ADVANTEX

Letter to Shareholders for the fiscal year ended June 30, 2020

Dear Shareholders,

Review of fiscal year

This has been a year of two parts.

During the first three months of the year the company successfully completed the transition, commenced during the latter half of the previous fiscal year, to its merchant cash advance ("MCA") program. For the next six months the company was managing this portfolio and seeking capital to grow its MCA program.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("Covid-19") as a global pandemic. The pandemic had a devastating effect on the company's customers, the company's revenues and cash flows. The fourth quarter and the fiscal year therefore was impacted by the government mandated lockdown.

Year ahead

On March 16, 2021 the company closed a $250,000 financing after obtaining regulatory and existing debenture holders approval. The proceeds will be used to file the outstanding continuous disclosure documents and thereafter seek a full revocation of the cease trade order on trading in the company's shares, stabilize its financial position and continue its operations, and seek growth capital. If the company is able to obtain growth capital in a timely manner, the company believes it can secure the on-going support of its existing business partners, achieve financial stability followed by a gradual growth phase.

Covid-19 presents risks that are still unfolding and opportunities for organizations that adapt. The company's belief of gradual growth is based on its product offerings – MCA and loyalty marketing. Independent merchants', the company's market, will need the company's products even more once life returns to normal – loyalty marketing to bring customers to their establishments and working capital through MCA to help re-start and re-build their operations.

I would like to thank you, merchants, staff, business partners, and the Board of directors for their support.

"Kelly E. Ambrose"
Kelly E. Ambrose
President and CEO
March 31, 2021

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.

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the fiscal years ended June 30, 2020 and 2019

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at March 31, 2021. 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, 2020, compared to the twelve months ended June 30, 2019. 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, 2020, 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.

Fiscal year ended June 30, 2020 ("Fiscal 2020") financial performance was influenced by three events. Transition to a new business model - MCA program, Covid-19 pandemic, and financial challenges.

<u>Transition and period leading up-to Covid-19 pandemic</u>

For the better part of fiscal year ended June 30, 2019 ("Fiscal 2019") the company developed and managed merchant based loyalty programs for Canadian Imperial Bank of Commerce ("CIBC") and The Toronto Dominion Bank ("TD") through its CIBC/TD program. Given that the CIBC/TD program would wind-up by June 30, 2019 the company commenced during the latter half of Fiscal 2019 the transition to MCA program. The company completed this transition during the three months ended September 30, 2019. In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future receivables and company earns its revenue, per contract terms, as it collects against the pre-purchased receivables. Since the company was providing working capital to merchants as part of its product offerings under the CIBC/TD program it was an easy transition to MCA product and positioned the company in a growth market. The MCA product and pricing were created to generate interest revenue and to minimize the loss of marketing revenues of the CIBC/TD program. The company was able to transition about 95% of merchants availing working capital as part of the CIBC/TD program to the MCA program. A high conversion ratio reflected the trusted relationship with merchants, higher credit limits, and transparency in pricing of Advantex's MCA program. From transition until the onset of the Covid-19 pandemic Advantex managed it's delinquencies at historical five year trends, relying on the relationships of its account managers with the merchants combined with the robustness of its due diligence. The company had a portfolio of about 250 merchants, during Fiscal 2020, with an average merchant tenure of about five years.

The company also earned revenue from merchants participating in the re-seller program ("Aeroplan program) it operates for Aeroplan Inc. ("Aeroplan"). The company had about 100 merchants during Fiscal 2020. The company has a decade old relationship with Aeroplan (purchased in 2019 by Air-Canada). The current five year term of the agreement ended April 30, 2019 which was extended to April 30, 2020 and thereafter has been extended to April 30, 2021; the two parties continue to work while discussing future terms and direction. Merchants are able to leverage a powerful currency to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan points. Advantex earns its revenue in the Aeroplan program from selling aeroplan points, at an agreed price per aeroplan point, to participating merchants.

Covid-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus, Covid-19, as a global pandemic. The government in Canada ordered the closure of all non-essential businesses. Practically all of the company's customers, small independent merchants, operate in the non-essential business segments. The Covid-19 restrictions had a devastating impact on the company's Fiscal 2020 performance and its financial position.

Fiscal 2020 fourth quarter revenues at $177,600 were $564,363 (76.1%) below Fiscal 2020 third quarter revenues of $741,963. Consequently the company was left with a weak balance sheet after further working capital deterioration during the Covid-19 pandemic.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve against the amounts due from merchants in its MCA portfolio (details provided in section Critical Accounting Estimates under Credit risk)

The company availed federal government Covid-19 pandemic relief measures during Fiscal 2020 and continues to do so as of date hereof. To manage its costs the company had to lay-off of some staff and the remaining staff including the management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy. The company received $40,000 under the Canada Emergency Business Account. In December 2020 the company applied for and received an additional $20,000 under this subsidy. The company's landlord applied for Canada Emergency Commercial Rent Assistance program. From October 2020 the company is accessing the Canada Emergency Rent Subsidy.

Financial challenges

The holders of 9% Non-Convertible Debentures Payable ("9% debentures") supported the company in the transition to MCA and Covid-19. The company did not pay the 9% debentures interest of $250,155, due June 15, 2019 for the period December 16, 2018 to June 15, 2019. The company obtained a waiver from the debenture holders to this event of default on June 21, 2019. As compensation, the company agreed to issue an aggregate of 75 million fully paid common shares to the debentures holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder, prior to July 15, 2019. The company issued the fully paid common shares on July 10, 2019. The company did not pay the interest of $254,405 due December 15, 2019 for the period June 16, 2019 to December 15, 2019 and did not also pay interest of $ 259,155 for the period December 16, 2019 to June 15, 2020 which was due June 15, 2020. The company was in default on its interest coverage financial covenant at June 30, 2019 and subsequent to Fiscal 2019 is in default on all its financial covenants. As context the company has a decade + relationship with the primary holder of the 9% debentures (see Section Related party transactions in this document).

In October 2019 the company raised $200,000 by way of issuance of 200 units of 9% debentures. The additional 200 units of 9% debentures was a related party transaction and the purchase was on terms and conditions applicable to the other subscribers of 9% debentures.

Prior to Covid-19 the company entered discussions with two unrelated parties for loans to supplement its working capital and provide growth capital in order to expand the MCA business. Expansion was expected to lead to financial stability. The two parties terminated the discussions citing Covid-19 issues.

During Covid-19 the company applied for working capital loans with the Business Development Bank of Canada, under the federal government pandemic support programs, and Canadian Imperial Bank of Commerce, the company's long-standing commercial banker but was unsuccessful in both cases. The reason was the weak balance sheet.

Accord Financial Inc. ("Accord") provider of credit facility (see Section Loan Payable) allowed the company to defer payment of interest from March to June. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of

$460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of date hereof the company has fully utilized this facility (June 30, 2020 $184,098).

The company is in arrears on its payment plan with Aeroplan. As of date hereof it is negotiating a revision.

Due to operational and financial constraints - managing the transition being a significant factor - Advantex was not in a position to timely file the Fiscal 2019 annual financial statements and related financial documents and the Ontario Securities Commission ("OSC") issued a cease trade order on November 1, 2019. On May 21, 2020 the company filed Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents.

Due to lack of funds to pay for its audit the company was not in a position to timely file the Fiscal 2020 annual financial statements and related financial documents. Consequently, as of date hereof, the company's common shares continue to be under a cease trade order.

Advantex's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol ADX.

Capital Raise Developments post June 30, 2020

The Ontario Securities Commission ("OSC") issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the failure-to-file cease trade order issued against the company on November 1, 2019 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner.

The company applied for the Partial Revocation Order to complete a financing (the "Financing") whereby, through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("New Debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the New Debentures. The New Debentures are on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2021. The FFCTO continues to apply in all other respects.

The company previously obtained the requisite consents from the holders of the 9% debentures to complete the Financing.

As the Financing would constitute a related party transaction pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"), the company relied on the financial hardship exemption from both the formal valuation and minority approval requirements of such instrument.

The company closed the $250,000 Financing on March 16, 2021 by way of senior secured non-convertible debentures. The Financing was conducted in accordance with the terms of the partial revocation order issued by the OSC. The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

The proceeds of the Financing will be used to pay for: (i) the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; (ii) legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the Financing; (iii) operational and general administrative expenses; (iv) payment of accounts payable incurred in the ordinary course of business; and (v) partial funding of its Merchant Cash Advance business as public health restrictions are gradually eased in Canada.

Next steps

Upon bringing its disclosure record to current status the company will apply to the OSC for full revocation of the FFCTO.

Simultaneously, the company will be seeking growth capital.

The company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity to fund growth of MCA program. The 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.

The company is aware given the FFCTO and the financial difficulties it faces there is no guarantee that capital will be available to the company at economic terms, if at all, once the FFCTO has been revoked or at all.

Outlook

The company believes its core business - MCA - is a growth industry because institutional lenders are not available to independent merchants, likely even more so because of Covid-19 pandemic. Independent merchants are the engines of significant economic activity. Although there are several competitors in the MCA space the company believes the transparency, pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital.

As of date hereof, primarily due to Covid pandemic, the company's MCA portfolio has declined to about 100 merchants. The company believes if it has capital to grow this business it has the ability to initially go back to pre Covid pandemic level of about 250 merchants and expand beyond significantly thereafter. The growth of company's MCA portfolio is essential to bring financial stability.

The loyalty marketing service the company provides is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program. The current agreement ends April 30, 2021. The two parties continue to work while discussing future terms and direction and the company expects to secure a multi-year renewal upon attaining financial stability. Operating this program gives the company a significant secondary business line and an advantage over competition in the MCA space. The company can offer loyalty marketing opportunities to merchants which the competition cannot.

As discussed above in section Capital Raise Developments post June 30, 2020 the company obtained approval of the OSC and closed a raise of $250,000 by way of a 9% Non-Convertible Debenture. The funds are to enable the company to bring to current status its public disclosure record, apply for a full revocation of the cease trade order, operate and maintain its client base at existing level while it seeks growth capital.

The company shall be looking to timely raise growth capital raise by way of either debt and or equity which it believes is necessary to secure the on-going support from its current partners, grow the MCA program, achieve financial stability followed by a gradual growth phase.

The company's consolidated financial statements for Fiscal 2020 and Section Working Capital and Liquidity Management in this document carry a going concern note. In the event the company cannot secure growth capital in a timely manner it will cease operations.

<u>Twelve months ended June 30, 2020</u>

The financial performance reflects the transition from CIBC/TD program to MCA program, and impact of Covid-19 pandemic described in Section Overall Performance.

The financial highlights for Fiscal 2020 compared to Fiscal 2019 are summarized in the tabulation.

	Fiscal 2020	Fiscal 2019
	$	$
Revenues		
CIBC/TD program - marketing component	$ -	$ 3,692,074
CIBC/TD program - interest component	-	749,747
	-	4,441,821
MCA program	1,890,852	640,370
Aeroplan program	718,690	1,008,995
Caesars program	-	9,344
	$ 2,609,542	**$ 6,100,530**
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (865,263)**	**$ 963,068**
Net (loss) and Comprehensive (loss)	**$ (2,927,396)**	**$ (911,945)**

Income Statement – Fiscal 2020 compared to Fiscal 2019

The change in revenues reflects the transition from CIBC/TD program to MCA program and Covid-19 pandemic. The impact of Covid-19 can be illustrated by comparing 3 months ended June 30, 2020 revenues, which would be expected to track 3 months ended March 31, 2020 revenues of $741,963, coming in at $177,600.

Revenues tabulation:

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
Revenues			
CIBC/TD program	$ -	$ 4,441,821	$ (4,441,820)
MCA program	1,890,852	640,370	1,250,482
Aeroplan program	718,690	1,008,995	(290,305)
Caesars program	-	9,344	(9,344)
	$ 2,609,542	**$ 6,100,530**	**$ (3,490,987)**

Gross profit reflects the transition from CIBC/TD program to MCA program, Covid-19 pandemic and their impact on revenues.

While the MCA program direct cost is expense for provision for delinquent accounts, the direct cost for CIBC/TD program comprised cost for consumer rewards and marketing activities in addition to expense for provision for delinquent accounts.

A significant additional factor for Fiscal 2020 is the impact of Covid-19 on the collectability of amounts due from merchants (transaction credits on the balance sheet) participating in the MCA program. For Fiscal 2020 the company expensed a provision for delinquent accounts of $1,022,015 (Fiscal 2019 $280,082).

Gross profit tabulation:

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
CIBC/TD program	$ -	$ 3,429,988	$ (3,429,988)
MCA program	868,837	640,370	228,467
Aeroplan program	331,663	469,172	(137,509)
Caesars program	-	(5,874)	5,874
	$ 1,200,500	**$ 4,533,656**	**$ (3,333,156)**
Company gross margin	46.0%	74.3%	

Selling, General and Administrative ("SG&A") expenses at $2,065,763 were $1,504,825 lower compared to Fiscal 2019. The lower SG&A expenses reflect effect of rightsizing of headcount commenced during Fiscal 2019 to adjust to termination of CIBC/TD program and start of MCA program, a much simpler program to operate; closure of Caesars program during Fiscal 2019; and due to Covid-19 pandemic lay-off of some staff and the remaining staff including the management, since April 1, 2020, receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy. Staff remuneration including travel expenses are the main component of SG&A (Fiscal 2020 81.1% vs. 77.6% for Fiscal 2019).

Earnings from operations before depreciation, amortization and interest were sharply down $1,828,331 for Fiscal 2020. A loss of $865,263 compared to earnings for Fiscal 2019 at $963,068. The SG&A savings offset to some extent the decline in gross profit.

Stated interest cost, on 9% debentures and loan payable, was marginally higher by $22,858. The 9% debentures interest was marginally higher by $12,451 (Fiscal 2020 $512,761 vs. Fiscal 2019 $500,310) on account of issuance of $200,000 9% debentures in October 2019. The marginal $10,407 increase in loan payable interest (Fiscal 2020 $807,189 vs. Fiscal 2019 $796,782) is primarily a reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable but this was offset by the lower utilization during the April – June 2020 period where, due to covid-19 pandemic, the company did not give any working capital advances to merchants. Consequently average loan payable balance was marginally higher during Fiscal 2020 at $6,307,996 vs. Fiscal 2019 $6,078,276 and this is reflected in the marginally higher interest.

The non-cash interest expense was higher by $70,639. Accretion charges and restructuring bonus relating to 9% debentures for Fiscal 2020 was $586,209 compared to $547,998 for Fiscal 2019, higher by $38,211 partially reflecting issuance of $200,000 9% debentures in October 2019. Also expensed is $12,524 amortization of transaction costs incurred on raise of the $200,000 9% debentures. The company adopted IFRS 16 Leases from July 1, 2019 and consequently there is an interest cost for the head office lease of $19,904 (Fiscal 2019 $nil).

Depreciation and amortization expense was higher by $50,623 primarily reflecting adoption from July 1, 2019 of IFRS 16, Leases which set-up depreciation expense of $65,336 on right of use asset respecting company's head office lease.

A charge of $43,000 respecting partial impairment of the right of use asset reflects the uncertainty around the company's ability to meet its lease payment due to going concern.

The above components resulted in Fiscal 2020 net loss before non-recurring item of $2,927,396 compared to Fiscal 2019 net loss of $911,245.

Balance Sheet – Fiscal 2020 compared to Fiscal 2019

Transaction credits, which represent balance due of working capital advanced to merchants, are about 89.9% of total assets at June 30, 2020 compared to 97.0% at June 30, 2019. Transaction credits, net of provision for delinquent accounts, of $3,923,917 at June 30, 2020 are $5,550,082 lower compared to $9,473,999 at June 30, 2019. The lower balance at June 30, 2020 vs. June 30, 2019 is an outcome of Covid-19. 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 an additional general reserve for potential delinquent transaction credits on account of Covid-19 (general reserve at June 30, 2020 of $641,090 compared to $134,293 at June 30, 2019). Consequently the total provision for delinquent transaction credits at June 30, 2020 was $994,198 (Fiscal 2019 $239,909).

Loan payable of $4,369,006 at June 30, 2020 was $4,047,070 lower compared to $8,416,076 at June 30, 2019. 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. The lower loan payable balance at June 30, 2020 compared to June 30, 2019 reflects the lower transaction credits at June 30, 2020. The loan payable balance at June 30, 2020 also includes arrears of interest of $184,098 (see Section Loan Payable).

9% debentures at June 30, 2020 reflect accrued and unpaid interest of $784,385 for the period December 16, 2018 until June 30, 2020 ($271,624 at June 30, 2019 for period December 16, 2018 until June 30, 2019). The company does not have the ability to pay the interest.

Results of Operations

	Fiscal 2020	Fiscal 2019
	$	$
Revenue	**$ 2,609,542**	**$ 6,100,530**
Direct Expenses - Cost of cardholder rewards and marketing merchants to cardholders	387,027	1,279,228
Direct Expenses - Expense for provision against delinquent accounts	1,022,015	287,646
Gross profit	**$ 1,200,500**	**$ 4,533,656**
Selling and General & Administrative	2,065,763	3,570,588
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (865,263)**	**$ 963,068**
Cash interest on loan payable and debentures	1,319,950	1,297,092
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (2,185,213)**	**$ (334,024)**
Depreciation of right of use asset	65,336	-
Depreciation of property, plant and equipment	15,210	29,923
Interest - Lease	19,904	-
Non cash interest expense on 9% debentures - accretion, performance bonus, amortization of transaction costs	598,733	547,998
Impairment of right of use asset	43,000	-
Net (loss) and comprehensive (loss)	**$ (2,927,396)**	**$ (911,945)**
Basic and Diluted (loss) per share	**$ -**	**$ -**

Extract from the Statement of Financial Position

	At June 30, 2020	At June 30, 2019	Increase/ (Decrease)
	$	$	$
Current assets	$ 4,268,200	$ 9,756,497	$ (5,488,297)
Total assets	$ 4,366,762	$ 9,771,752	$ (5,404,990)
Shareholders' deficiency	$ (9,167,710)	$ (6,267,102)	$ 2,900,608

The change in current assets primarily reflects a decrease in transaction credit, net of provision for delinquent accounts, of $5,550,082.

The decrease in transaction credits is an outcome of Covid-19 pandemic. 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 delinquent transaction credits on account of Covid-19. The total provision for delinquent transaction credits at June 30, 2020 was $994,198 (Fiscal 2019 $239,909).

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

Loan payable of $4,369,006 at June 30, 2020 was $4,047,070 lower compared to $8,416,076 at June 30, 2019. The lower loan payable balance at June 30, 2020 compared to June 30, 2019 reflects the lower transaction credits at June 30, 2020. The loan payable balance at June 30, 2020 also includes arrears of interest of $184,098 (see Section Loan Payable).

9% debentures at June 30, 2020 reflect accrued and unpaid interest of $784,385 for the period December 16, 2018 until June 30, 2020 ($271,624 at June 30, 2019 for period December 16, 2018 until June 30, 2019).

The movement in the shareholders' deficit reflects net loss during Fiscal 2020 $2,927,396 and increase of $26,788 in contribution surplus as the equity component upon issuance of $200,000 9% debentures in October 2019.

Extracts from the Statement of Cash Flow

	Fiscal 2020	Fiscal 2019	Change
	$	$	$
Net (loss)	$ (2,927,396)	$ (911,945)	$ (2,015,451)
Adjustments for non cash expenses	1,254,989	849,545	405,444
(Loss) after adjustments for non cash expenses	$ (1,672,407)	$ (62,400)	$ (1,610,007)
Changes in working capital	5,644,816	(4,441,277)	10,086,093
Net cash generated from/(used in) financing activities	(3,925,444)	3,988,686	(7,914,130)
Net cash generated from/(used in) operations	$ 46,965	$ (514,991)	$ 561,956
Net cash (used in) investing activities	-	(1,209)	1,209
Increase/(Decrease) in cash	46,965	(516,200)	$ 563,165
Cash at start of year	$ 119,636	$ 635,836	$ (516,200)
Cash at end of year	$ 166,601	$ 119,636	$ 46,965

Adjustments for non cash expenses. A significant item for Fiscal 2020 is accrued and unpaid 9% debentures interest of $512,761 (Fiscal 2019 $271,624 for period December 16, 2018 to June 30, 2019). Another item is the charge for partial impairment of right of use asset respecting the head office lease, of $43,000 (Fiscal 2019 $nil). Charges for Accretion and Restructuring bonus respecting 9% debentures were $586,209 (Fiscal 2019 $547,998).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During Fiscal 2020 the significant item is the decrease in the transaction credits, net of provision for delinquent accounts, of $5,550,082 reflecting the impact of covid-19 on the company's business. 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 an additional general reserve for potential delinquent transaction credits on account of Covid-19 (general reserve at June 30, 2020 of $641,090 compared to $134,293 at June 30, 2019) Consequently the total provision for delinquent transaction credits at June 30, 2020 was $994,198 (Fiscal 2019 $239,909). During Fiscal 2019 the significant item is the increase in transaction credits, net of provision for delinquent accounts, of $3,881,573 reflecting transition of merchants participating in the CIBC/TD program to the MCA program.

Financing activities. During Fiscal 2020 the primary change is the decrease of $4,047,070 in loan payable. Loan payable supports the transaction credits as it funds 90% of each dollar of working capital advance given to merchants participating in MCA program. The company also raised gross proceeds of $200,000 ($159,297 net of transaction costs) by issuing additional 9% debentures in October 2019. During Fiscal 2019 the primary change is the increase in loan payable of $3,988,686 to support the growth in transaction credits.

Investing activities. The capital expenditures during Fiscal 2020 and 2019 were nominal. The company is frugal with capital expenditures given its financial situation. In the event the company is successful in capital raise it would 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, 2020, and have been included to provide additional analysis for the reader.

Revenue

The company's revenue for Fiscal 2020 was derived from merchants participating in the MCA program, and the Aeroplan program which the company has been operating for about a decade.

During Fiscal 2019 the company operated CIBC/TD, MCA program (launched in early part of Fiscal 2019) and Aeroplan programs. The Caesars program ended December 31, 2018.

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

The Aeroplan program operates the Re-seller and Processing products.

Re-seller. The company sells aeroplan points to 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.

Processing. The company processes issuance of aeroplan points for Aeroplan customers. Revenue is recognized at the agreed price per aeroplan point processed by the company.

The CIBC/TD program operated the following two products:

Advance Purchase Marketing ("APM"): The company acquired the rights to cash flow from future designated CIBC and TD credit card transactions at a discount from participating merchants (transaction credits on consolidated statement of financial position) and promoted the merchant by way of targeted marketing to holders of designated CIBC/TD credit cards, issued consumer rewards to consumers when they completed purchases at participating merchants, and provided merchants with business intelligence connected to the spending behaviour of consumers. The company's revenue was from the purchases completed at the participating merchants using designated CIBC and TD credit cards, net of the company's costs to acquire the transaction credits. Proceeds from the amount spent on above noted CIBC/TD credit cards at participating merchants were received by the company and a predetermined portion applied to reduce the transaction credit balance.

Marketing Only: The company did not acquire the rights to cash flows of merchants. In all other respects Marketing Only was similar to APM. Revenue was earned in the form of an agreed marketing fee for every purchase completed using CIBC/TD credit card (as defined under APM) at participating merchants.

The Caesars program operated the Participation fee product. The company marketed participating merchants to Caesars Total Rewards members and the merchant issued total rewards loyalty points to Total Rewards members completing a qualifying transaction at the merchant. The merchant paid an agreed monthly fee to Advantex.

The drivers for revenues from the MCA program are number of participating merchants, the amount of working capital advances deployed with merchants and the discount at which future receivables are purchased from merchants.

The revenues from the Aeroplan Re-seller product reflects the number of participating merchants, traffic of aeroplan members completing purchases at participating merchants and the level of engagement of participating merchants in the program.

Economic activity and Covid-19 restrictions have an impact on both MCA and Aeroplan programs.

The drivers for revenues from the CIBC/TD program were:

1. Number of participating merchants;
2. Market penetration of the CIBC/TD credit cards;
3. Economic environment;

4. Mix of merchants in terms of their volume of CIBC/TD credit card transactions; and
5. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM product was higher compared to Marketing Only.

The revenues from the Caesars program were dependent on the number of participating merchants.

A factor in the Fiscal 2020 revenues was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
Revenues			
CIBC/TD program	$ -	$ 4,441,821	$ (4,441,820)
MCA program	1,890,852	640,370	1,250,482
Aeroplan program	718,690	1,008,995	(290,305)
Caesars program	-	9,344	(9,344)
	$ 2,609,542	**$ 6,100,530**	**$ (3,490,987)**

MCA program

The revenue was earned from merchants transitioned from primarily the CIBC/TD APM product as of June 30, 2019 and those transitioned during the first quarter of Fiscal 2020. The transition to MCA was completed during first quarter of Fiscal 2020.

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. This effected its revenues. April to June 2020 revenues at $92,416 were down 82.4% compared to January to March 2020 revenues.

Average number of about 250 merchants during Fiscal 2020.

Aeroplan program

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
Revenues			
Re-seller	$ 718,690	$ 905,190	$ (186,500)
Processing	-	103,805	(103,805)
	$ 718,690	**$ 1,008,995**	**$ (290,305)**

Changes in re-seller revenues reflected change in merchant participation and issuance activity at merchants.

The company re-organized the sales and account management – into one unit for MCA and Aeroplan - towards end of calendar 2019 to drive sales and merchant engagement in the program.

Covid-19 pandemic was a factor. April to June 2020 revenues at $85,184 were down 60.7% compared to January to March 2020 revenues and 75.5% lower compared to corresponding period in Fiscal 2019.

The company processed issuance of aeroplan points for an Aeroplan customer. This was the source of processing revenue. Aeroplan's contract with the customer ended May 2019 which ended this revenue stream.

CIBC/TD program and Caesars program.

These programs ended during Fiscal 2019.

Direct Expenses

The MCA direct expenses are provision against transaction credits.

In the Aeroplan program, direct expenses are primarily costs of consumer rewards which the company purchases from Aeroplan. Other costs include cost of marketing and advertising on behalf of merchants and provision against receivables.
The CIBC/TD program direct expenses included costs of consumer rewards which the company purchased from CIBC and TD, the cost of marketing and advertising on behalf of merchants, cost of sales of digital marketing services and provision against receivables.

Caesars program direct expenses were costs of consumer rewards which the company purchased from Caesars and provision against receivables.

	Fiscal 2020	Fiscal 2019	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
CIBC/TD program	$ -	$ 4,441,821	$ (4,441,820)	-100.0%
MCA program	1,890,852	640,370	1,250,482	195.3%
Aeroplan program	718,690	1,008,995	(290,305)	-28.8%
Caesars program	-	9,344	(9,344)	-100.0%
	$ 2,609,542	**$ 6,100,530**	**$ (3,490,987)**	**-57.2%**
Direct expenses				
CIBC/TD program	$ -	$ 1,011,833	$ (1,011,833)	-100.0%
MCA program	1,022,015	-	1,022,015	100.0%
Aeroplan program	387,027	539,823	(152,796)	-28.3%
Caesars program	-	15,218	(15,218)	-100.0%
	$ 1,409,042	**$ 1,566,874**	**$ (157,832)**	**-10.1%**

MCA program

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. This 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.

Aeroplan program

	Fiscal 2020	Fiscal 2019	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenue - Re-seller program	$ 718,690	$ 905,190	$ (186,500)	-20.6%
Revenue - Processing (no direct costs)	-	103,805	(103,805)	-100.0%
	$ 718,690	$ 1,008,995	$ (290,305)	-28.8%
Direct expenses				
Consumer rewards	$ 407,333	$ 539,823	$ (132,490)	-24.5%
Misc.	(20,306)	-	(20,306)	
	$ 387,027	$ 539,823	$ (152,796)	-28.3%

The changes in direct costs compared to changes in revenues is primarily attributable to the mix of gross margins the company earns from transacting merchants.

CIBC/TD program

This program ended during Fiscal 2019.

	Fiscal 2020	Fiscal 2019	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenue	$ -	$ 4,441,821	$ (4,441,820)	-100.0%
Direct expenses				
Consumer rewards	$ -	$ 737,280	$ (737,280)	-100.0%
Marketing and advertising	-	150,802	(150,802)	-100.0%
Marketing support by Affinity partners	-	(156,331)	156,331	-100.0%
Expense for delinquent accounts	-	280,082	(280,082)	-100.0%
	$ -	$ 1,011,833	(1,011,833)	-100.0%

Caesars program ended December 31, 2018.

Gross Profit

The decline in Fiscal 2020 gross profit primarily reflected end of CIBC/TD program in Fiscal 2019 partially offset by operation of the replacement MCA program.

A significant factor during Fiscal 2020 was the impact of Covid-19 pandemic on the revenues and the recoverability of the amounts due from merchants Discussed in section Revenues and Direct Expenses

Gross profit tabulation:

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
CIBC/TD program	$ -	$ 3,429,988	$ (3,429,988)
MCA program	868,837	640,370	228,467
Aeroplan program	331,663	469,172	(137,509)
Caesars program	-	(5,874)	5,874
	$ 1,200,500	**$ 4,533,656**	**$ (3,333,156)**
Company gross margin	46.0%	74.3%	

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.

The sales organization of the CIBC/TD program was, as required, transitioned to the MCA and Aeroplan programs and is focused as one unit on these two programs.

Caesars program was terminated by the company in December 2018.

	Fiscal 2020	Fiscal 2019	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
CIBC/TD program and MCA program	$ 1,890,852	$ 5,082,191	$ (3,191,338)	-62.8%
Aeroplan program	718,690	1,008,995	(290,305)	-28.8%
Caesars program	-	9,344	(9,344)	-100.0%
	$ 2,609,542	**$ 6,100,530**	**$ (3,490,987)**	**-57.2%**
Selling expenses				
CIBC/TD program and MCA program	$ 520,450	$ 1,272,031	$ (751,581)	-59.1%
Aeroplan program	197,817	1,582	196,235	12404.2%
Caesars program	-	55,690	(55,690)	-100.0%
	$ 718,267	**$ 1,329,303**	**$ (611,036)**	**-46.0%**
Remuneration of sales staff	$ 703,165	$ 1,235,415		
Remuneration as % of selling expenses	97.9%	92.9%		

To offset some of the financial impact of Covid-19 the company temporarily reduced its sales headcount through lay-off. In addition, since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy ("CEWS"). The CEWS received for sales and administration staff is reflected in G&A (see Section G&A).

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).

	Fiscal 2020	Fiscal 2019	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues	**$ 2,609,542**	**$ 6,100,530**	**$ (3,490,987)**	**-57.2%**
G&A				
Compensation for non-sales staff	$ 1,063,690	$ 1,385,700	$ (322,010)	
CEWS - for sales and non-sales staff	(156,492)	-	(156,492)	
Severances	-	46,998	(46,998)	
All other G&A expenses	440,298	808,587	(368,289)	
	$ 1,347,496	**$ 2,241,285**	**$ (893,789)**	**-39.9%**

Since April 1, 2020, non-sales staff are receiving 85% of their pre pandemic remuneration with assistance from CEWS.

Severances

Reflect provision for payments to ex-staff consequent to the restructuring of the organization. All severances were settled prior to June 30, 2019.

All other G&A expenses

Reduction in expenses is a reflection of the minimization of costs to cope with the change in the business model from CIBC/TD program to MCA program, a much simpler program to operate and the sharp decline in revenues due to Covid-19 pandemic, lower rent payment for head office lease (the company and its landlord availed of subsidy under the Canada Emergency Commercial Rent Assistance whereby the company paid 25% of its monthly rent for April to June 2020) and write-back of certain provisions no longer required.

Also a factor is the adoption of IFRS 16, Leases to account for the head office lease obligations. This resulted in elimination of base rent paid of $77,671 from G&A with corresponding set-up of expenses for non-cash interest on lease of $19,904 and depreciation expense on account of right of use asset of $65,336. Fiscal 2020 reflects common area expenses of $47,503 related to the head office lease compared to base rent and common area expenses totaling $153,611 for Fiscal 2019. .

Interest Expense

Tabulation:

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 807,189	$ 796,782	$ 10,407
9% debentures	512,761	500,310	12,451
	$ 1,319,950	$ 1,297,092	$ 22,858
Non-cash interest expense			
Interest - Lease	$ 19,904	$ -	$ 19,904
Accretion charge on 9% debentures	327,181	299,714	27,467
Restructuring bonus on 9% debentures	259,028	248,284	10,744
Amortization of transaction costs on 9% debentures	12,524	-	12,524
	$ 618,637	$ 547,998	$ 70,639
Total interest expense	**$ 1,938,587**	**$ 1,845,090**	**$ 93,497**

Stated interest cost, on 9% debentures and loan payable, was marginally higher by $22,858.

1. The 9% debentures interest was marginally higher on account of issuance of $200,000 9% debentures in October 2019; and

2. 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 marginal increase in loan payable interest is primarily a reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable but this was offset by the lower utilization during the April – June 2020 period where, due to Covid-19 pandemic, the company did not give any working capital advances to merchants. Consequently average loan payable balance was marginally higher during Fiscal 2020 at $6,307,996 compared to Fiscal 2019 $6,078,276.

The non-cash interest expense was higher by $70,639:

1. Accretion charges and restructuring bonus relating to 9% debentures was higher by $38,211 partially reflecting issuance of $200,000 9% debentures in October 2019;
2. Fiscal 2020 also reflects the amortization of transaction costs of $40,703 connected to issuance of $200,000 9% debentures in October 2019; and
3. The company adopted IFRS 16 Leases from July 1, 2019 and consequently there is an interest cost for the head office lease.

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 Fiscal 2020 of $43,000 respecting partial impairment of the right of use asset reflects the uncertainty around the company's ability to meet its lease payment due to going concern.

Net (Loss)

Highlights of Fiscal 2020 compared to Fiscal 2019 are tabulated:

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
Revenues	$ 2,609,542	$ 6,100,530	$ (3,490,987)
Gross profit	$ 1,200,500	$ 4,533,656	$ (3,333,156)
Earnings (loss) from operations before depreciation, amortization and interest	$ (865,263)	$ 963,068	$ (1,828,331)
Net (loss) and Comprehensive (loss)	$ (2,927,396)	$ (911,945)	$ 2,015,451
Basic and Diluted loss per share	$ (0.00)	$ (0.00)	

The detailed analysis of the above tabulated items is provided in Sections Twelve months ended June 30, 2020 - *Income Statement – Fiscal 2020 compared to Fiscal 2019*, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, Interest Expense, Non-recurring Item.

Highlights are provided here:

- The change in revenues reflects the transition from CIBC/TD program to MCA program and Covid-19 pandemic.
- Gross profit reflects the transition from CIBC/TD program to MCA program, Covid-19 pandemic and their impact on revenues and effect of Covid-19 on the collectability of amounts due from merchants.
- Selling, General and Administrative ("SG&A") expenses were $1,504,825 lower compared to Fiscal 2019. The lower SG&A expenses reflect effect of rightsizing of headcount commenced during Fiscal 2019 to adjust to termination of CIBC/TD program and start of MCA program, closure of Caesars program during Fiscal 2019, and due to Covid-19 pandemic lay-off of some staff and the remaining staff including the management, since April 1, 2020, receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy. Staff remuneration including travel expenses are the main component of SG&A (Fiscal 2020 81.1% vs. 77.6% for Fiscal 2019).
- Earnings from operations before depreciation, amortization and interest were sharply down for Fiscal 2020. Loss in Fiscal 2020. The SG&A savings offset to some extent the decline in gross profit.
- Stated interest cost, on 9% debentures and loan payable, was marginally higher by $22,858.
- The non-cash interest expense, comprising expense for 9% debentures charges for accretion, restructuring bonus and amortization of transaction costs related to $200,000 9% debentures raised in October 2019 and interest lease, was higher by $70,639.
- Depreciation and amortization expense was higher by $50,623 primarily reflecting adoption from July 1, 2019 of IFRS 16, Leases which set-up depreciation expense of $65,336 on right of use asset respecting company's head office lease.
- The non-recurring item created an additional loss of $43,000 in Fiscal 2020.
- The result is an increase in net loss for Fiscal 2020.

Working Capital and Liquidity Management

	Fiscal 2020	Fiscal 2019
	$	$
Funds available to expand the CIBC/TD program's APM product and its successor MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	$ (2,927,396)	$ (911,945)
Adjustments for non cash expenses	1,254,989	849,545
(Loss) after adjustment for non cash expenses	(1,672,407)	(62,400)
Cash balances at start of the period	119,636	635,836
Increase/(Decrease) in loan payable	(4,047,070)	3,988,686
Net proceeds from raise of $200,000 from 9% debentures	159,297	-
Proceeds from loan - Canada Emergency Business Account	40,000	-
Increase/(Decrease) in accounts receivable	(8,271)	1,692
	$ (5,408,815)	**$ 4,563,814**
Utilization of funds		
Cash balances at end of periods	$ 166,601	$ 119,636
Increase/(Decrease) in transaction credits	(5,550,082)	3,881,573
(Increase)/Decrease in accounts payable and accrued liabilities	(109,554)	588,513
Changes in all other working capital items	6,549	(27,117)
Change in other financing items	77,671	-
Capital expenditures	-	1,209
	$ (5,408,815)	**$ 4,563,814**

Working Capital Movement during Fiscal 2020 and Fiscal 2019

Adjustments for non cash expenses. A significant item for Fiscal 2020 is accrued and unpaid 9% debentures interest of $512,761 (Fiscal 2019 $271,624 for period December 16, 2018 to June 30, 2019). Another item is the charge for partial impairment of right of use asset respecting the head office lease, of $43,000 (Fiscal 2019 $nil). Charges for Accretion and Restructuring bonus respecting 9% debentures were $586,209 (Fiscal 2019 $547,998).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During Fiscal 2020 the significant item is the decrease in the transaction credits, net of provision for delinquent accounts, of $5,550,082 reflecting the impact of Covid-19 on the company's business. 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 an additional general reserve for potential delinquent transaction credits on account of Covid-19 (general reserve at June 30, 2020 of $641,090 compared to $134,293 at June 30, 2019). Consequently the total provision for delinquent transaction credits at June 30, 2020 was $994,198 (Fiscal 2019 $239,909). During Fiscal 2019 the significant item is the increase in transaction credits, net of provision for delinquent accounts, of $3,881,573 reflecting transition of merchants participating in the CIBC/TD program to the MCA program.

Financing activities. During Fiscal 2020 the primary change is the decrease of $4,047,070 in loan payable. Loan payable supports the transaction credits as it funds 90% of each dollar of working capital advance given to merchants participating in MCA program. The company also raised gross proceeds of $200,000 ($159,297 net of transaction costs) by issuing additional 9% debentures in October 2019. During Fiscal 2019 the primary change is the increase in loan payable of $3,988,686 to support the growth in transaction credits.

Investing activities. The capital expenditures during Fiscal 2020 and 2019 were nominal. The company is frugal with capital expenditures given its financial situation. In the event the company is successful in capital raise it would 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 company does not have the wherewithal to re-pay its legacy suppliers i.e. those providing services connected to CIBC/TD program and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company has payment plans in place with suppliers critical to ongoing operations. However, as of date hereof the company is in arrears with respect to its payment plan with Aeroplan (for fuller update see Impact of Covid-19 pandemic in this section).

Cash balances at the end of a year primarily reflect cash (used) by operations [(loss) after adjustment for non cash expenses – see above tabulation], the other factors are movement on transaction credits where 10% of company cash is deployed [the balance 90% coming from loan payable], and payments of accounts payable. Fiscal 2020 movement in cash also reflects net proceeds ($159, 297) from raise of 9% debentures in October 2019.

Impact of Covid-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus, Covid-19, as a global pandemic. The government in Canada ordered the closure of all non-essential businesses. Practically all of the company's customers, small independent merchants, operate in the non-essential business segments. The Covid-19 restrictions had a devastating impact on the company's Fiscal 2020 performance and its financial position.

Fiscal 2020 fourth quarter revenues at $177,600 were $564,363 (76.1%) below Fiscal 2020 third quarter revenues of $741,963. Consequently the company was left with a weak balance sheet after further working capital deterioration during the Covid-19 pandemic.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve against the amounts due from merchants in its MCA portfolio.

The two parties the company was in discussions with respecting working capital terminated the discussions citing Covid-19 issues.

The company availed federal government Covid-19 pandemic relief measures during Fiscal 2020 and continues to do so as of date hereof. To manage its costs the company had to lay-off of some staff and the remaining staff including the management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy. The company received $40,000 under the Canada Emergency Business Account. In December 2020 the company applied for and received an additional $20,000 under this subsidy. The company's landlord applied for Canada Emergency Commercial Rent Assistance program. From October 2020 the company is accessing the Canada Emergency Rent Subsidy.

The company applied for working capital loans with the Business Development Bank of Canada, under the federal government pandemic support programs, and Canadian Imperial Bank of Commerce, the company's long-standing commercial banker but was unsuccessful in both cases. The reason was the weak balance sheet.

The company could not pay the interest of $259,155 due June 15, 2020 for the period December 16, 2019 to June 15, 2020.

Accord allowed the company to defer payment of interest from March to June. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of date hereof the company has fully utilized this facility.

The company and Aeroplan had established a payment plan to enable the company to settle arrears. Primarily due to Covid-19 the company could not keep up with payments under the payment plan. The company and Aeroplan re-established the payment plan. As of date hereof the company is in arrears with respect to the payment plan as well as amounts due on current invoices of past couple of months. Advantex and Aeroplan are negotiating a revised payment plan.

Due to lack of funds to pay for its audit the company was not in a position to timely file the Fiscal 2020 annual financial statements and related financial documents.

Raise of capital after June 30, 2020

The Ontario Securities Commission ("OSC") issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the failure-to-file cease trade order issued against the company on November 1, 2019 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner.

The company applied for the Partial Revocation Order to complete a financing (the "Financing") whereby, through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("New Debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the New Debentures. The New Debentures are on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2021. The FFCTO continues to apply in all other respects.

The company previously obtained the requisite consents from the holders of the 9% debentures to complete the Financing.

As the Financing would constitute a related party transaction pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"), the company relied on the financial hardship exemption from both the formal valuation and minority approval requirements of such instrument.

The company closed the $250,000 Financing on March 16, 2021 by way of senior secured non-convertible debentures. The Financing was conducted in accordance with the terms of the partial revocation order issued by the OSC. The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

The proceeds of the Financing will be used to pay for: (i) the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; (ii) legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the Financing; (iii) operational and general administrative expenses; (iv) payment of accounts payable incurred in the ordinary course of business; and (v) partial funding of its Merchant Cash Advance business as public health restrictions are gradually eased in Canada.

Next steps

Upon bringing its disclosure record to current status the company will apply to the OSC for full revocation of the FFCTO.

Simultaneously, the company will be seeking growth capital.

The company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity to fund growth of MCA program. 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. Even with the $250,000 raise the company has very limited ability to fund the growth of MCA at 10%. The growth of MCA portfolio is essential to bring financial stability.

It is aware given the FFCTO and the financial difficulties facing the company there is no guarantee that capital will be available to the company at economic terms, if at all, once the FFCTO has been revoked or at all.

The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% debentures.

Off Balance sheet financing arrangements

The company has adopted IFRS 16, Leases from July 1, 2019 with respect to its head office.

There are leases for equipment which are primarily due within the next 12 months. The details are provided in document under Contractual obligations. Except for these leasing arrangements the company does not participate in off balance sheet financing arrangements.

Going Concern

The audited consolidated financial statements for Fiscal 2020 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 $9,167,710 and negative working capital of $9,181,593 as at June 30, 2020. The company is also in breach of its covenants on its debentures, and has not paid the interest due on its debentures since December 15, 2018 (section 9% Non Convertible Debentures Payable). There is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including meeting payroll, payments to its suppliers, payment of interest on the 9% debentures and payment of interest on the loan payable. Failure to make payments to suppliers may lead to termination of agreements with entities such as Aeroplan Inc. and the denial of services required by the company to operate. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries and since the debentures are in default, the holders of the 9% debentures have the right to demand re-payment and realize upon a part or all of the security held by them. The loan payable supports the company's merchant cash advance program, is a demand facility and if the company cannot pay interest it would be in default and the provider has the right to demand re-payment. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

The audited consolidated financial statements for Fiscal 2020 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.

Contractual Obligations

Contractual obligations as at June 30, 2020 were due as follow:

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 4,369,006	$ 4,369,006	$ -	$ -
9% debentures		5,759,000	5,759,000	-	-
Canada Emergency Business Account		40,000	40,000	-	-
Head office lease		168,287	77,671	90,616	
Operating leases		14,315	14,011	304	-
		$ 10,350,608	**$ 10,259,688**	**$ 90,920**	**$ -**

In addition, there is a contractual obligation to holders of 9% debenture for interest of $1,561,848 payable for the period December 16, 2018 to maturity on December 31, 2021. The company also has a liability of restructuring bonus for $1,036,620 to the holders of the 9% debentures payable on December 31, 2021.

The company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease. The expense related to above operating leases, and to head office lease in Fiscal 2019 is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

The company's head office lease is for a five year term ending August 31, 2022.

Loan Payable

The loan payable is a line of credit facility provided by Accord. It was established in December, 2007.

The facility 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, and was until end of Fiscal 2019 under CIBC/TD program. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

The current term ends in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

The interest rate is equivalent to the prime rate of a certain Canadian bank plus 9.05%. Accord funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%. Interest is calculated daily on the amount outstanding and charged monthly. The company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

The company had utilized $4.4 million of the facility at June 30, 2020 (at June 30, 2019 $8.4 million).

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 to June. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of date hereof the company has fully utilized this facility.

Non-payment of interest on due date if not cured within time period stipulated in the agreement would constitute an event of default and would be one, amongst certain other circumstances, where the loan payable is repayable on demand to Accord.

9% Non-Convertible Debentures Payable

In December, 2017 the company re-financed its 12% debentures as 9% Non-convertible debentures payable ("9% debentures") maturing December 31, 2021. The 9% debentures bear interest at 9% per annum payable semi-annually, and carry the right to receive restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021.

The company issued 5,559 units consisting of principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company.

The units were issued as follows:

1. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
2. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

On October 28, 2019 the company issued additional 200 units of 9% debentures for gross proceeds of $200,000. The additional 200 units of 9% debentures was a related party transaction and the purchase was on terms and conditions applicable to the other subscribers of 9% debentures. Pursuant to the financing the company also issued 21,648,800 common shares.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries.

The 9% debentures require the company to meet three financial covenants. 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% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% 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% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in default on its interest coverage financial coverage at June 30, 2019. The company was in default on all three financial covenants at September 30, 2019 and continues to be in default in subsequent quarters. In addition, the company did not pay the interest, due semi-annually, since December 16, 2018. Except for the waiver obtained on June 21, 2019 to event of default respecting non-payment of interest due June 15, 2019 for the period December 16, 2018 to June 15, 2019, the company is in default on its interest payments. Due to events of default – breaches of financial covenants and not making the interest payments - the 9% debentures have been classified as a current liability.

As compensation for the June 21, 2019 waiver of event of default the company issued 75 million common shares to the debenture holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder. The company issued the fully paid common shares on July 10, 2019. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the agreement.

As of June 30, 2020 the accrued and unpaid interest since December 16, 2018 is $784,385.

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, 2020, June 30, 2019, and June 30, 2018 ("Fiscal 2018").

(In millions of dollars except per share amounts)			
	Fiscal 2020	Fiscal 2019	Fiscal 2018
	$	$	$
Revenues	2.6	6.1	7.6
Net income/(loss) *	(2.9)	(0.9)	1.2
Profit/(Loss) per share - Basic and Diluted	-	-	-
Total assets	4.3	9.8	6.5
Current liabilities	13.5	16.0	7.3
Long-term liabilities	0.1	-	4.6
No cash dividend declared per common share			
* Fiscal 2018 net profit includes a non-recurring item, gain on debt restructuring of $1.8 million			

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

	Fiscal 2020	Fiscal 2019	Fiscal 2018
	$	$	$
Working capital	(9,181,593)	(6,282,357)	(851,175)

Composition of total assets is tabulated:

	Fiscal 2020	Fiscal 2019	Fiscal 2018
	$	$	$
Cash and cash equivalents	167,000	120,000	636,000
Accounts receivable	119,000	111,000	112,000
Transaction credits	3,924,000	9,474,000	5,592,000
Prepaid expenses and sundry assets	59,000	52,000	79,000
Right of use asset	98,000	-	-
Property, plant and equipment	-	15,000	44,000
	4,367,000	9,772,000	6,463,000

Transaction credits are the significant asset – 89.9% Fiscal 2020; 97.0% Fiscal 2019; and 86.5% Fiscal 2018.

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

Fiscal 2020. The decrease in transaction credits vs. Fiscal 2019 is an outcome of covid-19 pandemic. 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.

Fiscal 2019. The increase in transaction credits vs. Fiscal 2018 reflects transition of merchants participating in the CIBC/TD program to the MCA program. Under the MCA program the working capital advances of merchants being transitioned were refreshed to new higher credit limits.

Fiscal 2018 was flat vs. Fiscal 2017.

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

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

Please refer to the section on Results of Operations section in this document for an analysis of Fiscal 2020 and Fiscal 2019.

Fiscal 2019 compared to Fiscal 2018

The results for Fiscal 2019 and Fiscal 2018 were:

		Fiscal 2019	Fiscal 2018
Net profit/(loss) and Comprehensive profit/(loss)		$ (911,945)	$ 1,224,298
Fiscal 2018 net profit includes a non recurring item, gain on debt restructuring of $1,795,103			

Highlights of Fiscal 2019 compared to Fiscal 2018 (in millions of dollars):

Operational Highlights.

	Revenues	Gross profit	SG&A	Earnings from operations before depreciation, amortization and interest	Stated and Non cash interest	Non-recurring item	Net profit/(loss)
Fiscal 2019	6.1	4.5	3.5	1.0	1.8	-	(0.9)
Fiscal 2018	7.6	5.2	4.3	0.9	1.5	1.8	1.2

Income Statement – Fiscal 2019 compared to Fiscal 2018

Revenues

The revenues of Fiscal 2019 were $1,486,227 (19.6%) lower compared to Fiscal 2018 reflecting mainly a decline in the CIBC/TD program revenues of $1,891,033 (29.9%) offset by MCA program revenues of $640,370 (Fiscal 2018 $nil). The CIBC/TD program revenues accounted for 72.8% of Fiscal 2019 revenues (83.5% of Fiscal 2018).

➢ CIBC/TD program

Fiscal 2019 revenues are lower reflecting the termination of the program.

Fiscal 2018 reflected a gradual re-build of the sales organization and merchant participation post completion of restructuring in December 2017. Merchant count at June 30, 2017 was 640 and at December 31, 2017 it was 594. Post restructuring the company had begun to stabilize merchant participation (583 at June 30, 2018).

➢ MCA program

The revenue was earned from merchants transitioned from primarily the CIBC/TD APM product as of June 30, 2019.

➢ Aeroplan program

	Fiscal 2019	Fiscal 2018	Inc./(Dec)
Revenues			
Re-seller	$ 905,190	$ 1,029,183	$ (123,993)
Processing	103,805	179,073	(75,268)
	$ 1,008,995	**$ 1,208,256**	**$ (199,261)**

Decline in Fiscal 2019 re-seller revenues are reflective of change in merchant participation and the engagement of participating merchants in the program. The company re-organized the sales and account management towards end of calendar 2019 to drive sales and merchant engagement in the program.

The company processes issuance of aeroplan miles for an Aeroplan customer. This is the source of processing revenue. Aeroplan's contract with the customer ended May 2019 which ended this revenue stream.

Direct expenses

The gross profit of Fiscal 2019 was $678,131 (13.0%) lower compared to Fiscal 2018 reflecting mainly decline in the CIBC/TD gross profit of $1,204,929 (26.0 %) offset by the MCA program gross profit of $640, 370 (Fiscal 2018 $nil). The CIBC/TD program gross profit accounted for 75.7%% of Fiscal 2019 gross profit (88.9% of Fiscal 2018). The decline in CIBC/TD program gross profit reflects primarily decline in revenues partially offset by lower marketing costs related to the program. The company's Fiscal 2019 gross margin was 74.3% (Fiscal 2018 68.7%) reflecting lower marketing costs on account of end of CIBC/TD program, write-back of provisions no longer required, and there being no direct costs related to MCA program.

➢ CIBC/TD program

The consumer rewards declined by $355,300, a 32.5% decline and in line with revenues.

Expense for delinquent accounts increased a marginal $10,248, a 3.8% increase partially reflecting inclusion for Fiscal 2019, in compliance with IFRS, of an estimate of expected loss for unimpaired transaction based on historical loss rates. Expense for delinquent accounts was 6.3% of revenues (Fiscal 2018 4.3% of revenues). Fiscal 2019 experience was marginally higher compared to the 4-5% range expectations reported in Q3 in May 2019.

Marketing and advertising declined $271,350, decline of 64.3%, steeper than decline in revenues and reflective of termination of the program.

Write-back of $156,331 in Fiscal 2019 of provisions no longer required further reduced the direct costs.

➢ Aeroplan program

There are no direct costs related to processing revenue.

The consumer rewards declined $98,723, a 15.5% decline, in line with decline of 12.0% in re-seller revenues.

Gross profit

The gross profit of Fiscal 2019 was $678,131 (13.0%) lower compared to Fiscal 2018 reflecting mainly decline in the CIBC/TD gross profit of $1,204,929 (26.0 %) offset by the MCA program gross profit of $640, 370

(Fiscal 2018 $nil). The CIBC/TD program gross profit accounted for 75.7% of Fiscal 2019 gross profit (88.9% of Fiscal 2018).

The company's Fiscal 2019 gross margin was 74.3% (Fiscal 2018 68.7%) reflecting lower marketing costs on account of end of CIBC/TD program, write-back of provisions no longer required, and no direct costs related to MCA program.

Selling and Marketing expenses

- Fiscal 2019. The selling expenses moved in line with revenues. The company balanced cost control and the headcount/sales organization required to transition the business to MCA.

- Fiscal 2018. The company was focused on re-building its sales organization during Fiscal 2018. Fiscal 2018 cost of the sales organization also reflects a company-wide salary reduction of between 10% and 20% implemented from mid-August 2017 and its partial reinstatement during the January – March 2018 quarter.

General and Administration ("SG&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).

	Fiscal 2019	Fiscal 2018	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues				**-19.6%**
G&A				
Compensation for non-sales staff	$ 1,385,700	$ 1,444,294	$ (58,594)	
Severances	46,998	138,419	(91,421)	
Write-back of Directors fees	-	(105,566)	105,566	
Refund from CRA	-	(91,186)	91,186	
All other G&A expenses	808,587	1,026,525	(217,938)	
	$ 2,241,285	**$ 2,412,486**	**$ (171,201)**	**-7.1%**

<u>*Compensation*</u>

1. Fiscal 2019 reflects the roll back in August 2018 of the company-wide salary reduction of between 10% and 20% implemented from mid-August 2017.
2. Fiscal 2018 reflects company-wide salary reduction of between 10% and 20% implemented mid-August 2017 and its partial roll-back from January 2018 onward.

<u>*Severances*</u>

Reflect provision for payments to ex-staff consequent to the restructuring of the organization. All severances were settled prior to June 30, 2019.

<u>*Write-back of Directors Fees*</u>

As part of the restructuring in December 2017 the directors agreed to forego a portion of their fees which were in arrears and take the balance over an extended period. The forgiven portion of fees is reflected in above tabulation.

Refund from CRA

Fiscal 2018 reflects a refund of $102,028 (including interest of $10,846 which is reflected in Misc. revenue) by CRA. In December 2003 the company completed a tax assisted financing transaction with a promoter of the transaction whereby it raised funds from the sale of its tax losses. Subsequent to the transaction the CRA and tax payers participating in the promoter's structure were in dispute and while the company was not a party to the dispute its share of tax losses solely consequent to the transaction were disallowed and this resulted in nominal annual tax liability which the company settled. Upon resolution of the dispute the previously disallowed tax losses were partially allowed and this resulted in the refund.

All other expenses

Fiscal 2019 and Fiscal 2018 reflect focus on cost management.

Interest cost

Interest expense on loan payable reflects 1. utilization of funds under this line of credit facility, and 2. facility interest rate and the prime rate of Bank of Nova Scotia ("prime rate") which together determine the loan payable interest rate (see section Loan Payable in this document). Average month end utilization of loan payable was higher during Fiscal 2019 ($6,078,000) compared to Fiscal 2018 ($4,084,000). Effective January 1, 2018 the facility interest rate was reduced to 9.05% from 11.5%. The increase in prime rate in August 2017, October 2017 and January 2018 resulted in increasing the loan payable interest rate. The impact of the foregoing factors are reflected in the loan payable interest cost – see below the tabulation.

On December 22, 2017 the company announced it re-financed the 12% debentures with the approval of existing holders of the 12% debentures. The 12% debentures were re-financed as units comprising 9% debentures and common shares of the company. There was $400,000 of new investment in the 9% debentures. The terms of the refinancing are set out in Section 9% Non-Convertible Debentures Payable.

Unless noted otherwise the above is reflected in the tabulation of interest expense:

	Fiscal 2019	Fiscal 2018	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 796,782	$ 619,256	$ 177,526
12% debentures	-	295,123	(295,123)
9% debentures	500,310	261,806	238,504
9% debentures charges	-	7,000	(7,000)
	$ 1,297,092	$ 1,183,185	$ 113,907
Non-cash interest expense			
Restructuring bonus - 9% debentures	$ 248,284	$ 129,924	$ 118,360
Accretion charge on 9% debentures	$ 299,714	$ 142,638	$ 157,076
	$ 547,998	$ 272,562	$ 275,436
Total interest expense	**$ 1,845,090**	**$ 1,455,747**	**$ 389,343**

The company deployed the funds available to it under loan payable and 9% debentures with merchants activated under its CIBC/TD program's APM product and MCA program. The funds deployed are reflected as transaction credits on the consolidated statement of financial position. The funds available under the 9% debentures were also used for general working capital purposes.

Non-recurring Item

Fiscal 2018. A gain on debt restructuring of $1,795,103 has been recognized on the refinancing of 12% debentures as 9% debentures and new money invested in 9% debentures. This consists of the book value of the 12% debentures of $5,864,299, including accrued interest and penalties, plus the cash proceeds of $400,000 new money invested in 9% debentures less the fair value of the 9% debentures of $4,275,389 and financing costs of $193,807.

Net Profit/(Loss)

The above factors are reflected in a loss of $911,945 for Fiscal 2019 compared to a profit of $1,224,298 for Fiscal 2018.

Cash and Working capital movement during Fiscal 2019

	Cash	Working capital
	$	$
As at July 1, 2018	**$ 635,836**	**$ (851,175)**
Movement during the year		
Loss before non-cash expenses *	(62,400)	-
Change in non-cash working capital items	(4,441,277)	4,441,277
Financing activities - loan payable	3,988,686	(3,988,686)
9% debentures from Long-term to Current	-	(5,367,573)
Investing activities	(1,209)	-
Change in cash balance	-	(516,200)
	$ (516,200)	$ (5,431,182)
As at June 30, 2019	**$ 119,636**	**$ (6,282,357)**

* Loss before non-cash expenses is a non-GAAP financial measure which does not have any standardized meaning prescribed by the issuer's GAAP and is unlikely to be comparable to similar measures presented by other issuers. It is provided as additional information to assist readers in understanding a component of the company's financial performance; as it is the company's assessment of the cash generated from its operating activities prior to changes in working capital items. Loss before non-cash expenses during Fiscal 2019 is arrived after adding back expenses not affecting cash - depreciation of property, plant and equipment, and amortization of intangible assets; accretion charge for debentures; restructuring bonus for debentures; and accrued and unpaid 9% debentures interest to net loss for the year, which is disclosed in the audited consolidated financial statements for year ended June 30, 2020 and June 30, 2019 under the section consolidated statements of cash flow.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
Fiscal 2020						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	
		Amended	Amended	Amended		
		$	$	$	$	$
Revenues		0.8	0.9	0.7	0.2	2.6
% of annual revenues		30.8%	34.6%	26.9%	7.7%	100.0%
Net (loss)		(0.5)	(0.5)	(1.0)	(0.9)	(2.9)
(Loss) per share - Basic and Diluted		-	-	-	-	-
Fiscal 2019						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	
		$	$	$	$	$
Revenues		1.8	1.8	1.4	1.1	6.1
% of annual revenues		29.5%	29.5%	23.0%	18.0%	100.0%
Net (loss)		-	-	(0.4)	(0.5)	(0.9)
(Loss) per share - Basic and Diluted		-	-	-	-	-

The fluctuations primarily reflect the drivers described under section Revenue in this document. Seasonality to consumer behavior was an additional factor respecting CIBC/TD program operated until end of Fiscal 2019. The fluctuations in the company's quarterly results reflect revenues and the costs to earn the revenues.

Amendments to Amounts Reported in Interim Financial Statements of Fiscal 2020

The audited consolidated financial statements for year ended June 30, 2020 reflect accounting treatment for implementation of IFRS 16 Leases with respect to the company's head office lease, and for $200,000 9% debentures issued by the company in October 2019. This accounting treatment is an amendment to that adopted by the company in its interim financial statements of Fiscal 2020.

The tabulation below sets out the reconciliation between the amounts reported by the company and the amounts that would be reported if the company had adopted the year ended June 30, 2020 accounting treatment for its interim financial statements.

	3 months ended September 30, 2020	3 months ended December 31, 2020	3 months ended March 31, 2020	9 months ended March 31, 2020
	$	$	$	$
Consolidated Statements of Loss				
Reported net loss	**$ 532,406**	**$ 522,327**	**$ 1,030,907**	**$ 2,085,639**
Adjustments to reported amounts				
1. Adoption of IFRS 16 - Leases. Revision at year ended June 30, 2020 to initially computed right of use asset and lease liability at July 1, 2019				
Payment for lease	$ 19,510	$ 19,510	$ 19,512	$ 58,532
Interest - Lease	(5,488)	(5,488)	(5,488)	(16,464)
Depreciation of right of use asset	(12,441)	(12,441)	(12,443)	(37,325)
	$ 1,581	$ 1,581	$ 1,581	$ 4,743
2. Issuance of $200,000 9% debentures				
Reverse gain on issuance of 9% debentures	$ -	$ 5,479	$ -	$ 5,479
Accretion charge	-	(726)	(2,202)	(2,928)
Amortization of transaction costs	-	3,131	4,697	7,828
	$ -	$ 7,884	$ 2,495	$ 10,379
Increase to reported net loss	$ 1,581	$ 9,465	$ 4,076	$ 15,122
Revised net loss	**$ 533,987**	**$ 531,792**	**$ 1,034,983**	**$ 2,100,761**
Statement of Financial Position				
Reported total assets	**$ 8,577,458**	**$ 7,324,793**	**$ 5,384,877**	
Reduction to right of use asset	(125,956)	(113,515)	(101,073)	
Revised total assets	**$ 8,451,502**	**$ 7,211,278**	**$ 5,283,804**	
Reported total liabilities	**15,412,185**	**14,681,846**	**13,772,836**	
Reduction to lease liability	(159,593)	(145,571)	(131,548)	
Decrease in 9% debentures	-	(18,904)	(16,409)	
Revised total liabilities	**$ 15,252,592**	**$ 14,517,371**	**$ 13,624,879**	
Reported shareholders deficit	**$ 6,834,726**	**$ 7,357,053**	**$ 8,387,959**	
Reversal of adjustment on adoption of IFRS 16 Leases	(35,218)	(35,218)	(35,218)	
Increase in contributed surplus on account of 9% debentures	-	(26,788)	(26,788)	
Increase to cumulative reported loss	1,581	11,046	15,122	
Revised shareholders deficit	**$ 6,801,089**	**$ 7,306,093**	**$ 8,341,075**	

Furthermore, in the interim financial statements for three and nine months ended March 31, 2020 the company disclosed the accrued and unpaid interest on 9% debentures as part of the 9% non-convertible debentures payable on the Consolidated Statements of Financial Condition. To bring comparability it re-stated the amounts at June 30, 2019 on Consolidated Statements of Financial Condition. Due to a clerical error:

1. On the Consolidated Statements of Financial Condition the June 30, 2019 9% non-convertible debentures payable amount of $5,367, 573 was overstated by $255,022 and reported as $5,622,595 while

the accounts payable and accrued liabilities amount of $2,255,505 was understated by $255,022 and reported as $2,000,183; and

2. Tabulation of movement on 9% debentures in note 7 too was incorrect. The correct tabulation is provided hereunder:

Balance at June 30, 2019	**$ 5,095,949**	**$ 271,624**	**$ 5,367,573**
Fair value of $200,000 9% debentures on issuance in October 2019	$ 153,819	$ -	$ 153,819
Restructuring bonus - due 2021 - charge for the period	$ 192,827	$ -	$ 192,827
Accretion charge for the period	$ 245,026	$ -	$ 245,026
Interest for the period	$ -	$ 383,891	$ 383,891
Balance at March 31, 2020	**$ 5,687,621**	**$ 655,515**	**$ 6,343,136**
The accrued and unpaid interest at March 31, 2020 is for the period December 16, 2018 to March 31, 2020			

Fourth Quarter of Fiscal 2020 (Q4 F2020) vs. Fourth Quarter of Fiscal 2019 (Q4 F2019)

Overview

Q4 F2020 and Q4 F2019 are two very different periods.

Q4 F2020 reflects the company operating its MCA and Aeroplan programs compared to Q4 F2019 where the company was winding down the CIBC/TD program (CIBC component ended March 31, 2019 and TD ended June 15, 2019), ramping up its replacement MCA program. Aeroplan program operated in both periods.

In addition to the foregoing Q4 Fiscal 2020 was subject to the defining moment of Covid-19 pandemic, its impact on revenues and collectability of amounts due from merchants, the defensive measures taken by the company on cost control and accessing government subsidies. Impact of Covid-19 is discussed in Section Overall Performance.

Tabulation of financial performance - Q4 F2020 vs. Q4 F2019

F2020						
	CIBC/TD program	MCA program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$	$
Revenues	-	92,416	85,184	-	-	177,600
Direct expenses	-	250,149	57,979	-	-	308,128
Gross profit	-	(157,733)	27,205	-	-	(130,528)
Gross margin	0.0%	-170.7%	31.9%	0.0%		-73.5%
Selling & marketing				-	-	135,721
General & administrative						79,558
Loss from operations before depreciation, amortization and interest						(345,807)
Stated interest						260,537
Interest - Lease						4,976
Accretion charges, restructuring bonus, amortization of transaction costs						155,980
Depreciation and amortization including right of use asset						16,335
Impairment of right of use asset					43,000	43,000
Net loss						(826,635)

F2019						
	CIBC/TD program	MCA program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$	$
Revenues	264,519	441,355	347,985	32	-	1,053,891
Direct expenses	139,208	-	212,344	53	-	351,605
Gross profit	125,311	441,355	135,641	(21)	-	702,286
Gross margin	47.4%	0.0%	39.0%	-65.6%		66.6%
Selling & marketing					-	153,683
General & administrative						510,711
Earnings from operations before depreciation, amortization and interest						37,892
Stated interest						404,577
						(366,685)
Accretion charges and restructuring bonus						138,683
Depreciation and amortization						10,127
Net loss						(515,495)

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 4 to the audited consolidated financial statements for year ended June 30, 2020.

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 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, renewal of its agreement with Aeroplan ending April 2021, market for its programs and its ability to expand its existing MCA and Aeroplan programs upon access to additional working capital, continued access to existing sources of debt, obtaining waivers and debt amendments, ability to reach and fulfil settlement accommodation with suppliers, the estimated impact of Covid-19 to its business.

The company's audited consolidated financial statements for year ended June 30, 2020 carry a going concern note (Note 2). 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% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

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

Under the CIBC/TD program's APM product the company acquired the rights to cash flow from future designated credit card transactions at a discount from participating merchants ("transaction credits" on consolidated statement of financial position). This program ended at the end of Fiscal 2019.
Under the MCA program the company acquires the rights to cash flow from future receivables 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, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days.

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

The Covid-19 pandemic restrictions have impacted economic activity and this will affect the collectability of the transaction credits. As of date hereof the federal and provincial governments are easing the restrictions in phases. However, there is considerable uncertainty related to the vaccination roll-out, re-opening, the pace and extent of economic recovery 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, 2020	June 30, 2019
	$	$
Transaction credits	$ 4,918,115	$ 9,713,908
Accounts receivable	123,286	115,550
Allowance	(998,583)	(244,829)
Per Consolidated Statement of Financial Position	**$ 4,042,818**	**$ 9,584,629**
Maximum exposure to credit risk	**$ 4,042,818**	**$ 9,584,629**

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

	June 30, 2020 $	June 30, 2019 $
Impaired transaction credits	$ 353,108	$ 111,463
Allowance	(353,108)	(105,616)
Impaired transaction credits not allowed for	**$ -**	**$ 5,847**
The company carries a general allowance towards transaction credits. This provision at June 30, 2020 includes a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 641,090	$ 134,293

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable; the stock option price is to be fixed by the Board of Directors but may not be less than the regulations of the stock exchange on which the company's common shares are listed; the term of the stock options may not exceed five years, and payment for the optioned shares is required to be made in full on the exercise of the stock options. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediate to four years.

The number of employee stock options issuable per the Company's stock option plan is 16,688,546.

No stock options are outstanding at the start and end of Fiscal 2020 and Fiscal 2019.

There was no stock based compensation expense during Fiscal 2020 and 2019.

Restricted Share Unit Plan

The company has a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The 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.

The company has not granted any RSUs under the RSU plan as at June 30, 2020.

Outstanding Share Data

Issued and outstanding common shares

	Number of shares
Balance at June 30, 2018 and 2019	782,299,614
Issued July 2019	75,000,000
Issued October 2019	21,648,800
Balance at June 30, 2020	878,948,414

As compensation for the June 21, 2019 waiver of event of default by the holders of 9% debentures (see Section 9% Non-Convertible Debentures Payable) the company issued 75 million common shares to the debenture holders. The company issued the fully paid common shares on July 10, 2019.

Pursuant to the financing of 200 units of 9% debentures on October 28, 2019 – see Section 9% Non-Convertible Debentures Payable - the company issued fully paid 21,648,800 common shares.

Potentially Dilutive Securities

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

Related party transactions

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

	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2019
	$		$	
	9% debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 500,000	95,523,818	$ 500,000	88,778,000
Director - W.Polley - Chairman of the Board of Directors (a)	-	-	50,000	5,846,450
Director - M. Lavine	500,000	73,514,818	500,000	66,769,000
Chief Financial Officer - M.Sabharwal	115,000	27,498,576	115,000	25,947,038
R. Abramson, GIACP, GPMCA (b)	2,669,120	321,629,458	2,613,120	281,549,370
Herbert Abramson (c)	106,000	11,560,814	6,000	655,464
	$ 3,890,120	529,727,484	$ 3,784,120	469,545,322
Total issued and outstanding 9% debentures and common shares	$ 5,759,000	878,948,414	$ 5,559,000	782,299,614
% held by parties in tabulation	67.5%	60.3%	68.1%	60.0%

(a) W. Polley resigned as a director effective December 31, 2019

(b) 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 following securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms

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

Economic Dependence

The company's has two business units. MCA program and Aeroplan program.

While both programs are dependent on the continuity of the support of the 9% debentures which is the source of general working capital, the MCA program is dependent on the support of Accord which provides the loan payable enabling the company to use it to fund 90% of each $ of merchant cash advance. The Aeroplan program is dependent on agreement with Aeroplan. The term of the agreement was due to expire April 30, 2019, was extended to April 30, 2020 and thereafter was extended to April 30, 2021; the two parties continue to work while discussing future terms and direction.

The company was in default on its 9% debentures financial covenants and on interest payments. These defaults are described in Section 9% Non-Convertible Debentures Payable. The company does not have the ability to cure the defaults. The 9% 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% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% 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% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

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 to June. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098.Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of date hereof the company has fully utilized this facility. Non-payment of interest on due dates if not cured within time period stipulated in the agreement, would constitute an event of default and would be one, amongst certain other circumstances, where the loan payable is repayable on demand to Accord.

The Aeroplan agreement can be terminated by Air- Canada – owner of the Aeroplan Loyalty Program under certain conditions, including the company being in default on payments and not being able to cure default within stipulated timeline during its term. The company and Aeroplan had established a payment plan to enable the company to settle arrears. Primarily due to Covid-19 the company could not keep up with payments under the payment plan. The company and Aeroplan re-established the payment plan. As of date hereof the company is in arrears with respect to the payment plan as well as amounts due on current invoices of past couple of months. Advantex and Aeroplan are negotiating a revised payment plan.

Covid-19 pandemic has created additional uncertainty to the company's business continuity and this could affect its relationships with Accord, holders of 9% debentures and Aeroplan.

The company's audited consolidated financial statements for Fiscal 2020 carry a going concern note (Note 2). The note is also carried in the Working Capital and Liquidity Management Section in this document. The company also carried a going concern note for Fiscal 2019.

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% debentures (see sections Loan Payable and 9% Non-Convertible Debentures Payable in this document). Both the partnerships are set-up for maturity/expiry in December 2021. The risks connected to the continuity of the two sources of debt are explained in Section Economic Dependence.

Covid-19 pandemic has created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration of the crisis and its adverse effect on the economy in general and the company's merchants' in particular. This will 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% debentures, Aeroplan; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. As of date hereof the company has applied for and received relief under some government programs, and continues to explore its eligibility under various other government programs but no assurance can be given on successful outcomes.

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 the growth of MCA at 10%. The 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% debenture holders. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. Since the company is in default on financial covenants and on interest payments the 9% debentures holders have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% 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% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. Consequently, general market conditions or the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet, and it being under a FFCTO and there being no assurance that the FFTCO may be revoked, 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.

Given its current financial position of the company there is uncertainty connected to continuity of loan payable provided by Accord. Non-payment of interest on due date, if not cured within time period stipulated in the agreement, would constitute an event of default and would be one, amongst certain other circumstances, where the loan payable is repayable on demand to Accord.

If the company is not successful in raising additional debt financing and or equity, its ability to 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. Any debt structure would need to recognize the general security interest over the company's assets held by the 9% debentures holders.

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 receivables 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, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days. 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 merchant and the company's historical experience on recoveries. Covid-19 has created a deterioration in the MCA space and has adversely impacted the financial position of the company. Both factors are likely to adversely reflect on the company's credit environment and 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% 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% debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05%, on loan payable. 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, 2020, the company incurred interest expense of $807,189 on utilization of loan payable. Had the interest rate, for the year ended June 30, 2020, been 10% higher the interest expense on loan payable would have been $887,908, an increase of $80,719.

The company believes the MCA business is a growth industry because institutional lenders are not available to 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 on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and in turn its revenue and costs.

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 dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement is due to end April 30, 2021. The Aeroplan agreement can be terminated by Air- Canada – owner of the Aeroplan Loyalty - under certain conditions, including the company being in default on payments, during its term. As explained in Section Economic Dependence in this document as of date hereof the company is in arrears with respect to its payment plan as well as amounts due on current invoices of past couple of months. Advantex and Aeroplan are negotiating a revised payment plan.

The Aeroplan program the company operates as a re-seller for Aeroplan 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 current Covid-19 concerns 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 currencies used in these programs 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.

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. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making the company, with its established merchant coalition and proven loyalty systems, a reputable outsourced partner in the Canadian marketplace. 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 grow its MCA program upon availability of capital and in a competitive environment; belief it can secure a full revocation of the cease trade order; ability to raise growth capital; expectation of growth capital

required and the timing of its raise; belief that upon availability of capital it can secure support of its partners, expectation of financial stability and growth from expansion of MCA program; expectation of timing of financial stability and growth phase; expectation of securing a revised payment plan and 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 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% debentures; renewal of its agreement with Aeroplan and 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 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.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

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, 2020, and June 30, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2020.

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 4 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 E. 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, 2020 and 2019, 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, 2020 and 2019, 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 2 in the financial statements, which indicates that the Group has current liabilities in excess of current assets of $9,181,593 as at June 30, 2020 and, had an accumulated deficit of $37,768,052. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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.

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

March 31, 2021

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

	Note	June 30, 2020	June 30, 2019
		$	$
Assets			
Current assets			
Cash		$ 166,601	$ 119,636
Accounts receivable	11 a	118,901	110,630
Transaction credits	11 a	3,923,917	9,473,999
Prepaid expenses and sundry assets		58,781	52,232
		$ 4,268,200	**$ 9,756,497**
Non-current assets			
Right of use asset	18	$ 98,562	$ -
Property, plant and equipment	5	-	15,255
		$ 98,562	**$ 15,255**
Total assets		**$ 4,366,762**	**$ 9,771,752**
Liabilities			
Current liabilities			
Loan payable	6	$ 4,369,006	$ 8,416,076
Lease liability	18	64,452	-
Loan	19	40,000	-
Accounts payable and accrued liabilities		2,364,759	2,255,205
9% Non convertible debentures payable	7	6,611,576	5,367,573
		$ 13,449,793	**$ 16,038,854**
Non-current liabilities			
Lease liability	18	$ 84,679	$ -
		$ 84,679	**$ -**
Total liabilities		**$ 13,534,472**	**$ 16,038,854**
Shareholders' deficiency			
Share capital	8	$ 24,530,555	$ 24,530,555
Contributed surplus		4,117,170	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(37,768,052)	(34,840,656)
Total deficiency		**$ (9,167,710)**	**$ (6,267,102)**
Total liabilities and deficiency		**$ 4,366,762**	**$ 9,771,752**

Going concern (note 2), Commitments and contingencies (note 13)

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, 2020 and 2019
(expressed in Canadian dollars)

	Note	2020	2019
		$	$
Revenues	17		
Marketing activities		$ 718,690	$ 4,710,413
Interest income		1,890,852	1,390,117
		2,609,542	**$ 6,100,530**
Direct expenses	16/17	1,409,042	1,566,874
		1,200,500	4,533,656
Operating expenses			
Selling and marketing	16/17	718,267	1,329,303
General and administrative	16/17	1,347,496	2,241,285
Earnings/(loss) from operations before depreciation, amortization and interest		**(865,263)**	**963,068**
Stated interest expense - loan payable, and debentures	6/7	1,319,950	1,297,092
Interest - Lease	18	19,904	-
Non-cash interest expense (accretion charges), restructuring bonus and amortization of transaction costs related to non-convertible debentures payable	7	598,733	547,998
Depreciation of right of use asset	18	65,336	-
Depreciation of property, plant and equipment	5	15,210	29,923
Impairment of right of use asset	4/18	43,000	-
Net (loss) and comprehensive (loss)		**$ (2,927,396)**	**$ (911,945)**
(Loss) per share			
Basic and Diluted	15	**$ -**	**$ -**

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, 2020 and June 30, 2019
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2018	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,928,711)**	**$ (5,355,157)**
Net (loss) and comprehensive (loss)	-	-	-	-	(911,945)	(911,945)
Balance - June 30, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (34,840,656)**	**$ (6,267,102)**

Balance - July 1, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (34,840,656)**	**$ (6,267,102)**
Issuance of non-convertible debentures payable (note 7)	-	-	26,788	-	-	26,788
Net (loss) and comprehensive (loss)	-	-	-	-	(2,927,396)	(2,927,396)
Balance - June 30, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (37,768,052)**	**$ (9,167,710)**

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, 2020 and 2019
(expressed in Canadian dollars)

`	Note	June 30, 2020	June 30, 2019
		$	$
Operational activities			
Net (loss) for the year		$ (2,927,396)	$ (911,945)
Adjustments for:			
Accrued and unpaid 9% debentures interest	7	512,761	271,624
Interest - Lease	18	19,904	-
Depreciation of right of use asset	18	65,336	-
Depreciation of property, plant and equipment	5	15,210	29,923
Impairment of right of use asset	4/18	43,000	-
Loss on disposal of property, plant & equipment		45	-
Accretion charge - non-convertible debentures payable	7	327,181	299,714
Restructuring bonus - non-convertible debentures payable	7	259,028	248,284
Amortization of transaction costs - non-convertible debentures payable	7	12,524	-
		(1,672,407)	(62,400)
Changes in items of working capital			
Accounts receivable		(8,271)	1,692
Transaction credits		5,550,082	(3,881,573)
Prepaid expenses and sundry assets		(6,549)	27,117
Accounts payable and accrued liabilities		109,554	(588,513)
		5,644,816	(4,441,277)
Net cash generated (used) - operating activities		**$ 3,972,409**	**$ (4,503,677)**
Investing activities			
Purchase of property, plant and equipment, and intangible assets		$ -	(1,209)
Net cash (used) - investing activities		**$ -**	**$ (1,209)**
Financing activities			
Gross proceeds - non-convertibles debentures payable	7	$ 200,000	$ -
Transaction costs - non-convertible debentures payable	7	(40,703)	-
Payment for lease		(77,671)	-
Proceeds from loan - Canada Emergency Business Account	19	40,000	-
Increase/(Decrease) of loan payable	6	(4,047,070)	3,988,686
Net cash (used) generated - financing activities		**$ (3,925,444)**	**$ 3,988,686**
Increase/(Decrease) in cash during the year		**$ 46,965**	**$ (516,200)**
Cash at beginning of the year		119,636	635,836
Cash at end of the year		**$ 166,601**	**$ 119,636**
Additional information			
Interest paid		$ 807,189	$ 1,046,810
Cash		$ 166,601	$ 119,636

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 year ended June 30, 2020 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 receivables.

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 have acquired aeroplan points from the company. The original five year term of the agreement ended April 30, 2019, was extended to April 2020 and since then has been extended to April 30, 2021; the two parties continue to work while discussing future terms and direction. The agreement can be terminated by AC under certain conditions during its term.

During year ended June 30, 2019 the company operated its CIBC/TD program in partnership with Canadian Imperial Bank of Canada ("CIBC") and Toronto Dominion Bank ("TD"). The CIBC/TD program was the company's core business until the end of the company's partnership with CIBC on March 31, 2019 and TD on June 15, 2019. The company developed and managed loyalty programs for CIBC and TD through which their customers earned frequent flyer miles or points on purchases at participating merchants. Under the program the company provided participating merchants with marketing and customer incentives. At its sole discretion, the company pre-purchased merchants' future sales through its Advance Purchase Marketing (APM) product.

The company's segment reporting is provided in note 17.

Advantex is incorporated and domiciled in Canada, and the address of its registered office is Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

2 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 $9,167,710 and negative working capital of $9,181,593 as at June 30, 2020. The company is also in breach of its covenants on its debentures, and has not paid the interest due on its debentures since December 15, 2018 (note 7). There is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including meeting payroll, payments to its suppliers, payment of interest on the 9% debentures and payment of interest on the loan payable. Failure to make payments to suppliers may lead to termination of agreements with entities such as Aeroplan Inc. and the denial of services required by the company to operate. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries and since the debentures are in default, the holders of the 9% debentures have the right to demand re-payment and realize upon a part or all of the security held by them. The loan payable supports the company's merchant cash advance program, is a demand facility and if the company cannot pay interest it would be in default and the provider has the right to demand re-payment. 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.

3 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's board of directors on March 31, 2021.

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 estimation uncertainties
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 11 a.

9% Non-convertible debentures payable ("9% 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 and $200,000 9% debentures issued in fiscal 2020. Estimates applied by management in the determination of fair value were reflective of the company's overall cost of equity capital.

4 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 17.

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 loss for year ended June 30, 2020 is $506 (June 30, 2019 loss of $2,347).

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' 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 the current year, 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. This 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. 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 and 9% debentures and lease liability.

The loan payable and 9% 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 product the company purchases at a discount the rights to receive future cash flows associated with future receivables from participating establishments. The company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

While it operated the CIBC/TD program the company purchased at a discount the rights to receive future cash flows associated with designated credit card purchases from participating establishments.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

Computer equipment	30% using declining balance method
Furniture and equipment	20% using declining balance method

Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statement of income (loss).

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 7 were issued as units which included debt and common shares. 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 receivables. 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.

CIBC/TD program *(program ended during year ended June 30, 2019)*

Revenue was 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 provides marketing services to participating establishments and provides awards to designated customers who make purchases at participating establishments.

There are two types of products provided to participating merchants:

(i) Under its APM product the company provides marketing and loyalty services, and also provides working capital through the pre-purchase of merchants' future designated credit card sales. With this product the company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments.

(ii) Under its Marketing Only product, the company provides marketing and loyalty services to participating establishments.

Step 3: Identifying the transaction price

Both the APM and Marketing Only contracts state the fee that the merchant will pay to the company. The fee is a percentage of purchases at merchants paid by the merchant's customers using their CIBC and TD aeroplan credit cards.

Step 4: Allocating the transaction price to performance obligations

The Marketing Only product provides a single product, loyalty marketing for a single fee rate.

APM product provides two products, loyalty marketing and working capital for a single fee rate. The company uses directly observable data to estimate allocation of transaction price to performance obligations. Pursuant to IFRS 9 the revenue related to working capital is treated as interest income.

Step 5: Recognizing revenue upon satisfaction of performance obligations

Per the contract terms the company earns its revenue in the form of fee as and when customers complete purchases at participating merchants using their CIBC and TD aeroplan credit cards.

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 8 to these consolidated financial statements.

Stock option plan
The company has a stock option plan which is described in note 9 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 9 b.

Earnings 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, warrants and similar instruments is computed using the treasury stock method. As at June 30, 2020 and 2019 the company did not have any outstanding stock options or restricted share grants.

Leases
The company has adopted IFRS 16 from its accounting period beginning July 1, 2019.

The adoption in these consolidated financial statements is with respect to the company's head office lease, an operating lease. In August 2017 the company renewed its lease for the company's head office for a five year term ending August 31, 2022.

IFRS 16 introduces a single accounting model requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset is of low value. A lessee is required to recognize a right of use asset, which represents it right to use that underlying asset and a lease liability which represents the obligation to make lease payments.

For these consolidated financial statements the company has adopted the modified retrospective approach with the initial application of July 1, 2019 with respect to its head office lease. Under this method comparative information for and from the prior year will not be restated. Additional disclosure includes a reconciliation between the lease liability at June 30, 2019 and the lease liability at July 1, 2019 per IFRS 16.

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 (note 13).

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.

The following table reconciles the lease liability at June 30, 2019 and the lease liability at July 1, 2019 per IFRS 16.

Head office lease liability – Fixed Base Rent – Undiscounted lease liability at June 30, 2019	$245,958
Discounting effect	$(39,060)
Head office lease liability at July 1, 2019	$206,898

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

In prior year any leases entered into by the company as lessee that transferred substantially all the benefits and risks of ownership to the company were recorded as finance leases and included in property plant and equipment and obligations under finance leases. Obligations under finance leases were reduced by lease payments net of imputed costs. All other leases were classified as operating leases under which lease payments were expensed on a straight line basis over the term of the lease. Lease incentives were recognized as an integral part of the total lease cost, over the term of the lease

5 Property, plant and equipment

	Computer equipment	Furniture and equipment	Total
	$	$	$
Year ended June 30, 2019			
Opening net book value	$ 20,649	$ 23,320	$ 43,969
Additions during the year	2,809	-	2,809
Disposal	-	(1,600)	(1,600)
Depreciation for the year	16,827	13,096	29,923
Closing net book value	$ 6,631	$ 8,624	$ 15,255
At June 30, 2019			
Cost	**$ 417,450**	**$ 160,026**	**$ 577,476**
Accumulated amortization	**$ 410,819**	**$ 151,402**	**$ 562,221**
Year ended June 30, 2020			
Opening net book value	$ 6,631	$ 8,624	$ 15,255
Additions during the year	-	-	-
Disposal	(45)	-	(45)
Depreciation for the year	6,586	8,624	15,210
Closing net book value	$ -	$ -	$ -
At June 30, 2020			
Cost	**$ 417,405**	**$ 160,026**	**$ 577,431**
Accumulated amortization	**$ 417,405**	**$ 160,026**	**$ 577,431**

6 Loan payable

	June 30, 2020	June 30, 2019
	$	$
Balance at start of year	**$ 8,416,076**	**$ 4,427,390**
(Decrease)/Increase in borrowing	(4,047,070)	3,988,686
Balance at end of year	**$ 4,369,006**	**$ 8,416,076**

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.

The current term ends in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

The interest rate is equivalent to the prime rate of a certain Canadian bank plus 9.05%. 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. In certain circumstances the loan payable is repayable on demand to Accord.

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 to June. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of date hereof the company has fully utilized this facility.

The interest cost during year ended June 30, 2020 was $807,189 (2019 $796,782)

7 9% Non-convertible debentures payable

In December, 2017 the company re-financed its 12% debentures as 9% Non-convertible debentures payable (“9% debentures”) maturing December 31, 2021. The 9% debentures bear interest at 9% per annum payable semi-annually, and carry the right to receive restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021.

The company issued 5,559 units consisting of principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company.

The units were issued as follows:

1. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and

2. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

The refinancing was considered a transaction with original debtholders in their capacity as debtholders and accounted for as an exchange of the original debt for units of 9% debentures and common shares. The value of the 9% debentures and common shares was determined as the amount required to extinguish the original loan, with the difference resulting in a gain on the exchange of the debt. The fair value of the 9% debentures issued was determined to be $4,275,389 based on a discounted cash flow of the interest and principal obligations of the 9% debentures. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the refinancing.

On October 28, 2019 the company issued additional 200 units of 9% debentures for gross proceeds of $200,000. The additional 200 units of 9% debentures was a related party transaction and the purchase was on terms and conditions applicable to the other subscribers of 9% debentures. Pursuant to the financing the company also issued 21,648,800 common shares. The fair value of the $200,000 9% debentures issued was determined to be $173,212 based on a discounted cash flow of the interest and principal obligations of the 9% debentures. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the refinancing. In addition, the company incurred $40,703 of transaction costs related to the transaction and these are being amortized to maturity date

Movement on 9% debentures

	Debt portion	Accrued and Unpaid interest	Total
Fair value of 9% debentures on issuance	**$ 4,275,389**	**$ -**	**$ 4,275,389**
Restructuring bonus - due 2021 - charge for the year	129,924	-	129,924
Accretion charge for the year	142,638	-	142,638
Balance at June 30, 2018	**$ 4,547,951**	**$ -**	**$ 4,547,951**
Restructuring bonus - due 2021 - charge for the year	248,284	-	248,284
Accretion charge for the year	299,714	-	299,714
Interest for period December 16, 2018 - June 30, 2019	-	271,624	271,624
Balance at June 30, 2019	**$ 5,095,949**	**$ 271,624**	**$ 5,367,573**
Fair value of 9% debentures issued October 2019	173,212	-	173,212
Transaction costs related to October 2019 raise	(40,703)	-	(40,703)
Accretion charge for the year	327,181	-	327,181
Restructuring bonus - due 2021 - charge for the year	259,028	-	259,028
Amortization of transaction costs	12,524	-	12,524
Interest for the year	-	512,761	512,761
Balance at June 30, 2020	**$ 5,827,191**	**$ 784,385**	**$ 6,611,576**

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. The significant financial covenants of the 9% debentures require the company to meet, on a quarterly basis, (i) a defined level of designated current assets, and (ii) a defined level of interest coverage. The company is also required to meet a defined level of designated assets supported by a third party valuation every 60 days. 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% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% 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% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in default on its interest coverage financial coverage at June 30, 2019. The company was in default on all three financial covenants at September 30, 2019, at December 31, 2019, at March 31, 2020, at June 30, 2020 and continues to be in default in subsequent quarters. In addition, the company did not pay the interest due December 15, 2020 for the period June 16, 2020 to December 15, 2020, due June 15, 2020 for the period December 16, 2019 to June 15, 2020 and due December 15, 2019 for the period June 16, 2019 to December 15, 2019. As a result the 9% debentures have been classified as a current liability.

The company did not pay interest due June 15, 2019 for the period December 16, 2018 to June 15, 2019. The company obtained a waiver to this event of default on June 21, 2019. As compensation, the company issued 75 million common shares to the debenture holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder. The company issued the fully paid common shares on July 10, 2019. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the agreement.

Stated interest, restructuring bonus and accretion charges are as follows:

	Year ended June 30, 2020			Year ended June 30, 2019		
	Cash Interest	Restructuring bonus	Accretion charge	Cash Interest	Restructuring bonus	Accretion charge
	$	$	$	$	$	$
	512,761	259,028	327,181	500,310	248,284	299,714
Total	**$ 512,761**	**$ 259,028**	**$ 327,181**	**$ 500,310**	**$ 248,284**	**$ 299,714**

8 Share capital

(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, 2020 and 2019	461,887	$ 3,815

(c) Issued common shares

	Number of shares	$
No par value. At June 30, 2019	782,299,614	$ 24,526,740
No par value. At June 30, 2020	878,948,414	$ 24,526,740

Movement on common shares:

	Number of shares
Balance at June 30, 2018 and 2019	782,299,614
Issued July 2019 - Note 7	75,000,000
Issued October 2019 - Note 7	21,648,800
Balance at June 30, 2020	878,948,414

9 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 (but may not be less than the Canadian Securities Exchange regulations), the term of the stock options may not exceed five years and payment for the optioned shares is required to be made in full on the exercise of the stock options. 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 16,688,546.

There were no stock options outstanding during the years ended June 30, 2019 and 2020.

The company has recorded $nil of stock-based compensation expense during year ended June 30, 2020 (2019 - $nil).

b. 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. The eligible persons are directors, officers, employees and consultants of the company designated by the Board. The 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. The company has not granted any RSUs under the RSU plan as at June 30, 2020 and 2019.

c. Potentially Dilutive Securities

No potentially dilutive securities exist as at June 30, 2020 and 2019.

10 Related party transactions

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company (note 7), on terms and conditions applicable to the other holders of 12% debentures. The 12% debentures were purchased by the related parties on terms and conditions applicable to the other subscribers. In October 2019 related parties purchased 200 units of 9% debentures (note 7) on terms and conditions applicable to existing holders of 9% debentures.

The holdings of debentures by related parties are summarized below:

	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2019
	$		$	
	9% debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 500,000	95,523,818	$ 500,000	88,778,000
Director - W.Polley - Chairman of the Board of Directors (a)	-	-	50,000	5,846,450
Director - M. Lavine	500,000	73,514,818	500,000	66,769,000
Chief Financial Officer - M.Sabharwal	115,000	27,498,576	115,000	25,947,038
R. Abramson, GIACP, GPMCA (b)	2,669,120	321,629,458	2,613,120	281,549,370
Herbert Abramson (c)	106,000	11,560,814	6,000	655,464
	$ 3,890,120	529,727,484	$ 3,784,120	469,545,322
Total issued and outstanding 9% debentures and common shares	$ 5,759,000	878,948,414	$ 5,559,000	782,299,614
% held by parties in tabulation	67.5%	60.3%	68.1%	60.0%

(a) W. Polley resigned as a director effective December 31, 2019

(b) 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 following securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms

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

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, 2020	Year ended June 30, 2019
	$	$
Salaries, management bonuses and directors fees	507,604	528,995
	$507,604	**$528,995**

11 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. The company generally acquires the rights to receive future cash flows associated with either designated credit card purchases under the CIBC/TD program or future receivables under the merchant cash advance product at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 365 days. Accounts receivable and transaction credits are net of applicable allowance, which is established based on the specific credit risk associated with the customer and other relevant information.

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. This 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. 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, 2020	June 30, 2019
	$	$
Transaction credits	$ 4,918,115	$ 9,713,908
Accounts receivable	123,286	115,550
Allowance	(998,583)	(244,829)
Per Consolidated statement of financial position	**$ 4,042,818**	**$ 9,584,629**
Maximum exposure to credit risk	**$ 4,042,818**	**$ 9,584,629**

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

	June 30, 2020	June 30, 2019
	$	$
Impaired transaction credits	$ 353,108	$ 111,463
Allowance	(353,108)	(105,616)
Impaired transaction credits not allowed for	**$ -**	**$ 5,847**
The company carries a general allowance towards transaction credits. This provision at June 30, 2020 includes a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 641,090	$ 134,293

Movement on allowance for impaired transaction credits

	June 30, 2020	June 30, 2019
	$	$
Balance brought forward at start of year	**$ 239,909**	**$ 76,063**
Allowance created during the year	1,016,779	294,132
Impaired accounts written off against allowance	(262,490)	(130,286)
Balance carried forward at end of year	**$ 994,198**	**$ 239,909**

(b) Currency risk

Currency risk arises due to fluctuations in foreign currency rates.

The company carries nominal amounts of cash and accounts payables denominated in foreign currencies.

Included in the undernoted accounts are the following amounts (in USD):

	June 30, 2020	June 30, 2019
	$	$
Cash	**56**	510
Accounts receivable	-	-
Accounts payable and accrued liabilities	**3,633**	5,879

(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 2. 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, 2020 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable – (note 6)	$4,369,006	$4,369,006	$-
Accounts payable and accrued liabilities	2,364,759	2,364,759	-
9% debentures – face amount – maturing December 31, 2021 (note 7)	5,759,000	5,759,000	-
9% debentures cash interest (note 7)	1,561,848	1,302,693	259,155
9% debentures restructuring bonus (note 7)	1,036,620	-	1,036,620
Canada Emergency Business Account	40,000	-	40,000
Lease (note 18)	168,287	77,671	90,616
Total	$15,299,520	$13,873,129	$1,426,391

The contractual maturities of the company's financial liabilities at June 30, 2019 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable (note 6)	$8,416,076	$8,416,076	$-
Accounts payable and accrued liabilities	2,255,205	2,255,205	-
9% debentures – face amount – maturing December 31, 2021 (note 7)	5,559,000	-	5,559,000
9% debentures interest (note 7)	1,522,399	771,934	750,465
9% debentures restructuring bonus (note 7)	1,000,620	-	1,000,620
Lease (note 18)	245,958	77,671	168,287
Total	$18,999,258	$11,520,886	$7,478,372

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

The 9% 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. 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 reflect their fair value. The fair value is a level 3 determination.

In calculating the right of use asset and lease liability, the company 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 non-convertible debentures (note 7) which have fixed interest rates, and the loan payable (note 6) which carries a floating interest rate. While the company is not exposed to interest rate risk on account of its non-convertible debenture, 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.

As disclosed in note 6, during year ended June 30, 2020, the company paid annual interest of $807,189. Interest is calculated daily on the amount outstanding on loan payable and charged monthly. The interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05% per annum. For the year ended June 30, 2020, a 10% increase in interest rates would lead to an additional annual interest cost of $80,719.

12 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, 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, 2020	At June 30, 2019
	$	$
Loan payable – note 6	4,369,006	8,416,076
Non-convertible debentures – Principal – note 7	5,759,000	5,559,000
Loan – note 19	40,000	-
Share capital – note 8	24,530,555	24,530,555
Contributed surplus and deficit	(33.698,265)	(30,797,657)
	$1,000,296	$7,707,974

13 Commitments and contingencies

Commitments

As at June 30, 2020, the company is committed to minimum payments with respect to existing leases for equipment:

	Equipment	Total
Not later than one year	$14,011	$14,011
Later than one year and not later than five years	$304	$304
Total	**$14,315**	**$14,315**

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income (loss).

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.

14 Income taxes

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

	2020	**2019**
	$	**$**
Current income taxes	-	-
Deferred income taxes	-	-
	$-	$-

The average combined federal and provincial statutory income rate applicable to the company in Canada for 2020 and 2019 was 26.5% and in the USA for 2020 and 2019 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, 2020, 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:

	2020 $	2019 $
Non capital losses carried forward	4,604,000	3,766,000
Property, plant and equipment due to amortization	29.000	31,000
	$4,633,000	$3,797,000
Deferred income tax assets not recognized	(4,633,000)	(3,797,000)
	$-	$-

As at June 30, 2020, the company has gross non-capital income tax losses of approximately $18,215,000 (2019 $15,045,000), 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 2021 and 2040, and are tabulated hereunder:

Year ending June 30, 2021	$	296,000
Year ending June 30, 2022	$	559,000
Year ending June 30, 2023 and thereafter	$	17,360,000
	$	18,215,000

15 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.

	2020	2019
	$	$
Net (loss) and comprehensive (loss)	$ (2,927,396)	$ (911,945)
Basic and Diluted EPS		
Average number of issued common shares during the year	869,981,685	782,299,614
Basic EPS	**$ (0.00)**	**$ (0.00)**
There are no potentially dilutive common shares outstanding at June 30, 2020 and 2019. Hence Diluted EPS not computed		

16 Nature of Expenses

		Year ended June 30, 2020	Year ended June 30, 2019
		$	$
Direct expenses			
Costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; and b) cost of sales of digital marketing services		$ 387,027	$ 1,279,228
Expense for provision against impaired accounts receivable and transaction credits		1,022,015	287,646
		$ 1,409,042	**$ 1,566,874**
Selling and Marketing, and General & Administrative			
Salaries and wages including travel		$ 1,675,259	$ 2,770,167
Professional fees		114,971	200,053
Facilities, processing, and office expenses		227,176	530,349
Other		48,357	70,019
		$ 2,065,763	**$ 3,570,588**

17 Segment reporting

The company's reportable segments include: (1) Merchant cash advance ("MCA") program, (2) CIBC/TD program, (3) Aeroplan program and (4) Caesars program. Where applicable, corporate and other activities are reported separately as Corporate. The CIBC/TD program and Caesars program ended in fiscal year ended June 30, 2019. Caesar's program operated in the US. All other programs operated in Canada.

The above noted programs are described in Note 1.

The company completed the transition of CIBC/TD program to MCA program by end of August 2019 and is reporting this as a segment from July 1, 2019. The revenues earned and the costs incurred in MCA during year ended June 30, 2019 are reported as part of CIBC/TD program.

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, 2020 and 2019 is tabulated.

Year ended June 30, 2020

	MCA program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	1,890,852	718,690	-	-	2,609,542
Direct expenses	1,022,015	387,027	-	-	1,409,042
	868,837	331,663	-	-	1,200,500
Selling & marketing	520,450	197,817	-	-	718,267
General & administrative	976,384	371,112	-	-	1,347,496
(Loss) from operations before depreciation, amortization and interest	(627,997)	(237,266)	-	-	(865,263)
Stated Interest - loan payable	807,189	-	-	-	807,189
Stated Interest - Non convertible debentures payable	371,542	141,219	-	-	512,761
Interest - Lease	14,422	5,482	-		19,904
Non-cash interest - Non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	433,837	164,896	-	-	598,733
Depreciation and amortization including right of use asset	58,363	22,183	-	-	80,546
Impairment of right of use asset	-	-	-	43,000	43,000
Segment (loss)	(2,313,350)	(571,046)	-	(43,000)	(2,927,396)

Year ended June 30, 2019

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	5,082,191	1,008,995	9,344	-	6,100,530
Direct expenses	1,011,833	539,823	15,218	-	1,566,874
	4,070,358	469,172	(5,874)	-	4,533,656
Selling & marketing	1,272,031	1,582	55,690	-	1,329,303
General & administrative	1,867,156	370,697	3,432	-	2,241,285
Earnings (loss) from operations before depreciation, amortization and interest	931,171	96,893	(64,996)	-	963,068
Stated Interest - loan payable	796,782	-	-	-	796,782
Stated Interest - Non convertible debentures payable	416,795	82,749	766	-	500,310
Non-cash interest - Non convertible debentures payable - accretion charges and restructuring bonus	456,523	90,636	839	-	547,998
Depreciation and amortization	24,928	4,949	46	-	29,923
Segment (loss)	(763,857)	(81,441)	(66,647)	-	(911,945)

18 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 4).

	Right of use asset	Lease liability
Opening balance July 1, 2019 on adoption of IFRS 16	**$206,898**	**$206,898**
Depreciation for the period	**(65,336)**	
Impairment of asset	**(43,000)**	
Interest payments		**19,904**
Lease payments		**(77,671)**
Balances at June 30, 2020	**$98,562**	**$149,131**
Current		**$ 64,452**
Long-term		**84,679**
		$149,131

The impairment of the right to use asset reflects the uncertainty around the company's ability to meet Its lease payment due to going concern (note 2).

The undiscounted lease liability is as follows:

	Base rent
Due 12 months ended June 30, 2021	$ 77,671
Due 12 months ended June 30, 2022	77,671
Due 12 months ended June 30, 2023	12,945
Total	$168,287

19 Government subsidies

The company has availed Covid-19 pandemic relief measures.

Amount of $156,492 received under the Canada Emergency Wage Subsidy is reflected as a reduction of the salaries and wages disclosed in note 16.

The company received $40,000 under the Canada Emergency Business Account. In December 2020 the company applied for and received an additional $20,000 under this subsidy. $20,000 of this loan of $60,000 is forgivable provided the loan is re-paid by December 31, 2022. There is no interest on the $60,000 loan provided it is re-paid by December 31, 2022. Beginning on January 1, 2023, interest will accrue on the balance of the loan at the rate of 5% per annum.

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

20 Subsequent events

a. 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 to June. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of date hereof the company has fully utilized this facility.

b. The Ontario Securities Commission ("OSC") issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the failure-to-file cease trade order issued against the company on November 1, 2019 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner.

   The company applied for the Partial Revocation Order to complete a financing (the "Financing") whereby, through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("New Debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the New Debentures. The New Debentures are on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2021. The FFCTO continues to apply in all other respects.

   The company previously obtained the requisite consents from the holders of the Existing Debentures to complete the Financing.

   As the Financing would constitute a related party transaction pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"), the company relied on the financial hardship exemption from both the formal valuation and minority approval requirements of such instrument.

   The company closed the $250,000 Financing on March 16, 2021 by way of senior secured non-convertible debentures. The Financing was conducted in accordance with the terms of the partial revocation order issued by the OSC. The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

   The proceeds of the Financing will be used to pay for: (i) the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; (ii) legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the Financing; (iii) operational and general administrative expenses; (iv) payment of accounts payable incurred in the ordinary course of business; and (v) partial funding of its Merchant Cash Advance business as public health restrictions are gradually eased in Canada.

21 Comparatives

Certain comparatives have been changed to conform to presentation of the current year.

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