outstanding during the years ended June 30, 2022 and 2021.

The company has recorded $nil of stock-based compensation expense during year ended June 30, 2022 and 2021.

b. Restricted Share Unit Plan

On December 18, 2017, the Board of Directors authorized the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board of Directors may grant restricted share units (the "RSUs") to eligible persons where the a) maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares, and b) eligible persons are directors, officers, employees and consultants of the company designated by the Board of Directors. On August 26, 2021 at a special meeting of the shareholders the company received approval from its shareholders to increase to 412,000,000 as the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan.

Following the consolidation of common shares in May 2022 (note 7) the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan is 13,733,333.

The company has not granted any RSUs under the RSU plan as at June 30, 2022 and 2021.

c. Potentially Dilutive Securities

No potentially dilutive securities exist as at June 30, 2022 and 2021.

## 9 Related party transactions

9% 2025 debentures

Related parties were issued units of 9% debentures on terms and conditions applicable to other recipients of 9% debentures. Effective March 15, 2021 the 9% debentures held by all debenture holders were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures.

On March 15, 2021, the company closed a $250,000 financing by way of 9% 2025 debentures. Through managed accounts and principals, related parties Generation IACP Inc. and Generation PMCA Corp. purchased $200,000, and Kelly Ambrose, the company's President and Chief Executive Officer and a director purchased $50,000 of the 9% 2025 debentures.

On September 7, 2021, the company closed a $1.0 million financing by way of 9% 2025 debentures. Through managed accounts and principals, related parties Generation IACP Inc. and Generation PMCA Corp. purchased $975,000, and Kelly Ambrose, the company's President and Chief Executive Officer and a director purchased $25,000 of the 9% 2025 debentures.

On March 24, 2022, the company closed a $150,000 financing by way of 9% 2025 debentures. Related parties, principals of Generation IACP Inc. and Generation PMCA Corp. purchased $150,000 of the 9% 2025 debentures.

9% debentures and 9% 2025 debentures are described in note 7.

Common shares

On September 7, 2021 the company issued common shares:

a. For purchase of $200,000 and $975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 175,270,833 (5,258,125,000 pre consolidation) common shares to managed accounts and principals of Generation IACP Inc. and Generation PMCA Corp. For purchase of $50,000 and $25,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 11,187,500 (335,625,000 pre consolidation) common shares to Kelly Ambrose the company's President and Chief Executive Officer;

b. Kelly Ambrose, the company's President and Chief Executive Officer was issued 10,833,333 (325,000,000 pre consolidation) common shares as a retention bonus and 219,621 (pre consolidation 6,588,653) common shares in lieu of a portion of vacation pay due to him; and

c. Mukesh Sabharwal, the company's Vice President and Chief Financial Officer was issued 4,166,667 (125,000,000 pre consolidation) common shares as a retention bonus and 114,312 (pre consolidation 3,429,384) common shares in lieu of a portion of vacation pay due to him.

On March 24, 2022 for purchase of $150,000 9% 2025 debentures the company issued 22,375,000 (671,250,000 pre consolidation) common shares to the principals of Generation IACP Inc. and Generation PMCA Corp.

The holdings of 9% 2025 debentures and common shares by related parties are summarized below.

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | 9% 2025 debentures | Common shares * | 9% 2025 debentures | Common shares * |
| | | | | |
| Director, Chief Executive Officer - K. Ambrose | $ 575,000 | 25,424,582 | $ 550,000 | 3,184,127 |
| Director - M. Lavine | 500,000 | 2,450,494 | 500,000 | 2,450,494 |
| Director - D. Moscovitz | 9,000 | 38,966 | 9,000 | 38,966 |
| Chief Financial Officer - M. Sabharwal | 115,000 | 5,197,599 | 115,000 | 916,619 |
| R. Abramson, GIACP, GPMCA (a) | 3,543,650 | 158,137,414 | 2,815,229 | 10,720,982 |
| Herbert Abramson (b) | 431,000 | 48,864,527 | 159,891 | 385,360 |
| | $ 5,173,650 | 240,113,582 | $ 4,149,120 | 17,696,548 |
| | | | | |
| Total issued and outstanding 9% 2025 debentures and common shares | $ 7,159,000 | 253,392,507 | $ 6,009,000 | 29,298,280 |
| % held by parties in tabulation | 72.3% | 94.8% | 69.0% | 60.4% |
| | | | | |
| (a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the above securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms | | | | |
| (b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company | | | | |
| | | | | |
| * The company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The company's Board of Directors set May 29, 2022 as the effective date of the consolidation. To enable a comparison the common shares, in above tabulation, at June 30, 2022 and 2021 are stated as if the share consolidation had taken place on June 30, 2021. As additional information, the pre-consolidation average number of issued common shares at June 30, 2021 was 878,948,414 | | | | |

Key management includes the company's directors and members of the Executive Committee. The members of the Executive Committee are the Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management included:

| | Year ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| | | |
| Salaries, management bonuses and directors fees | $ 463,192 | $ 448,650 |

## 10 Financial instruments

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers.

Accounts receivable and transaction credits are net of applicable allowance, which is established based on specific credit risk associated with the customer and other relevant information.

Under the merchant cash advance ("MCA") product, the company acquires the rights to receive future cash flows, associated with future business activity, at a discount from participating establishments ("transaction credits"). .Under the MCA program the transaction credits are estimated to be fully extinguishable within 365 days. These transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants there is a credit risk.

The evaluation of collectability of transaction credits is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The amount of the estimates is determined based on the status of the customer and the company's historical experience on recoveries.

Due to the uncertainties created by Covid-19 pandemic, for the unimpaired transaction credits the company has estimated loss based on historical loss rate supplemented by a forecast loss rate. The historical loss ratio is based on the losses experienced over the seven year period prior to start of the Covid-19 pandemic. The forecast loss rate is based on the company knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. Location of the merchant business, past and current payment history, current economic activity, duration of the public health restrictions, time-line of return to pre-pandemic economic activity levels are the inputs into the forecast loss ratio.

The company collects its dues through pre-authorized debits. The company's past experience is that recurring rejections of payments by a merchant – unless due to administration or clerical oversight and rapidly rectified - is the likely indication of the merchant not being able to operate, pay the company's dues leading to a credit loss. The risk management processes of the company in determining the expected credit losses review: a) the unimpaired portfolio for merchants with recurring rejections, b) reason(s) for the rejection(s) and the time-line within which satisfactorily resolved, c) location of the merchant and number of years in business, and d) likelihood of continuation of business for the period until the dues are paid to the company.

During year ended June 30, 2021 and the first nine months of year ended June 30, 2022 Covid-19 pandemic restrictions impacted economic activity. There was uncertainty related to the pace and extent of economic recovery in the business segments the company operates in and hence the evaluation of collectability of transaction credits. The current inflationary and increasing interest rate environment and its unknown impact on economic activity is a likely factor in evaluation of collectability in future periods.

Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The maximum exposure to credit risk is the net balance of the transaction credits and accounts receivable.

The accounts receivable and transaction credit balances and the related allowance is as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| | $ | $ |
| | | |
| Transaction credits | $ 4,692,121 | $ 2,787,958 |
| Accounts receivable | 87,705 | 97,475 |
| Allowance | (1,384,238) | (1,065,680) |
| **Per Consolidated Statement of Financial Position** | **$ 3,395,588** | **$ 1,819,753** |
| | | |
| **Maximum exposure to credit risk** | **$ 3,395,588** | **$ 1,819,753** |

The transaction credits that are considered impaired and the related allowance is as follows:

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | | $ | | $ |
| | | | | |
| Impaired transaction credits | $ | 1,246,397 | $ | 896,059 |
| Allowance | | (1,246,397) | | (896,059) |
| **Impaired transaction credits not allowed for** | **$** | **-** | **$** | **-** |
| | | | | |
| The company carries a general allowance towards transaction credits. This allowance at June 30, 2022 is the historical loss ratio. At June 30, 2021 this allowance is the historical loss ratio and a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic | $ | 133,456 | $ | 165,236 |

Movement on allowance for impaired transaction credits:

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | | $ | | $ |
| | | | | |
| **Balance brought forward at start of year** | **$** | **1,061,295** | **$** | **994,198** |
| Allowance created during the year | | 318,000 | | 67,500 |
| Impaired accounts adjusted against allowance | | 558 | | (403) |
| **Balance carried forward at end of year** | **$** | **1,379,853** | **$** | **1,061,295** |

(b) Currency risk

Currency risk arises due to fluctuations in foreign currency rates.

The company carries nominal amounts of cash (USD $56 at June 30, 2022 and 2021) and accounts payables (USD 697 at June 30, 2022 and 2021).

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company carries a going concern qualification – note 2a. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when operational obligations, comprising payroll; accounts payable; interest payable; and capital expenditures, are due.

The company deploys available funds to merchants under its merchant cash advance product, which are disclosed as transaction credits on the consolidated statements of financial position.

The contractual maturities of the company's financial liabilities at June 30, 2022 are as follows:

| | Total | Payable within 1 year | Payable after 1 year – 3 years |
|---|---|---|---|
| | $ | $ | $ |
| Loan payable – (note 5) | 4,019,685 | 4,019,685 | - |
| Accounts payable and accrued liabilities | 2,825,914 | 2,825,914 | - |
| 9% 2025 debentures – face amount – maturing December 31, 2025 (note 6) | 7,159,000 | - | 7,159,000 |
| 9% debentures interest for period December 16, 2018 to March 14, 2021 | 1,150,383 | - | 1,150,383 |
| 9% 2025 debentures cash interest (note 6) | 3,033,976 | - | 3,033,976 |
| 9% 2025 debentures restructuring bonus (note 6) | 1,288,620 | - | 1,288,620 |
| Canada Emergency Business Account | 60,000 | - | 60,000 |
| Lease (note 17) | 12,768 | 12,768 | - |
| Total | $ 19,550,346 | $ 6,858,367 | $ 12,691,979 |
| In addition, interest on interest of $632,186 - on above 9% debentures unpaid interest of $1,150,383 and on first year interest due March 14, 2022 of $540,810 but not paid on due date as the first year interest on 9% 2025 debentures is payable in instalments (note 6) - is due December 31, 2025 upon maturity of 9% 2025 debentures. The interest on interest of $632,186 is being expensed over the term of the 9% 2025 debentures and a corresponding liability created. The liability of such interest payable as at June 30, 2022 is $239,018. | | | |

The contractual maturities of the company’s financial liabilities at June 30, 2021 are as follows:

| | Total | Payable within 1 year | Payable after 1 year – 3 years |
|---|---|---|---|
| | $ | $ | $ |
| Loan payable – (note 5) | 2,387,439 | 2,387,439 | - |
| Accounts payable and accrued liabilities | 2,731,158 | 2,731,158 | - |
| 9% 2025 debentures – face amount – maturing December 31, 2025 (note 6) | 6,009,000 | - | 6,009,000 |
| 9% debentures interest for period December 16, 2018 to March 14, 2021 | 1,150,383 | - | 1,150,383 |
| 9% 2025 debentures cash interest (note 6) | 2,594,406 | - | 2594406 |
| 9% 2025 debentures restructuring bonus (note 6) | 1,081,620 | - | 1,081,620 |
| Canada Emergency Business Account | 60,000 | - | 60,000 |
| Lease (note 17) | 90,616 | 77,671 | 12,945 |
| Total | $ 16,104,622 | $ 5,196,268 | $ 10,908,354 |
| In addition, interest on interest of $617,784 - on above 9% debentures unpaid interest of $1,150,383 and on first year interest due March 14, 2022 of $540,810 but not paid on due date as the first year interest on 9% 2025 debentures is payable in instalments (note 6) - is due December 31, 2025 upon maturity of 9% 2025 debentures. The interest on interest of $617,784 is being expensed over the term of the 9% 2025 debentures and a corresponding liability created. The liability of such interest payable as at June 30, 2021 is $84,551. | | | |

(d) Fair value

The company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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

The 9% debentures and 9% 2025 debentures were recognized at fair value on initial recording and are now reflected at amortized cost in the consolidated financial statements. A significant amount of estimation was applied in evaluation of the initial fair value of the 9% debentures and 9% 2025 debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital. The carrying value of the 9% debentures and 9% 2025 debentures reflect their fair value. The fair value is a level 3 determination.

In calculating the right of use asset and lease liability, the company's uses the discount rate reflective of the borrowing rate for the asset and the company's financial condition. The fair value of the right of use asset and lease liability is a level 3 determination.

(e) Interest rate risk

The company's activities are funded by two sources of debt; the 9% non-convertible debentures payable (note 6) which have fixed interest rates, and the loan payable (note 5) which carries a floating interest rate. While the company is not exposed to interest rate risk on account of its 9% non-convertible debentures payable, its future cash flows are exposed to interest rate risk from the floating interest rate payable on its loan payable. The company does not use derivative instruments to reduce its exposure to interest rate risk.

Interest on loan payable is calculated daily on the amount outstanding on loan payable and charged monthly. The interest rate effective September 1, 2021 is the prime rate of a certain Canadian bank plus 8.80% (prime rate plus 9.05% up to August 31, 2021). During the year ended June 30, 2022 the prime rate from July 1, 2021 until March 2, 2022 was 2.45 % increasing to 2.70% on March 3, 3.20% on April 14, 2022 and 3.70% on June 2, 2022, and the company incurred interest expense of $476,961. Since September 8, 2022 prime rate is at 5.45%. Had the prime rate, during year ended June 30, 2022, been at 5.45% the interest expense on loan payable would have been about $590,000, an approximate increase of $124,000.

## 11 Capital management

The company's objective is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The company manages its Loan payable, 9% Non-convertible Debentures Payable, and Shareholder deficiency. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth in revenues and net income.

Tabulation of capital base

| | At June 30, 2022 | At June 30, 2021 |
|---|---|---|
| | $ | $ |
| Loan payable – note 5 | 4,019,685 | 2,387,439 |
| 9% Non-convertible debentures – Principal – note 6 | 7,159,000 | 6,009,000 |
| Loan – note 18 | 60,000 | 60,000 |
| Share capital – note 7 | 24,530,555 | 24,530,555 |
| Contributed surplus and deficit | (34,803,530) | (32,542,682) |
| | $965,710 | $444,312 |

## 12 Commitments and contingencies

Legal matters - From time to time, the company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period the loss is determined.

Taxation – The Inland Revenue Service ("IRS") assessed a penalty of USD 100,000 with respect to a US subsidiary for late filing of a return for fiscal year which commenced September 1, 2020 and ended August 31, 2021 with respect to certain foreign owned US corporations. The corporation in question is dormant since its year ended August 31, 2019. The company has lodged an appeal with the IRS citing the relief for late filing available with respect to fiscal year 2020 and other mitigating circumstances including the relief available under small corporation category.

## 13 Income taxes

Income tax recognized in Statement of (Loss) and Comprehensive (loss) are as follows:

| | **2022** | **2021** |
|---|---|---|
| | **$** | **$** |
| Current income taxes | - | - |
| Deferred income taxes | - | - |
| | $- | $- |

The average combined federal and provincial statutory income rate applicable to the company in Canada for 2022 and 2021 was 26.5% and in the USA for 2022 and 2021 was 21.0%.

Since the company does not have an income tax expense there is no reconciliation between the company's effective income tax rate and the combined statutory income tax rate.

The effective tax rate was $nil or 0%.

In assessing the ability to realize deferred income tax assets, the company considers whether it is more likely or not that some portion or all of the deferred income tax assets will be utilized in the foreseeable future. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. As at June 30, 2022, there is no certainty that such deferred income tax assets will be utilized and, therefore, such assets have not been recognized on the consolidated statements of financial position. The components of deferred income tax are as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Non capital losses carried forward | 4,818,000 | 4,592,000 |
| Property, plant and equipment due to amortization | 19,000 | 24,000 |
| | $4,837,000 | $4,616,000 |
| Deferred income tax assets not recognized | $(4,837,000) | (4,616,000) |
| | $- | $- |

As at June 30, 2022, the company has gross non-capital income tax losses of approximately $18,923,000 (2021 $18,036,000), which may be carried forward to reduce future income for income tax purposes. The benefit of these losses has not been recognized in these consolidated financial statements. These losses expire between 2023 and 2042, and are tabulated hereunder:

| | |
|---|---|
| Year ending June 30, 2023 | $ 715,000 |
| Year ending June 30, 2024 | $ 1,692,000 |
| Year ending June 30, 2025 and thereafter | $16,516,000 |
| | $18,923,000 |

## 14 Earnings (loss) per share

Basic EPS is calculated by dividing the net (loss) for the year attributable to equity owners of the company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Basic and Diluted EPS are tabulated.

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Net (loss) and comprehensive (loss) | $ (2,707,838) | $ (2,091,967) |
| **Basic and Diluted EPS** | | |
| Average number of issued post consolidation common shares during the year * | 199,545,395 | 29,298,280 |
| **Basic EPS** | **$ (0.01)** | **$ (0.07)** |

* The company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The company's board of directors set May 29, 2022 as the effective date of the consolidation. To enable a comparison the average number of issued common shares, in above tabulation, during the year 2022 and 2021 are stated as if the share consolidation had taken place on July 1, 2020. As additional information, the pre-consolidation average number of issued common shares during year 2021 was 878,948,414 and based on this the reported basic EPS for 2021 was $0.00

There are no potentially dilutive common shares outstanding at June 30, 2022 and 2021. Hence Diluted EPS not computed

## 15 Nature of Expenses

The company has availed Federal Covid-19 pandemic relief measures which are explained in note 17. Sales and wages including travel reflects receipt of Canada's Federal wage subsidies of $125,009 during year ended June 30, 2022 (2021 - $463,580).

Facilities, processing, and office expenses reflect receipt of Canada's Federal rent subsidies of $27,023 during year ended June 30, 2022 (2021 - $84,442). During year ended June 30, 2021 the company's head office landlord applied for Canada Emergency Commercial Rent Assistance program whereby the company had to pay 25% of the rent.

## 16 Segment reporting

The company's reportable segments include: (1) Merchant cash advance ("MCA") program and (2) Aeroplan program. Where applicable, corporate and other activities are reported separately as Corporate. All programs operated in Canada.

The above noted programs are described in Note 1.

The Chief Operating Decision Maker reviews the segment income statement. The segment assets and liabilities are not reviewed.

Financial information by reportable segment for period ended June 30, 2022 and 2021 is tabulated.

| Year ended June 30, 2022 | | | | |
|---|---|---|---|---|
| | MCA program | Aeroplan program | Corporate | Total |
| | $ | $ | $ | $ |
| Revenues | 1,167,998 | 571,699 | - | 1,739,697 |
| Direct expenses | 325,326 | 416,483 | - | 741,809 |
| | 842,672 | 155,216 | - | 997,888 |
| Selling & marketing | 382,570 | 187,257 | - | 569,827 |
| General & administrative | 725,417 | 355,070 | - | 1,080,487 |
| (Loss) from operations before depreciation, amortization and interest | (265,315) | (387,111) | - | (652,426) |
| Stated Interest - loan payable | 476,961 | - | - | 476,961 |
| Stated Interest - 9% non convertible debentures payable | 519,468 | 254,265 | - | 773,733 |
| Interest - Lease | 3,866 | 1,894 | - | 5,760 |
| Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs | 536,404 | 262,554 | - | 798,958 |
| Segment (loss) | (1,802,014) | (905,824) | - | (2,707,838) |

| Year ended June 30, 2021 | | | | |
|---|---|---|---|---|
| | | | | |
| | MCA program | Aeroplan program | Corporate | Total |
| | $ | $ | $ | $ |
| | | | | |
| Revenues | 745,781 | 484,099 | - | 1,229,880 |
| Direct expenses | 75,483 | 293,167 | - | 368,650 |
| | 670,298 | 190,932 | - | 861,230 |
| Selling & marketing | 301,284 | 195,569 | - | 496,853 |
| General & administrative | 478,371 | 310,520 | - | 788,891 |
| (Loss) from operations before depreciation, amortization and interest | (109,357) | (315,157) | - | (424,514) |
| Stated Interest - loan payable | 355,986 | - | - | 355,986 |
| Stated Interest - 9% non convertible debentures payable | 336,475 | 218,413 | - | 554,888 |
| Interest - Lease | 8,015 | 5,204 | - | 13,219 |
| Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs | 390,995 | 253,803 | - | 644,798 |
| Depreciation and amortization including right of use asset | 27,584 | 17,906 | - | 45,490 |
| Impairment of right of use asset | - | - | 53,072 | 53,072 |
| Segment (loss) | (1,228,412) | (810,483) | (53,072) | (2,091,967) |

## 17 Lease

The company has adopted IFRS 16 from its accounting period beginning July 1, 2019 and the adoption is reflected in these financial statements. The adoption is with respect to the company's head office lease (note 1 and note 3) expiring August 31, 2022.

| | Right of use asset | Lease liability |
|---|---|---|
| | $ | $ |
| | | |
| **Balances at June 30, 2020** | **$ 98,562** | **$ 149,131** |
| Depreciation | (45,490) | - |
| Impairment of asset | (53,072) | - |
| Interest payments | - | 13,219 |
| Lease payments | - | (77,671) |
| **Balances at June 30, 2021** | **-** | **84,679** |
| Interest payments | - | 5,760 |
| Lease payments | - | (77,671) |
| **Balances as at June 30, 2022** | **-** | **12,768** |
| | | |
| June 30, 2021 | | |
| Current | | $ 71,910 |
| Long term | | 12,769 |
| | | $ 84,679 |
| June 30, 2022 | | |
| Current | | $ 12,768 |

The impairment of the right to use asset reflected the uncertainty around the company's ability to meet its lease payments or sub-lease the premises in year ended June 30, 2022.

The undiscounted lease liability at June 30, 2022 is $12,945 with respect July and August 2022.

## 18 Government subsidies

The company has availed Covid-19 pandemic relief measures.

Amount of $125,009 received during year ended June 30, 2022 (2021 - $463,580) under the Canada's Federal wage subsidies (Canada Emergency Wage Subsidy and Hard Hit Business Recovery Program) is reflected as a reduction of the salaries and wages expense disclosed in note 15.

Amount of $27,023 received during year ended June 30, 2022 (2021 - $84,442) under the Canada's Federal rent subsidies (Canada Emergency Rent Subsidy and Hard Hit Business Recovery Program) is reflected as a reduction of the facilities expense disclosed in note 15.

The company's landlord applied for Canada Emergency Commercial Rent Assistance program.

The company received $60,000 under the Canada Emergency Business Account. $20,000 of this loan of $60,000 is forgivable provided the loan is re-paid by December 31, 2023. There is no interest on the $60,000 loan provided it is re-paid by December 31, 2023. Beginning on January 1, 2024, interest will accrue on the balance of the loan at the rate of 5% per annum.

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## Board of Directors:

Kelly Ambrose. Chairman of the Board of Directors
Marc Lavine. Chairman of the Audit Committee
David Moscovitz. Chairman of the Compensation and Governance Committee

## Senior Management:

Kelly Ambrose
President and Chief Executive Officer

Mukesh Sabharwal
VP and Chief Financial Officer

## Listing:

Canadian Securities Exchange
Trading symbol ADX

## Auditors:

BDO Canada LLP

## Transfer Agent:

TSX Trust Company
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