

**ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended September 30, 2023**

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

An auditor has not performed a review of these consolidated financial statements.

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

	Note	September 30, 2023	June 30, 2023
		\$	\$
Assets			
Current assets			
Cash		\$ 239,897	\$ 340,427
Accounts receivable		60,779	84,917
Transaction credits	5	6,018,216	5,641,940
Prepaid expenses and sundry assets		<u>1,416</u>	<u>1,416</u>
		\$ 6,320,308	\$ 6,068,700
Total assets		\$ 6,320,308	\$ 6,068,700
Liabilities			
Current liabilities			
Loan payable	6	\$ 6,285,729	\$ 5,992,287
Loan	16	60,000	60,000
Accounts payable and accrued liabilities		<u>3,836,014</u>	<u>3,590,699</u>
		\$ 10,181,743	\$ 9,642,986
Non-current liabilities			
9% non-convertible debentures payable	7	\$ 9,026,482	\$ 8,765,806
12% non-convertible debentures payable	8	289,284	278,136
Deferred fair value adjustment on 12% non-convertible debentures payable		<u>82,974</u>	<u>91,993</u>
		\$ 9,398,740	\$ 9,135,935
Total liabilities		\$ 19,580,483	\$ 18,778,921
Shareholders' deficiency			
Share capital	9	\$ 24,530,555	\$ 24,530,555
Contributed surplus		7,901,617	7,901,617
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		<u>(45,644,964)</u>	<u>(45,095,010)</u>
Total deficiency		\$ (13,260,175)	\$ (12,710,221)
Total liabilities and deficiency		\$ 6,320,308	\$ 6,068,700

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

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

Approved by the Board

Director: Signed "Marc Lavine"
Marc Lavine

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of Loss and Comprehensive Loss (unaudited)
For the three months ended September 30, 2023 and 2022
(expressed in Canadian dollars)

	Note	2023	2022
		\$	\$
Revenues	15		
Marketing activities		\$ 222,489	\$ 216,577
Interest income		<u>525,689</u>	<u>368,260</u>
		\$ 748,178	\$ 584,837
Direct expenses	14/15	<u>160,391</u>	<u>171,176</u>
		587,787	413,661
Operating expenses			
Selling and marketing	14/15	138,176	134,747
General and administrative	14/15	<u>273,106</u>	<u>284,385</u>
Earnings/(Loss) from operations before depreciation, amortization and interest		176,505	(5,471)
Stated interest expense			
Loan payable	6	226,388	111,934
9% non-convertible debentures payable	7	225,266	202,143
12% non-convertible debentures payable	8	12,000	-
Interest - Lease		-	180
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures payable	7	260,676	211,676
Non-cash interest expense - amortization of transaction costs related to 12% non-convertible debentures	8	2,129	-
Non-cash interest expense - accretion charges related to 12% non-convertible debentures payable	8	9,019	-
Non-cash interest expense - accretion of deferred gain related to 12% non-convertible debentures payable	8	<u>(9,019)</u>	<u>-</u>
Net (loss) and comprehensive (loss)		\$ (549,954)	\$ (531,404)
(Loss) per share			
Basic and Diluted		\$ (0.00)	\$ (0.00)

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)
For the three months ended September 30, 2023 and 2022
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen- sive loss	Deficit	Total
	\$	\$	\$	\$	\$	\$
Balance at July 1, 2022	\$ 3,815	\$ 24,526,740	\$ 7,742,802	\$ (47,383)	\$ (42,567,857)	\$ (10,341,883)
Net (loss) and comprehensive (loss)	-	-	-	-	(531,404)	(531,404)
Balance at September 30, 2022	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 7,742,802</u>	<u>\$ (47,383)</u>	<u>\$ (43,099,261)</u>	<u>\$ (10,873,287)</u>
Balance at July 1, 2023	\$ 3,815	\$ 24,526,740	\$ 7,901,617	\$ (47,383)	\$ (45,095,010)	\$ (12,710,221)
Net (loss) and comprehensive (loss)	-	-	-	-	(549,954)	(549,954)
Balance at September 30, 2023	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 7,901,617</u>	<u>\$ (47,383)</u>	<u>\$ (45,644,964)</u>	<u>\$ (13,260,175)</u>

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow (unaudited)
For the three months ended September 30, 2023 and 2022
(expressed in Canadian dollars)

	Note	2023	2022
		₹	₹
Operational activities			
Net (loss) for the period		\$ (549,954)	\$ (531,404)
Adjustments for:			
Accrued and unpaid 9% non-convertible debentures payable interest - current and non-current payable	7	225,266	202,143
Accrued and unpaid 12% non-convertible debentures payable interest - current payable	8	12,000	-
Interest - Lease		-	180
Accretion charge - 9% non-convertible debentures payable	7	225,634	187,360
Restructuring bonus - 9% non-convertible debentures payable	7	28,303	19,304
Amortization of transaction costs - 9% non-convertible debentures payable	7	6,739	5,012
Amortization of transaction costs - 12% non-convertible debentures payable	8	2,129	-
Non-cash interest expense - accretion charges related to 12% non-convertible debentures payable	8	9,019	-
Non-cash interest expense - accretion of deferred gain related to 12% non-convertible debentures payable	8	(9,019)	-
		(49,883)	(117,405)
Changes in items of working capital			
Accounts receivable		24,138	10,217
Transaction credits		(376,276)	1,672,505
Prepaid expenses and sundry assets		-	40,000
Accounts payable and accrued liabilities excluding current portion of accrued and unpaid interest on 9% non-convertible debentures payable and 12% non-convertible debentures payable		8,049	70,829
		(344,089)	1,793,551
Net cash generated/(used) - operating activities		\$ (393,972)	\$ 1,676,146
Financing activities			
Payment for lease		-	(12,948)
Proceeds of loan payable	6	3,297,789	628,452
(Repayment) of loan payable	6	(3,004,347)	(2,227,897)
Net cash generated/(used) - financing activities		\$ 293,442	\$ (1,612,393)
Increase/(Decrease) in cash during the period		\$ (100,530)	\$ 63,753
Cash at beginning of the period		340,427	93,185
Cash at end of the period		\$ 239,897	\$ 156,938
Additional information			
Interest paid		\$ 226,388	\$ 111,934

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 periods ended September 30, 2023 and 2022 the company's core business was its merchant cash advance ("MCA") program. Under this program, the company provides merchants with working capital through the pre-purchase, at a discount, of merchants' future cash flows.

The company also has an agreement with Aeroplan Inc. owned by Air Canada ("AC") to operate as a re-seller of aeroplan points to merchants. Aeroplan members are eligible to earn aeroplan points on purchases at merchants who acquire aeroplan points from the company. The current term of the agreement ends August 31, 2028. The agreement can be terminated by AC under certain conditions during its term.

The company's segment reporting is provided in note 15.

Advantex is incorporated and domiciled in Canada. The address of its registered office is 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5.

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 \$13,260,175 and negative working capital of \$3,861,435 as at September 30, 2023. During the year ended June 30, 2023 the company closed two financings (notes 7 and 8), gross proceeds of \$600,000 in January 2023 and \$400,000 in April 2023, and in the previous fiscal year closed two financings with aggregate gross proceeds of \$1,150,000 (note 7). The continuing negative effects of the pandemic, and the prevailing inflationary and increasing interest rate environment have created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to a) loan payable (note 6) which supports the company's merchant cash advance program, and b) general working capital provided by 9% 2025 debentures (note 7) and 12% debentures (note 8); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

3 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore, should be read in conjunction with the audited consolidated financial statements and notes for the company’s year ended June 30, 2023, which are available on SEDAR at www.sedar.com.

These interim consolidated financial statements and related notes have been reviewed by the company’s audit committee and approved by the company’s Board of directors (“Board”) on November 28, 2023.

4 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Details of accounting policies are available in note 3 to the audited consolidated financial statements for year ended June 30, 2023.

5 Transaction credits

Under the MCA program the company provides merchants with working capital through the pre-purchase, at a discount, of merchants’ future cash flows.

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

Transaction credits are net of applicable allowance, which is established based on 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.

During period ended September 30, 2022 the economic uncertainties were the result of the pandemic. During period ended September 30, 2023 the economic uncertainties were the result of the inflationary and high interest environment. However, during both fiscal years the economic situation was less uncertain compared to the period of peak pandemic from March 2020 to September 2021. During period ended September 30, 2023 and September 30, 2022 for level 1 transaction credits the company estimated loss based on historical loss rate.

The historical loss rate is based on the losses experienced over the seven-year period prior to start of the pandemic, during and post pandemic.

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

During period ended September 30, 2022 the pandemic continued to impact economic activity. and hence the evaluation of collectability of transaction credits. During periods ended September 30, 2023 and September 30, 2022 the inflationary and interest rate environment impacted economic activity. Hence in both years there is some estimation in evaluation of collectability in future periods.

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

The maximum exposure to credit risk with respect to transaction credits is the net balance of the transaction credits.

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

	September 30, 2023	June 30, 2023
	\$	\$
Transaction credits	\$ 6,880,397	\$ 7,134,832
Allowance	<u>(862,181)</u>	<u>(1,492,892)</u>
Per Consolidated statement of financial position	\$ 6,018,216	\$ 5,641,940
Maximum exposure to credit risk	\$ 6,018,216	\$ 5,641,940

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

	September 30, 2023	June 30, 2023
	\$	\$
Impaired transaction credits	\$ 579,165	\$ 1,262,909
Allowance	<u>(579,165)</u>	<u>(1,262,909)</u>
Impaired transaction credits not allowed for	\$ -	\$ -
The company carries a general allowance towards transaction credits. This allowance is the historical loss ratio	\$ 283,016	\$ 229,984

Movement on allowance for impaired transaction credits:

	September 30, 2023	September 30, 2022
	\$	\$
Balance brought forward at start of period	\$ 1,492,892	\$ 1,379,853
Allowance created during the period	-	-
Impaired accounts written back against allowance	(630,711)	-
Balance carried forward at end of period	\$ 862,181	\$ 1,379,853

6 Loan payable

	September 30, 2023	June 30, 2023
	\$	\$
Balance at start of period	\$ 5,992,287	\$ 4,019,685
Increase in borrowing	293,442	1,972,602
Balance at end of period	\$ 6,285,729	\$ 5,992,287

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

Due to pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of \$460,000. This overdraft facility was increased by \$75,000 in June 2022, to be paid back by middle of September 2022 and the company repaid the \$75,000 by due date. The overdraft facility is a general working capital facility and is a carve-out from the loan payable limit of \$8.5 million. The interest rate is similar to the loan payable. As of September 30, 2023, the company has utilized \$298,536 from this overdraft facility (at June 30, 2023 \$325,540).

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

In August 2023 Accord amended effective September 1, 2023 interest rate on loan payable. The amended interest rate is the prime rate of a certain Canadian bank plus 8.0% from prime rate of a certain Canadian bank plus 8.8% which was applicable from September 2021.

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

The loan payable is repayable on demand to Accord.

The interest cost during period ended September 30, 2023, was \$226,388 (period ended September 30, 2022 \$111,934).

7 9% Non-convertible debentures payable

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

The company closed a \$250,000 financing on March 15, 2021 by way of senior secured non-convertible debentures ("9% 2025 debentures"). The 9% 2025 debentures were issued on the same terms and rank pari passu with existing 9% Non-convertible debentures payable ("9% debentures") bearing interest at 9% per annum and maturing on December 31, 2025. The financing was a related party transaction (note 11).

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

The company issued 9% 2025 debentures on September 7, 2021 (gross proceeds of \$1.0 million), on March 24, 2022 (gross proceeds of \$150,000) and on January 5, 2023 (gross proceeds of \$600,000). The purchasers received common shares for their purchase of these \$1.75 million 9% 2025 debentures and for purchase of \$250,000 9% 2025 debentures in March 2021. The financings were related party transactions (note 11). The common shares were determined to have nil value.

The principal amount of issued and outstanding 9% 2025 at September 30, 2023 is \$7,759,000 (at September 30, 2022 \$7,159,000).

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at September 30, 2022 and September 30, 2023. On June 26, 2022 the company received waiver of the events of default with respect to financial covenants at December 31, 2021 and March 31, 2022 as well as agreement of the debenture holders to defer the payment of interest payable September 15, 2022, and re-set financial covenants for quarters ended June 30, 2022 until June 30, 2023. On March 14, 2023, the company received agreement of the debenture holders to defer the payment of interest payable March 15, 2023, and for it to be payable in six equal instalments, with each instalment being added to the interest payments due on September 15, 2023, March 15, 2024, September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025. On June 26, 2023 the company received agreement of the debenture holders to re-set the financial covenants at June 30, 2023 and September 30, 2023. On September 12, 2023 the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2023, and for it to be payable in five equal instalments, with each instalment being added to the interest payments due on March 15, 2024, September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025.

If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security.

If the company is unable to secure alternative financing to repay the 9% 2025 debentures in the event that the debenture holders demand immediate payment, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them.

The fair value of the 9% 2025 debentures issued in September 2021, March 2022 and January 2023 was determined based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures, and the difference between the face value of the 9% 2025 debentures and their fair value was recognized in the contributed surplus. In addition, the transaction costs related to the transactions are being amortized to maturity date.

Movement on 9% 2025 debentures is tabulated hereunder:

	<u>Debt portion</u>	<u>Accrued and Unpaid interest</u>	<u>Total</u>
	\$	\$	\$
Balance at June 30, 2022	\$ 5,991,254	\$ 962,624	\$ 6,953,878
Accretion charge for the period	187,360	-	187,360
Restructuring bonus for the period	19,304	-	19,304
Amortization of transaction costs for the period	5,012	-	5,012
Interest for the period	-	202,143	202,143
Balance at September 30, 2022	\$ 6,202,930	\$ 1,164,767	\$ 7,367,697
Balance at June 30, 2023	\$ 7,341,370	\$ 1,835,313	\$ 9,176,683
Accretion charge for the period	225,634	-	225,634
Restructuring bonus for the period	28,303	-	28,303
Amortization of transaction costs for the period	6,739	-	6,739
Interest for the period	-	225,266	225,266
Balance at September 30, 2023	\$ 7,602,046	\$ 2,060,579	\$ 9,662,625

	Current liability. Included in Accounts payable and accrued liabilities	Non-current liability	Total
	\$	\$	\$
Period ended September 30, 2023	\$ 636,143	\$ 9,026,482	\$ 9,662,625
Period ended September 30, 2022	\$ -	\$ 7,367,697	\$ 7,367,697

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

	<u>Period ended September 30, 2023</u>			<u>Period ended September 30, 2022</u>		
	<u>Stated interest</u>	<u>Accretion charge</u>	<u>Restructuring boni</u>	<u>Stated interest</u>	<u>Accretion charge</u>	<u>Restructuring boni</u>
	\$	\$	\$	\$	\$	\$
9% 2025 debentures	225,266	225,634	28,303	202,143	187,360	19,304
	<u>\$ 225,266</u>	<u>\$ 225,634</u>	<u>\$ 28,303</u>	<u>\$ 202,143</u>	<u>\$ 187,360</u>	<u>\$ 19,304</u>

In addition, three months ended September 30, 2023 include \$6,739 amortization of transaction costs (2022 - \$5,012).

8 12% Non-convertible debentures payable

In April 2023 the company issued 400 units of 12% non-convertible debentures payable (“12% debentures”) as a debt instrument.

The 12% debentures bear interest at 12% per annum payable semi-annually, mature October 10, 2025, and rank pari passu on security with the 9% 2025 debentures. There was no issuance of common shares of the company to the purchaser of 12% debentures. This transaction was with a non-related party which is at arm’s length with the company. The company secured the requisite approval of 9% 2025 debentures to issue the 12% debentures.

Movement on 12% debentures is tabulated:

	<u>Debt</u>	<u>Accrued and unpaid interest</u>	<u>Deferred fair value adjustment</u>	<u>Total</u>
	\$	\$	\$	\$
Balance at June 30, 2023	370,129	9,334	(91,993)	287,470
Amortization of transaction costs for the period	2,129	-	-	2,129
Interest for the period	-	12,000	-	12,000
Fair value adjustment - accretion	-	-	9,019	9,019
Balance at September 30, 2023	\$ 372,258	\$ 21,334	\$ (82,974)	\$ 310,618
Current liability. Included in Accounts payable and accrued liability				\$ 21,334
Non-current liability				\$ 289,284
				\$ 310,618

9 Share capital

No change in the authorized share capital since June 30, 2023.

No change in issued Class A preference shares since June 30, 2023.

No change in common shares since June 30, 2023.

10 Share-based payments

Employee stock options

The company has a stock option plan for directors, officers, employees and consultants.

The number of employee stock options issuable per the company’s stock option plan is 556,285.

There were no stock options outstanding during the three months ended September 30, 2023 and 2022.

The company has recorded \$nil of stock-based compensation expense during three months ended September 30, 2023 and 2022.

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 is 13,733,333.

The company has not granted any RSUs under the RSU plan as at September 30, 2023 and 2022.

Potentially Dilutive Securities

No potentially dilutive securities exist as at September 30, 2023 and September 30, 2022.

11 Related party transactions

9% 2025 debentures

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

On March 15, 2021 and September 7, 2021, the company closed financings by way of 9% 2025 debentures. These were purchased by managed accounts and principals of related parties Generation IACP Inc. and Generation PMCA Corp., and Kelly Ambrose, the company’s President and Chief Executive Officer and a director.

In March 2022 and on January 5, 2023, the company closed \$150,000 and \$600,000 financings by way of 9% 2025 debentures. Principals of Generation IACP Inc. and Generation PMCA Corp. purchased the 9% 2025 debentures.

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

Common shares

- a. The related parties were issued common shares of the company for their purchase of 9% 2025 debentures.
- b. In September 2021, Kelly Ambrose, the company’s President and Chief Executive Officer and Mukesh Sabharwal, the company’s Chief Financial Officer were issued common shares as 1) retention bonus and 2) in lieu portion of vacation pay.

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

	September 30, 2023		June 30, 2023	
	9% 2025 debentures	Common shares	9% 2025 debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	\$ 575,000	25,424,582	\$ 575,000	25,424,582
Director - M. Lavine	500,000	2,450,494	500,000	2,450,494
Director - D. Moscovitz	9,000	38,966	9,000	38,966
Chief Financial Officer - M. Sabharwal	115,000	5,197,599	115,000	5,197,599
R. Abramson, GIACP, GPMCA (a)	3,461,000	156,345,004	3,464,680	156,505,045
Herbert Abramson (b)	731,000	54,864,527	731,000	54,864,527
	<u>\$ 5,391,000</u>	<u>244,321,172</u>	<u>\$ 5,394,680</u>	<u>244,481,213</u>
Total issued and outstanding 9% 2025 debentures and common shares	\$ 7,759,000	265,390,090	\$ 7,759,000	265,390,090
% held by parties in tabulation	69.5%	92.1%	69.5%	92.1%
(a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the above securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms				
(b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company				

12 Commitments and contingencies

Legal matters

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

Taxation

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

13 Earnings per share

Basic 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.

	Period ended September 30, 2023	Period ended September 30, 2022
	\$	\$
Net (loss) and comprehensive (loss)	\$ (549,954)	\$ (531,404)
<u>Basic and Diluted EPS</u>		
Average number of issued common shares during the period	265,390,090	253,392,507
Basic EPS	\$ (0.00)	\$ (0.00)
There are no potentially dilutive common shares outstanding at September 30, 2023 and 2022. Hence Diluted EPS not computed		

14 Nature of expenses

	Period ended September 30, 2023	Period ended September 30, 2022
	\$	\$
<u>Direct expenses</u>		
Costs of loyalty rewards, and marketing in connection with the company's merchant based loyalty program	\$ 152,802	\$ 164,996
Expense for provision against impaired accounts receivable and transaction credits, credit & collection expense	7,589	6,180
	\$ 160,391	\$ 171,176
<u>Selling and Marketing, and General & Administrative</u>		
Salaries and wages including travel	\$ 306,425	\$ 325,778
Professional fees	44,184	39,010
Facilities, processing, and office expenses	48,287	42,500
Other	12,387	11,844
	\$ 411,282	\$ 419,132

Selling and Marketing, and General & Administrative reflect receipt of federal pandemic rent subsidy during period ended September 30, 2022 of \$1,888.

15 Segment reporting

The company's reportable segments include: (1) MCA program, and (2) Aeroplan program. Where applicable, corporate and other activities are reported separately as Corporate.

The programs are described in Note 1.

Financial information by reportable segment for period ended September 30, 2023 and September 30, 2022 is tabulated.

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

Period ended September 30, 2023

	MCA program	Aeroplan program	Total
	\$	\$	\$
Revenues	525,689	222,489	748,178
Direct expenses	<u>7,589</u>	<u>152,802</u>	<u>160,391</u>
	518,100	69,687	587,787
Selling & marketing	97,086	41,090	138,176
General & administrative	<u>191,891</u>	<u>81,215</u>	<u>273,106</u>
Earnings/(Loss) from operations before depreciation, amortization and interest	229,123	(52,618)	176,505
Stated Interest - loan payable	226,388	-	226,388
Stated Interest - 9% non- convertible debentures payable	158,278	66,988	225,266
Stated Interest - 12% non- convertible debentures payable	8,432	3,568	12,000
Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	183,158	77,518	260,676
Non-cash interest expense - 12% non-convertible debentures payable - amortization of transaction costs	<u>1,496</u>	<u>633</u>	<u>2,129</u>
Segment (loss)	<u>(348,629)</u>	<u>(201,325)</u>	<u>(549,954)</u>

Period ended September 30, 2022

	MCA program	Aeroplan program	Total
	\$	\$	\$
Revenues	368,260	216,577	584,837
Direct expenses	<u>6,180</u>	<u>164,996</u>	<u>171,176</u>
	362,080	51,581	413,661
Selling & marketing	84,847	49,900	134,747
General & administrative	<u>179,072</u>	<u>105,313</u>	<u>284,385</u>
Earnings/(loss) from operations before depreciation, amortization and interest	98,161	(103,632)	(5,471)
Stated Interest - loan payable	111,934	-	111,934
Stated Interest - 9% non convertible debentures payable	127,285	74,858	202,143
Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	133,288	78,388	211,676
Interest - Lease	<u>112</u>	<u>68</u>	<u>180</u>
Segment (loss)	<u>(274,458)</u>	<u>(256,946)</u>	<u>(531,404)</u>

16 Government subsidies

The company availed pandemic relief measures. Amount of \$1,888 received during period ended September 30, 2022 under Canada's Federal rent subsidies (Hardest Hit Business Recovery Program) is reflected as a reduction of the facilities expense disclosed in note 14.

The company received \$60,000 under the Canada Emergency Business Account. \$20,000 of this loan of \$60,000 is forgivable provided the loan is re-paid by January 18, 2024. There is no interest on the \$60,000 loan provided it is re-paid by January 18, 2024. Beginning on January 19, 2024, interest will accrue on the balance of the loan at the rate of 5% per annum.

Aeroplan is a Registered Trademark of Aeroplan Inc.