ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three month periods ended September 30, 2023 and 2022

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at November 28, 2023. 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 three month period ended September 30, 2023, compared to the three month period ended September 30, 2022. 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, 2023, and the interim consolidated financial statements and the related notes for the three months ended September 30, 2023 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. Certain dollar amounts have been rounded and may not tie directly to the interim and 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 8 million consumers. Loyalty marketing services are delivered through its re-seller relationship with Aeroplan loyalty program owned by Air-Canada.

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

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

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

Improvements in financial performance metrics during three months ended September 30, 2023 ("Q1 Fiscal 2024") continued the trend from fiscal year ended June 30, 2023 ("Fiscal 2023"), and reflected execution of strategies identified and implemented during the previous fiscal year. Fiscal 2023 saw an acceleration in re-build of the two programs. The acceleration with respect to MCA program was facilitated by additional infusion of capital ($1,000,000). Loyalty marketing program benefited from increase in spending on marketing activities by businesses and rebound in travel post pandemic.

Financial performance for three months ended September 30, 2022 ("Q1 Fiscal 2023") reflected gradual re-build of the MCA program following capital raise of $1,150,000 in year ended June 30, 2022 ("Fiscal 2022") offset by diminished ability, for want of capital, to deploy advances falling due for renewal in September 2022. Aeroplan program revenues continued to improve reflecting gradual return to normality post pandemic offset by economic environment.

The key events of Q1 Fiscal 2024 and Q1 Fiscal 2023 and their outcomes on the financial performance are discussed in this Section.

Capital raise and re-build of MCA program

The capital raised in Fiscal 2023 and Fiscal 2022 was used to stabilize the company's financial position, fund re-build of its MCA business and for general corporate purposes. The re-build of the MCA program is evident in the Q1 Fiscal 2024 MCA program revenues, and the transaction credits. The company had diminished capacity for want of capital to deploy advances falling due for renewal in September 2022 and this limitation is reflected in the low balance of transaction credits, net of provision for delinquent accounts, at end of Q1 Fiscal 2023. The re-build of MCA program at end of September 30, 2023 to pre-pandemic level was substantially complete. This is illustrated in the tabulation.

	Q1 Fiscal 2024	Q1 Fiscal 2023	Q1 Fiscal 2019 *
	$	$	$
Revenues during the period	$ 525,689	$ 368,260	$ 653,855
Transaction credits, net of provision for delinquent accounts, at end of period	$ 6,018,216	$ 1,639,763	$ 6,821,914
* Three months ended December 31, 2019			

Support of holders of 9% 2025 debentures

In September 2023, holders of 9% Non-Convertible Debentures Payable (9% 2025 debentures) agreed to defer interest payments falling due in September 2023. 9% 2025 debentures are source of general working capital. (see Section 9% Non-Convertible Debentures Payable).

Agreements with other partners

Accord Financial Inc. ("Accord"). Accord provides a line of credit facility that is available to the company only for acquisition of transaction credits under its MCA program. This relationship enabled the company to re-build its MCA program. In August 2023 Accord lowered effective September 1, 2023 interest rate on loan payable. Details of line of credit facility available in Section Loan Payable

Aeroplan Inc. ("Aeroplan"). Under this agreement the company operated as a reseller of aeroplan points. In September 2023 the company and Aeroplan renewed their agreement for a five-year term expiring August 2028.

Financial Outcome

Significant improvement in key metrics are tabulated hereunder:

	Q1 Fiscal 2024	Q1 Fiscal 2023	Change
`	$	$	$
Revenues	$ 748,178	$ 584,837	$ 163,341
Gross profit	$ 587,787	$ 413,661	$ 174,126
Earnings/(Loss) from operations before depreciation, amortization and interest	$ 176,505	$ (5,471)	$ 181,976
(Loss) from operations before non-cash expenses	$ (287,149)	$ (319,548)	$ 32,399

The financial performance is discussed in detail in later Sections in this document.

Outlook

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

The loyalty marketing program the company provides is dependent on its agreement with Aeroplan. Operating this program gives the company a significant secondary business line and an advantage over competition in the MCA space.

The journey that started in Fiscal 2022 to re-build the company to pre-pandemic level and beyond by capturing a slice of the potential market for its products continued during Q1 Fiscal 2024 with encouraging progress.

There is reason to be cautiously optimistic about the company's future. The optimism comes from market size for the company's products and its experience of working in the market. Caution comes from uncertainty in the company's ability to raise capital which is required to maintain and expand its MCA program. Growth of MCA from Q1 Fiscal 2024 level is the path first to continue journey to financial stability and then to prosperity. Additional risk factor is the current inflationary and high interest environment and its fallout on the economy which in turn could adversely impact business and consumer confidence and the company's MCA and loyalty marketing programs.

Summary – Three months ended September 30, 2023

The financial highlights for Q1 Fiscal 2024 compared to Q1 Fiscal 2023 are summarized in the tabulation:

	Q1 Fiscal 2024	Q1 Fiscal 2023
	$	$
Revenues		
MCA program	$ 525,689	$ 368,260
Aeroplan program	222,489	216,577
	$ 748,178	**$ 584,837**
Earnings/(Loss) from operations before depreciation, amortization, interest	**$ 176,505**	**$ (5,471)**
Net (loss) and Comprehensive (loss)	**$ (549,954)**	**$ (531,404)**

Income Statement – Q1 Fiscal 2024 compared to Q1 Fiscal 2023

Highlights are provided in below tabulation.

	Q1 Fiscal 2024	Q1 Fiscal 2023
	$	$
Revenue	**$ 748,178**	**$ 584,837**
Direct expenses	160,391	171,176
Gross profit	**$ 587,787**	**$ 413,661**
Selling and General & Administrative	411,282	419,132
Earnings/(Loss) from operations before depreciation, amortization, interest	**$ 176,505**	**$ (5,471)**
Cash interest on loan payable and debentures	463,654	314,077
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (287,149)**	**$ (319,548)**
Non-cash interest expense - 1) accretion charges and restructuring bonus respecting 9% non-convertible debentures payable, 2) amortization of transaction costs respecting 9% non-convertible debentures payable and 12% non-convertible debentures payable, and 3) interest on lease	262,805	211,856
Net (loss) and comprehensive (loss)	**$ (549,954)**	**$ (531,404)**
Basic and Diluted (loss) per share	**$ (0.00)**	**$ (0.00)**

Specifics

Revenues. MCA program revenues at $525,689 improved $157,429 (42.7%) compared to Q1 Fiscal 2023 and reflected re-build of MCA program. Aeroplan program revenues at $222,489 were flat compared to Q1 Fiscal 2023 at $216,577 and both periods benefited from increase in spending on marketing activities by businesses and rebound in travel post pandemic. Total revenues at $748,178 were higher by $163,341 (27.9%) compared to Q1 Fiscal 2023.

Gross profit. MCA program gross profit at $518,100 improved $156,020 (43.1%) compared to Q1 Fiscal 2023 at $362,080. The improvement reflects the growth in MCA revenues. Aeroplan program gross profit at $69,687 was $18,106 higher (35.1%) compared to Q1 Fiscal 2023 at $51,581 and reflects margin improvement from mix of merchants generating revenues during the period and write-back ($6,628) of certain provisions no longer required.

Selling expenses were flat. Q1 Fiscal 2024 $138,176 compared to Q1 Fiscal 2023 $134,747. Remuneration/expenses of sales staff are the primary selling expenses (over 95% in both periods). Both periods reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of pandemic on the company.

General & Administrative expenses ("G&A") at $273,106 were $11,279 marginally lower (4.0%) compared to Q1 Fiscal 2023 at $284,385.

The above revenues less costs are reflected in $176,505 earnings from operations before depreciation, amortization and interest compared to $5,471 loss from operations before depreciation, amortization and interest for Q1 Fiscal 2023. A turnaround of $181,976.

Stated interest cost was higher by $137,577.

- Interest paid on loan payable was $114,454 higher (Q1 Fiscal 2024 $226,388 compared to Q1 Fiscal 2023 $111,934), a reflection of higher utilization of loan payable and increase in the interest rate due to rate increases by the Bank of Canada offset by reduction in interest rate Accord charges on loan payable (Section Loan Payable). Average loan payable balance during Q1 Fiscal 2024 was $5,893,170 compared to $3,240,394 during Q1 Fiscal 2023. The higher utilization reflects higher MCA program receivables (transaction credits – stated net of provision for delinquent accounts - on the balance sheet) during Q1 Fiscal 2024 which in turn is a reflection of the re-build of MCA;

- Interest on 9% 2025 debentures was $23,123 higher. The increase in Q1 Fiscal 2024 reflected 1) $13,500 from higher principal amount outstanding during Q1 Fiscal 2024 ($7,759,000) compared $71,59,000 during Q1 Fiscal 2023, and 2) balance is on account of interest on interest payable on account of accrued and unpaid interest; and
- Interest of $12,000 on 12% debentures. $ nil during Q1 Fiscal 2023.

Q1 Fiscal 2024 non-cash interest at $262,805 is higher by $50,949 compared to Q1 Fiscal 2023 at $211,856. The increase was primarily from accretion charges - $225,634 in Q1 Fiscal 2024 compared to $187,630 in Q1 Fiscal 2023 - to do with accounting related to 9% 2025 debentures (Section 9% Non-Convertible Debentures Payable).

The above factors are reflected in a marginally higher net loss. Q1 Fiscal 2024 $549,954 compared to Q1 Fiscal 2023 $531,404.

Balance Sheet – Q1 Fiscal 2024 compared to Q1 Fiscal 2023

	September 30, 2023	September 30, 2022	Increase/ (Decrease)
	$	$	$
Current assets			
Transaction credits	$ 6,018,216	$ 1,639,763	$ 4,378,453
Cash	239,897	156,938	82,959
All others	62,195	74,692	(12,497)
	$ 6,320,308	**$ 1,871,393**	**$ 4,448,915**
Transaction credits as % of Current assets	95.2%	87.6%	
Total assets	**$ 6,320,308**	**$ 1,871,393**	**$ 4,448,915**
Current liabilities			
Loan payable	$ 6,285,729	$ 2,420,240	$ 3,865,489
Accounts payable and accrued liabilities	3,836,014	2,896,743	939,271
All others	60,000	60,000	-
	$ 10,181,743	**$ 5,376,983**	**$ 4,804,760**
Non-current liabilities			
9% non-convertible debentures payable	$ 9,026,482	$ 7,367,697	$ 1,658,785
12% non-convertible debentures payable	289,284	-	289,284
Deferred fair value adjustment on 12% non-convertible debentures payable	82,974	-	82,974
	$ 9,398,740	**$ 7,367,697**	**$ 2,031,043**
Total liabilities	**$ 19,580,483**	**$ 12,744,680**	**$ 6,835,803**
Shareholders' deficiency	**$ (13,260,175)**	**$ (10,873,287)**	**$ 2,386,888**
Total Liabilities and Shareholders' deficiency	**$ 6,320,308**	**$ 1,871,393**	**$ 4,448,915**

Transaction credits. Firstly, the capital raised in Fiscal 2023 and Fiscal 2022 was used to stabilize the company's financial position, fund re-build of its MCA business and for general corporate purposes. The re-build of the MCA program is evident in the Q1 Fiscal 2024 MCA program revenues, and the transaction credits. For want of capital, the company could not deploy advances falling due for renewal in September 2022 and this was reflected in balance at end of Q1 Fiscal 2023. Secondly, provision for delinquent accounts reflected the company's policy to provide for credit risk. Controlling for write-off of delinquent accounts in Q1 Fiscal 2024 against provision, there was nominal movement on provision for delinquent accounts during the two periods. The above factors are reflected in the balance of transaction credits at the end of Q1 Fiscal 2024 and Q1 Fiscal 2023.

The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. To support the company during the pandemic Accord provided the company with a working capital overdraft. The loan payable balance at September 30, 2023 and September 30, 2022 includes amounts payable under the working capital overdraft provided by Accord (2023 $298,536 vs 2022 $429,425). The loan payable balance at September 30, 2023 and September 30, 2022 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods. Section Loan Payable.

The 9% 2025 debentures balances at September 30, 2023 and September 30, 2022 reflect debt portion fair value of debentures - plus primarily the accretion charges and long-term accrued and unpaid interest. (Section 9% Non-Convertible Debentures Payable).

12% debentures reflect accounting related to 12% non-convertible debentures issued in April 2023 (Section 12% Non-Convertible Debentures Payable).

Results of Operations

	Q1 Fiscal 2024	Q1 Fiscal 2023
	$	$
Revenue	$ **748,178**	$ **584,837**
Direct expenses	160,391	171,176
Gross profit	$ **587,787**	$ **413,661**
Selling and General & Administrative	411,282	419,132
Earnings/(Loss) from operations before depreciation, amortization, interest	$ **176,505**	$ **(5,471)**
Cash interest on loan payable and debentures	463,654	314,077
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	$ **(287,149)**	$ **(319,548)**
Non-cash interest expense - 1) accretion charges and restructuring bonus respecting 9% non-convertible debentures payable, 2) amortization of transaction costs respecting 9% non-convertible debentures payable and 12% non-convertible debentures payable, and 3) interest on lease	262,805	211,856
Net (loss) and comprehensive (loss)	$ **(549,954)**	$ **(531,404)**
Basic and Diluted (loss) per share	$ **(0.00)**	$ **(0.00)**

Extract from the Statement of Financial Position

	At September 30, 2023	At June 30, 2023	Increase/ (Decrease)
	$	$	$
Current assets			
Transaction credits	$ 6,018,216	$ 5,641,940	$ 376,276
All others	302,092	426,760	$ (124,668)
	$ 6,320,308	**$ 6,068,700**	**$ 251,608**
Total assets	**$ 6,320,308**	**$ 6,068,700**	**$ 251,608**
Current liabilities			
Loan payable	$ 6,285,729	$ 5,992,287	$ 293,442
Accounts payable and accrued liabilities	3,836,014	3,590,699	245,315
All others	60,000	60,000	-
	$ 10,181,743	**$ 9,642,986**	**$ 538,757**
Non-current liabilities			
9% non-convertible debentures payable ("9% 2025 debentures")	$ 9,026,482	$ 8,765,806	$ 260,676
Principal amount of 9% 2025 debentures at September 30, 2023 and June 30, 2023 $7,759,000			
12% non-convertible debentures payable ("12% debentures")	289,284	278,136	11,148
Deferred fair value adjustment on 12% non-convertible debentures payable			
Principal amount of 12% debentures at September 30, 2023 and June 30, 2023 $400,000	82,974	91,993	(9,019)
	$ 9,398,740	**$ 9,135,935**	**$ 262,805**
Total liabilities	**$ 19,580,483**	**$ 18,778,921**	**$ 801,562**
Shareholders' deficiency	**$ (13,260,175)**	**$ (12,710,221)**	**$ 549,954**

The change in current assets primarily reflects increase in transaction credits, net of provision for delinquent accounts. Firstly, the capital raised in Fiscal 2023 and Fiscal 2022 was used to stabilize the company's financial position, fund re-build of its MCA business and for general corporate purposes. The re-build of the MCA program is evident in the Q1 Fiscal 2024 MCA program the transaction credits.

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

On the current liabilities side, the main change is on account of loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance at September 30, 2023 also includes amounts payable under the working capital overdraft provided by Accord (September 30, 2023 $298,536 vs. June 30, 2023 $325,540). The loan payable balance at September 30, 2023, and June 30, 2023 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods.

Non-current liabilities reflect 9% 2025 debentures, and 12% debentures. The balances reflect prescribed debt accounting (Sections 9% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable).

The movement in the shareholders' deficit reflects net loss of $549,954 during Q1 Fiscal 2024.

Extracts from the Statement of Cash Flow

	Q1 Fiscal 2024	Q1 Fiscal 2023	Change
	$	$	$
Net (loss)	$ (549,954)	$ (531,404)	$ (18,550)
Adjustments for non cash expenses	500,071	413,999	86,072
(Loss) after adjustments for non cash expenses	$ (49,883)	$ (117,405)	$ 67,522
Changes in working capital	$ (344,089)	$ 1,793,551	$ (2,137,640)
Net cash generated from/(used in) financing activities	$ 293,442	$ (1,612,393)	$ 1,905,835
Net cash generated from/(used in) operations	$ (100,530)	$ 63,753	$ (164,283)
Cash at start of year	$ 340,427	$ 93,185	$ 247,242
Cash at end of year	$ 239,897	$ 156,938	$ 82,959

Adjustments for non-cash expenses. A significant item for both periods was accrued and unpaid 9% 2025 debentures interest, for Q1 Fiscal 2024 $225,266 vs. Q1 Fiscal 2023 $202,143. Furthermore, charges for Accretion and Restructuring bonus respecting 9% 2025 debentures were $253,937 for Q1 Fiscal 2024 vs. $206,664 for Q1 Fiscal 2023.

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items.

During Q1 Fiscal 2024 the primary item was increase in transaction credits, net of provision for delinquent accounts, of $376,276. This reflects re-build of the MCA program following infusion of capital in Fiscal 2023. During Q1 Fiscal 2023 the primary item was decrease in transaction credits, net of provision for delinquent accounts, of $1,672,505. Due to the company's diminished ability, for want of capital, to deploy advances falling due for renewal in September 2022, the transaction credits at September 30, 2022, were lower compared to June 30, 2022. Controlling for write-off of delinquent accounts in Q1 Fiscal 2024 against provision, there was nominal movement on provision for delinquent accounts during the two periods.

From time to time the company enters into payment plans to settle its dues. The company has a payment plan with Accord (Section Loan Payable). As of date hereof the company is current with the payment plan obligations.

Financing activities.

Primary item was Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord. During Q1 Fiscal 2024 the increase of $293,442 is primarily due to above noted movement on transaction credits. During Q1 Fiscal 2023 the decrease of $1,599,445 is primarily due to above noted movement on transaction credits.

Investing activities. $nil in both periods. During the last quarter of Fiscal 2023 the company completed move of its processing infrastructure to 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 interim consolidated financial statement for the three months ended September 30, 2023, and have been included to provide additional analysis for the reader.

Revenue

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

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

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

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

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

The revenue trends are provided in the tabulation.

	Q1 Fiscal 2024	Q1 Fiscal 2023	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 525,689	$ 368,260	$ 157,429	42.7%
Aeroplan program	222,489	216,577	5,912	2.7%
	$ 748,178	**$ 584,837**	**$ 163,341**	**27.9%**

MCA program

Revenues reflect the transaction credits deployed with merchants and number of participating merchants.

	Q1 Fiscal 2024	Q1 Fiscal 2023
Transaction credits (net of provision for delinquent accounts)		
At start of period	$ 5,641,940	$ 3,312,568
At end of period	$ 6,018,216	$ 1,639,763
Average during period	$ 5,830,078	$ 2,476,166
# of merchants		
At start of period	146	124
At end of period	158	106
Average during period	152	115

During Q1 Fiscal 2024 the increase in transaction credits, net of provision for delinquent accounts, of $376,276 and number of participating merchants reflects re-build of the MCA program following infusion of capital in Fiscal 2023.

During Q1 Fiscal 2023 the decrease in transaction credits, net of provision for delinquent accounts, of $1,672,505 and number of participating merchants was due to the company's diminished ability, for want of capital, to deploy advances falling due for renewal in September 2022.

Aeroplan program

Q1 Fiscal 2024 revenues reflect consolidation of gradual re-development of Aeroplan program.

Aeroplan program revenues saw a gradual uptick in Q1 Fiscal 2023 as economic activity picked up during summer of 2022.

The re-development process was facilitated from increase in spending on marketing activities by businesses and rebound in travel post pandemic.

Average number of merchants about 100 during both periods.

Direct Expenses

MCA direct expenses are expense for provision for delinquencies against transaction credits ($nil for both periods), and credit /collection expense (Q1 Fiscal 2024 $7,589 compared to $6,180 for Q1 Fiscal 2023).

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

	Q1 Fiscal 2024	Q1 Fiscal 2023	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 525,689	$ 368,260	$ 157,429	42.7%
Aeroplan program	222,489	216,577	5,912	2.7%
	$ 748,178	**$ 584,837**	**$ 163,341**	**27.9%**
Direct expenses				
MCA program	$ 7,589	$ 6,180	$ 1,409	22.8%
Aeroplan program	152,802	164,996	(12,194)	-7.4%
	$ 160,391	**$ 171,176**	**$ (10,785)**	**-6.3%**

MCA program.

While the company believes it has adequate provision for delinquencies as at September 30, 2023, the after effects of the pandemic and the prevailing inflationary and high interest environment are a significant risk factor when assessing the collectability of transaction credits.

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

The company monitored credit risk along above methodology during Q1 Fiscal 2024 and Q1 Fiscal 2023.

Aeroplan program

Q1 Fiscal 2024 reflects write-back ($6,628) of certain provisions no longer required.

Save for above write-back, direct cost relative to revenues is primarily attributable to the mix of gross margins the company earns from transacting merchants.

Gross Profit

The gross profit is tabulated:

	Q1 Fiscal 2024	Q1 Fiscal 2023	Inc./(Dec)
	$	$	$
MCA program	$ 518,100	$ 362,080	$ 156,020
Aeroplan program	69,687	51,581	18,106
	$ 587,787	**$ 413,661**	**$ 174,126**
Company gross margin	78.6%	70.7%	

The primary reason for the increase in company's gross profit was increase in MCA program gross profit. This improvement reflects improvement in MCA revenues on flat margin (Q1 Fiscal 2024 98.6% vs Q1 Fiscal 2023 98.3%).

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.

During both periods the company's sales force is common to MCA and Aeroplan programs.

	Q1 Fiscal 2024	Q1 Fiscal 2023	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 525,689	$ 368,260	$ 157,429	
Aeroplan program	222,489	216,577	5,912	
	$ 748,178	**$ 584,837**	**$ 163,341**	**27.9%**
Selling expenses				
MCA Remuneration/expenses of sales staff	$ 117,040	$ 116,664	$ 376	
Aeroplan Remuneration/expenses - staff	16,185	16,185	-	
All other	4,952	1,899	3,053	
	$ 138,176	**$ 134,747**	**$ 3,429**	**2.5%**
Remuneration/expenses as % of selling expenses	96.4%	98.6%		

Both periods reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of the pandemic on the company.

Increase in revenues driven by stable sales organization.

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).

	Q1 Fiscal 2024	Q1 Fiscal 2023	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues	**$ 748,178**	**$ 584,837**	**$ 163,341**	**27.9%**
G&A				
Compensation for non-sales staff including staff travel	170,205	177,238	(7,032)	
Directors fees	8,126	16,251	(8,126)	
All other G&A expenses	94,775	90,896	3,879	
	$ 273,106	**$ 284,385**	**$ (11,279)**	**-4.0%**
Remuneration/expenses as % of selling expenses	62.3%	62.3%		

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

Increase in revenues driven by existing infrastructure.

Interest Expense

The interest expense is tabulated:

	Q1 Fiscal 2024	Q1 Fiscal 2023	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 226,388	$ 111,934	$ 114,454
9% non convertible debentures payable	225,266	202,143	23,123
12% non-convertible debentures payable	12,000	-	12,000
	$ 463,654	$ 314,077	$ 137,577
Non-cash interest expense			
Accretion charge on 9% non-convertible debentures payable	$ 225,634	$ 187,360	$ 38,274
Restructuring bonus on 9% non-convertible debentures payable	28,303	19,304	8,999
Amortization of transaction costs on 9% non-convertible debentures payable and 12% non-convertible debentures payable	8,868	5,012	3,856
Interest - Lease	-	180	(180)
	$ 262,805	$ 211,856	$ 50,949
Total interest expense	**$ 726,459**	**$ 525,933**	**$ 188,526**

Stated interest cost was higher by $137,577.

- Interest paid on loan payable was $114,454 higher (Q1 Fiscal 2024 $226,388 compared to Q1 Fiscal 202 $111,934), a reflection of higher utilization of loan payable and increase in the interest rate due to rate increases by the Bank of Canada offset by reduction in interest rate Accord charges on loan payable (Section Loan Payable). Average loan payable balance during Q1 Fiscal 2024 was $5,893,170 compared to $3,240,394 during Q1 Fiscal 2022. The higher utilization reflects higher MCA program receivables (transaction credits – stated net of provision for delinquent accounts - on the balance sheet) during Q1 Fiscal 2024 which in turn is a reflection of the re-build of MCA;

- Interest on 9% 2025 debentures was $23,123 higher. The increase in Q1 Fiscal 2024 reflected 1) $13,500 from higher principal amount outstanding during Q1 Fiscal 2024 ($7,759,000) compared $71,59,000 during Q1 Fiscal 2023, and 2) balance is on account of interest on interest payable on account of accrued and unpaid interest; and
- Interest of $12,000 on 12% debentures. $ nil during Q1 Fiscal 2023.

Q1 Fiscal 2024 non-cash interest is higher compared to Q1 Fiscal 2023 and is primarily to do with accounting related to 9% 2025 debentures (Section 9% Non-Convertible Debentures Payable).

Net Loss

Highlights of Q1 Fiscal 2024 compared to Q1 Fiscal 2023 are tabulated:

	Q1 Fiscal 2024	Q1 Fiscal 2023	Inc./(Dec)
	$	$	$
Revenues	$ 748,178	$ 584,837	$ 163,342
Gross profit	$ 587,787	$ 413,661	$ 174,126
Earnings/(Loss) from operations before depreciation, amortization and interest	$ 176,505	$ (5,471)	$ 181,976
Net (loss) and Comprehensive (loss)	$ (549,954)	$ (531,404)	$ 18,550
Basic and Diluted loss per share	$ (0.00)	$ (0.00)	

The detailed analysis of the above tabulated items is provided in Sections - *Income Statement – Q1 Fiscal 2024 compared to Q1 Fiscal 2023*, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Working Capital and Liquidity Management

	Q1 Fiscal 2024	Q1 Fiscal 2023
	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	$ (549,954)	$ (531,404)
Adjustments for non cash expenses	500,071	413,999
(Loss) after adjustment for non cash expenses	(49,883)	(117,405)
Cash balances at start of the period	340,427	93,185
Change in loan payable	293,442	(1,599,445)
Change in accounts receivable	24,138	10,217
	$ 608,124	**$ (1,613,448)**
Utilization of funds		
Cash balances at end of periods	$ 239,897	$ 156,938
Change in transaction credits	376,276	(1,672,505)
Change in accounts payable & accrued liabilities	(8,049)	(70,829)
Change in all other working capital items	-	(40,000)
Change in other financing items	-	12,948
	$ 608,124	**$ (1,613,448)**

Working Capital and Liquidity Management

Adjustments for non-cash expenses. A significant item for both periods was accrued and unpaid 9% 2025 debentures interest, for Q1 Fiscal 2024 $225,266 vs. Q1 Fiscal 2023 $202,143. Furthermore, charges for

Accretion and Restructuring bonus respecting 9% 2025 debentures were $253,937 for Q1 Fiscal 2024 vs. $206,664 for Q1 Fiscal 2023.

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items.

During Q1 Fiscal 2024 the primary item was increase in transaction credits, net of provision for delinquent accounts, of $376,276. This reflects re-build of the MCA program following infusion of capital in Fiscal 2023. During Q1 Fiscal 2023 the primary item was decrease in transaction credits, net of provision for delinquent accounts, of $1,672,505. Due to the company's diminished ability, for want of capital, to deploy advances falling due for renewal in September 2022, the transaction credits at September 30, 2022, were lower compared to June 30, 2022. Controlling for write-off of delinquent accounts in Q1 Fiscal 2024 against provision, there was nominal movement on provision for delinquent accounts during the two periods.

From time to time the company enters into payment plans to settle its dues. The company has a payment plan with Accord (Section Loan Payable). As of date hereof the company is current with the payment plan obligations.

Financing activities.

Primary item was Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord. During Q1 Fiscal 2024 the increase of $293,442 is primarily due to above noted movement on transaction credits. During Q1 Fiscal 2023 the decrease of $1,599,445 is primarily due to above noted movement on transaction credits.

Investing activities. $nil in both periods. During the last quarter of Fiscal 2023 the company completed move of its processing infrastructure to 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 which ended in fiscal year ended June 30, 2019 and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company either has in place or is negotiating payment plans with suppliers critical to ongoing operations.

Cash balances at the end of periods reflect cash (used) by operations [(loss) after adjustment for non-cash expenses – see above tabulation], payments of accounts payable, collection of transaction credits, deployment of advances with merchants, raise of capital by issuance of 9% 2025 debentures and 12% debentures, and usage for general corporate purposes.

The company's operations are funded by debt – loan payable, 9% 2025 debentures and 12% debentures (Sections Loan Payable, 9% Non-Convertible Debentures Payable, and 12% Non-Convertible Debentures Payable). The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord, holders of 9% 2025 debentures and holders of 12% debentures (Section Economic Dependence), and access to additional working capital in the form of debt and or equity.

The capital the company raised in Fiscal 2022 and Fiscal 2023 was used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it was able to expand its MCA portfolio was dependent on the return of merchant business confidence and the availability of funds – after use to stabilize its financial position and for general corporate purposes - from the money raised in Fiscal 2022 and Fiscal 2023 to expand MCA portfolio. The return of merchant business confidence and the company's ability to raise growth capital are matters of uncertainty given the prevailing economic environment. The growth of company's MCA portfolio from level at September 30, 2023 is essential to bring financial stability.

At the end of September 2023, the company is in need of capital to maintain its current MCA program activity level, to continue to re-build its MCA program to pre pandemic level and continue operations.

As of September 30, 2023 the company does not have any off-balance sheet financing arrangements.

Going Concern

The consolidated financial statements for three months ended September 30, 2023 ("CFS") 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 to CFS), 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 to CFS). 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 to CFS) which supports the company's merchant cash advance program, and b) general working capital provided by 9% 2025 debentures (note 7 to CFS) and 12% debentures (note 8 to CFS); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

Contractual obligations as at September 30, 2023 were due as follow:

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 6,285,729	$ 6,285,729	$ -	$ -
9% 2025 debentures		7,759,000	-	7,759,000	-
12% debentures		400,000	-	400,000	-
Canada Emergency Business Account		60,000	-	60,000	-
		$ 14,504,729	**$ 6,285,729**	**$ 8,219,000**	**$ -**

In addition,

1. there are contractual obligations to holders of 9% 2025 debenture payable on maturity date December 31, 2025: interest of $1,150,383 payable for the period December 16, 2018 to March 14, 2021, restructuring bonus of $1,396,620, and interest on unpaid interest of $744,715. During the term of the 9% 2025 debentures the company has a contractual obligation to pay stated interest at 9% of $3,906,665.

2. there is a contractual obligation to holders of 12% debentures payable for interest of $118,882.

Loan Payable

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

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 (Section Related Party Transactions).

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 (Section Related Party Transactions). 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.

12% Non-Convertible Debentures Payable

In January 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.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
12 month period ended September 30, 2023						
		Q2	Q3	Q4	Q1	Total
		Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	
		$	$	$	$	$
Revenues		0.4	0.5	0.6	0.7	2.2
% of annual revenues		18.3%	22.7%	27.2%	31.8%	100.0%
Net (loss)		(0.6)	(0.7)	(0.7)	(0.5)	(2.5)
(Loss) per share - Basic and Diluted		-	-	-	-	(0.01)
12 month period ended September 30, 2022						
		Q4	Q3	Q4	Q1	Total
		Dec 31, 2021	Mar 21, 2022	Jun 30, 2022	Sep 30, 2022	
		$	$	$	$	$
Revenues		0.4	0.5	0.5	0.6	2.0
% of annual revenues		20.1%	25.0%	24.9%	30.0%	100.0%
Net (loss)		(0.7)	(0.6)	(0.9)	(0.5)	(2.7)
(Loss) per share - Basic and Diluted		-	-	-	-	(0.01)

Q1 Fiscal 2024 reflects re-build of MCA business following capital raises of Fiscal 2022 and Fiscal 2023. Q1 Fiscal 2023 reflects re-build of MCA business following capital raises in Fiscal 2022 and diminished capital availability to deploy advances falling due for renewal in September 2022.

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. During Q4 of Fiscal 2023 the company completed move of its IT infrastructure into the Cloud. The company does not expect significant capital expenditures in the next twelve months.

Critical Accounting Estimates

The preparation of the company's consolidated financial statements, in accordance with IFRS, requires the company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim and annual consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The company's significant accounting policies are disclosed in note 3 to the audited consolidated financial statements for year ended June 30, 2023.

Contingent liabilities

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

Going concern

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

The company's audited consolidated financial statements for year ended June 30, 2023 and three months ended September 30, 2023 carry a going concern note (note 2a and note 2 respectively). 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 initial fair value of the 9% 2025 debentures and 12% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital. The key input in the determination of fair value is derived from comparable companies discount rate.

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.

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

Under the 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.

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 pandemic, for period ended June 30, 2022 and September 30, 2022, for the unimpaired transaction credits the company estimated loss based on historical loss rate. Due to the uncertainties created by the inflationary and high interest environment, for period ended December 31, 2022, for the unimpaired transaction credits the company estimated loss based on historical loss rate supplemented by a forecast loss rate. With the economic situation being less uncertain during subsequent period ended June 30, 2023 and September 30, 2023, for unimpaired 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. Location of the merchant business, past and current payment history, current economic activity levels, are the inputs into the forecast loss ratio.

The company collects its dues through pre-authorized debits. The company's past experience is that recurring rejections of payments by a merchant – unless due to administration or clerical oversight and rapidly rectified - is the likely indication of the merchant not being able to operate, pay the company's dues leading to a credit loss. The risk management processes of the company in determining the expected credit losses review: a) the unimpaired portfolio for merchants with recurring rejections, b) reason(s) for the rejection(s) and the 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 uncertainties created by pandemic impacted economic activity. and hence the evaluation of collectability of transaction credits. During period ended September 30, 2023 the inflationary and increasing 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 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:

	September 30, 2023	June 30, 2023
	$	$
Transaction credits	$ 6,880,397	$ 7,134,832
Accounts receivable	65,164	89,302
Allowance	(866,566)	(1,497,277)
Per Consolidated statement of financial position	**$ 6,078,995**	**$ 5,726,857**
Maximum exposure to credit risk	**$ 6,078,995**	**$ 5,726,857**

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	(579,165)	(1,262,909)
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

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable, the stock option price is to be fixed by the Board of Directors, term of the stock options may not exceed five years and payment for the optioned shares is required to be made in full on the exercise of the stock options. All stock options are equity settled. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediately to four years.

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

There were no stock options outstanding during Q1 Fiscal 2024 and Q1 Fiscal 2023.

There was no stock based compensation expense during Q1 Fiscal 2024 and Q1 Fiscal 2023.

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 where 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.

Outstanding Share Data

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

No change in issued and outstanding Class A preference shares since June 30, 2023. Issued and outstanding 461,887 Class A preference shares.

No change in issued and outstanding common shares since June 30, 2023. Issued and outstanding 265,390,090.

Potentially Dilutive Securities

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

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 respectively financing 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 Section 9% Non-Convertible Debentures Payable.

Common shares

The related parties were issued common shares of the company for their purchase of 9% 2025 debentures.
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
	$ 5,391,000	244,321,172	$ 5,394,680	244,481,213
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

Economic Dependence

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

While both programs are dependent on the continuity of the support of the 9% 2025 debentures and 12% debentures which are the source of general working capital, the MCA program is dependent on the support of asset-based lenders, such as Accord, which provide the financing enabling the company to fund up to 90% of each $ of merchant cash advance.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures mature December 31, 2025. The 9% 2025 debentures require the company to meet financial covenants. The company has secured agreement of the holders of 9% 2025 debentures to waive breach of financial covenants, re-set financial covenants and defer interest payable. Details provided in Section 9% Non-Convertible Debentures Payable. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them. The company has a 20-year relationship with the principal holders of the 9% 2025 debentures and the principal holders invested $1,925,000 through 9% 2025 debentures in the company since March 2021. The most recent investment was of $600,000 in January 2023. Sections 9% Non-Convertible Debentures Payable and Related Party Transactions.

The 12% debentures were issued in April 2023 and mature 10, 2025. The 12% debentures rank pari passu on security with the 9% 2025 debentures. This is a new partnership.

In March 2022 the company and Accord agreed to 1) extend the term of their loan payable agreement, which was due to end June 30, 2022, to July 31, 2024, and 2) a payment plan for the company to re-pay the general working capital overdraft facility – provided to enable the company to cope with the adverse impacts of pandemic - by July 31, 2024. As of date hereof the company is current with its obligations under the payment plan. The agreement is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term. The loan payable is repayable on demand to Accord pursuant to an event of default defined in the agreement. The company's partnership with Accord is since 2007.

The Aeroplan program is dependent on agreement with Aeroplan. In September 2023 the agreement was renewed for a five-year term ending August 31, 2028. The agreement can be terminated by Aeroplan under certain circumstances during its term, one of which is if the company is in arrears on its payment obligations to Aeroplan. As of date hereof the company is current on its payment obligations. The company's partnership with Aeroplan is from 2010.

General Risks and Uncertainties

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

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% 2025 debentures, 12% debentures (Sections Loan Payable, 9% Non-Convertible Debentures Payable, and 12% Non-Convertible Debentures Payable). The loan payable agreement term ends July 31, 2024. The 9% 2025 debentures mature December 31, 2025. The 12% debentures mature October 10, 2025. The company's secondary business of re-seller of aeroplan points depends on its agreement with Aeroplan. The risks connected to the continuity of the three sources of debt and agreement with Aeroplan are explained in Section Economic Dependence.

The pandemic created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration and quantum of the aftereffects of the pandemic – which currently are manifesting in inflationary and rising interest rate environment - on the economy in general, and the company and company's merchants in particular. This may adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% 2025 debentures; 12% debentures; retain agreement with Aeroplan; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern.

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

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each $ of merchant cash advance and a loan payable facility to fund the balance. However, for access to a loan payable facility in excess of the current $8.5 million provided by Accord the company needs to put in higher % as co-fund. The company has limited ability to fund and consequently retain the MCA portfolio at September 30, 2023, levels using the current Accord loan payable facility. The retention of September 30, 2023 level of MCA portfolio and thereafter growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% 2025 debenture holders, 12% debentures and other critical suppliers. General market conditions; the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet, general security interest held by 9% 2025 debentures over the assets of the company and its subsidiaries may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

The loan payable facility limit is $8.5 million and as at September 30, 2023 the company has utilized $6.3 million. This limitation would be an impediment to growth of MCA program unless the limit is increased by Accord and or the company can secure an additional source at economic terms and conditions.

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

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

The company's activities are funded by three sources of debt. The 9% 2025 debentures and 12% debentures have a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% 2025 debentures and 12% debentures, its future cash flows and profitability are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 8.80%, effective September 1, 2021 on loan payable and which is reduced effective September 1, 2023 to prime rate of a certain Canadian bank plus 8.0%. The current inflationary and resulting interest rate environment has heightened this risk to the company's future cash flows and profitability. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During period ended September 30, 2023 the company incurred interest expense of $226,388 on utilization of loan payable. Had the interest rate been 10% higher during period ended September 30, 2023 the interest cost would be approximately $22,000 higher.

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

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

The Aeroplan program the company operates is its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada.

Under the Aeroplan program the company operates as a re-seller for Aeroplan and is dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on Air-Canada. Due to the rising cost of travel and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currency used in this program could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

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

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

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

Forward-Looking Information

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

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable, and holders of 9% 2025 debentures and 12% debentures; securing agreement to defer interest payments and re-set financial covenants from holders of 9% 2025 debentures; securing waiver of defaults from holders of 9% 2025 debentures; meeting payment plan with respect to the working capital overdraft facility advanced by Accord; its ability to access additional working capital in the form of debt (including loan payable facility) and or equity to meet operational needs and to support the growth of the MCA program and 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 pandemic, inflationary and interest rate environment on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

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

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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