

**ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended December 31, 2021**

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	December 31, 2021	June 30, 2021
		\$	\$
Assets			
Current assets			
Cash		\$ 148,148	\$ 82,606
Accounts receivable		53,209	93,090
Transaction credits	5	4,869,486	1,726,663
Prepaid expenses and sundry assets		44,258	43,675
		<u>\$ 5,115,101</u>	<u>\$ 1,946,034</u>
Total assets		\$ 5,115,101	\$ 1,946,034
Liabilities			
Current liabilities			
Loan payable	6	\$ 5,250,429	\$ 2,387,439
Lease liability	15	49,706	71,910
Loan	16	60,000	60,000
Accounts payable and accrued liabilities		2,627,856	2,731,158
9% non convertible debentures payable	7	5,975,705	-
		<u>\$ 13,963,696</u>	<u>\$ 5,250,507</u>
Non-current liabilities			
9% non convertible debentures payable	7	\$ -	\$ 4,694,885
Lease liability	15	-	12,769
		<u>\$ -</u>	<u>\$ 4,707,654</u>
Total liabilities		\$ 13,963,696	\$ 9,958,161
Shareholders' deficiency			
Share capital	8	\$ 24,530,555	\$ 24,530,555
Contributed surplus		7,767,445	7,364,720
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(41,099,212)	(39,860,019)
Total deficiency		\$ (8,848,595)	\$ (8,012,127)
Total liabilities and deficiency		\$ 5,115,101	\$ 1,946,034

Going concern (note 2) and Commitments and contingencies (note 11)

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 and six months ended December 31, 2021 and 2020
(expressed in Canadian dollars)

	Note	3 months ended December 31		6 months ended December 31	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenues	14				
Marketing activities		\$ 91,599	\$ 194,122	\$ 289,067	\$ 307,080
Interest income		<u>275,597</u>	<u>192,804</u>	<u>451,426</u>	<u>391,618</u>
		\$ 367,196	\$ 386,926	\$ 740,493	\$ 698,698
Direct expenses	13/14	<u>79,402</u>	<u>166,148</u>	<u>219,039</u>	<u>256,592</u>
		287,794	220,778	521,454	442,106
Operating expenses					
Selling and marketing	13/14	153,176	109,795	301,074	256,960
General and administrative	13/14	<u>297,968</u>	<u>220,553</u>	<u>499,576</u>	<u>383,250</u>
(Loss) from operations before depreciation, amortization and interest		(163,350)	(109,570)	(279,196)	(198,104)
Stated interest expense - loan payable, and 9% non convertible debentures payable	6/7	323,441	225,124	567,648	471,965
Interest - Lease	15	1,692	3,532	3,864	7,492
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	7	194,302	159,539	388,485	317,652
Depreciation of right of use asset	15	<u>-</u>	<u>11,373</u>	<u>-</u>	<u>22,746</u>
Net (loss) and comprehensive (loss)		\$ (682,785)	\$ (509,138)	\$ (1,239,193)	\$ (1,017,959)
(Loss) per share					
Basic and Diluted	12	\$ (0.00)	\$ (0.00)	\$ (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 and six months ended December 31, 2021 and 2020
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	₤	₤	₤	₤	₤	₤
Balance - July 1, 2020	\$ 3,815	\$ 24,526,740	\$ 4,117,170	\$ (47,383)	\$ (37,768,052)	\$ (9,167,710)
Net (loss) and comprehensive (loss)	-	-	-	-	(1,017,959)	(1,017,959)
Balance - December 31, 2020	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 4,117,170</u>	<u>\$ (47,383)</u>	<u>\$ (38,786,011)</u>	<u>\$ (10,185,669)</u>
Balance - July 1, 2021	\$ 3,815	\$ 24,526,740	\$ 7,364,720	\$ (47,383)	\$ (39,860,019)	\$ (8,012,127)
Issuance of 9% non convertible debentures payable (note 7)	-	-	402,725	-	-	402,725
Net (loss) and comprehensive (loss)	-	-	-	-	(1,239,193)	(1,239,193)
Balance - December 31, 2021	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 7,767,445</u>	<u>\$ (47,383)</u>	<u>\$ (41,099,212)</u>	<u>\$ (8,848,595)</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 and six months ended December 31, 2021 and 2020
(expressed in Canadian dollars)

	Note	2021	2020
		\$	\$
Operational activities			
Net (loss) for the period		\$ (1,239,193)	\$ (1,017,959)
Adjustments for:			
Accrued and unpaid 9% non convertible debentures payable interest	7	372,561	260,571
Interest - Lease	15	3,864	7,492
Depreciation of right of use asset	15	-	22,746
Accretion charge - 9% non convertible debentures payable	7	346,271	174,404
Restructuring bonus - 9% non convertible debentures payable	7	36,254	133,855
Amortization of transaction costs - 9% non convertible debentures payable	7	<u>5,960</u>	<u>9,393</u>
		(474,283)	(409,499)
Changes in items of working capital			
Accounts receivable		39,881	(109,992)
Transaction credits		(3,142,823)	1,673,128
Prepaid expenses and sundry assets		(583)	1,398
Accounts payable and accrued liabilities		<u>(103,302)</u>	<u>261,902</u>
		(3,206,827)	1,826,436
Net cash (used)/generated - operating activities		\$ (3,681,110)	\$ 1,416,937
Financing activities			
Gross proceeds - 9% non convertible debentures payable	7	\$ 1,000,000	\$ -
Transaction costs - 9% non convertible debentures payable	7	(77,501)	-
Proceeds from loan - Canada Emergency Business Account		-	20,000
Payment for lease		(38,837)	(38,836)
Increase/(Decrease) of loan payable	6	<u>2,862,990</u>	<u>(1,525,117)</u>
Net cash generated/(used) - financing activities		\$ 3,746,652	\$ (1,543,953)
Increase/(Decrease) in cash during the period		\$ 65,542	\$ (127,016)
Cash at beginning of the period		<u>82,606</u>	<u>166,601</u>
Cash at end of the period		\$ 148,148	\$ 39,585
Additional information			
Interest paid		\$ 195,087	\$ 211,394
Cash		<u>\$ 148,148</u>	<u>\$ 39,585</u>

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

Advantex Marketing International Inc.
Notes to the Consolidated Financial Statements (unaudited)
For the three and six months ended December 31, 2021 and 2020
(expressed in Canadian dollars)

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 December 31, 2021 and 2020 the company's core business was its merchant cash advance program. Under this program, the company provides merchants with working capital through the pre-purchase, at a discount, of merchants' future cash flows.

The company also has an agreement with Aeroplan Inc. owned by Air Canada ("AC") to operate as a re-seller of aeroplan points to merchants. Aeroplan members are eligible to earn aeroplan points on purchases at merchants who acquire aeroplan points from the company. The original five year term of the agreement ended April 30, 2019, was extended to April 2020, thereafter to April 2021 and as of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. The agreement can be terminated by AC under certain conditions during its term.

The company's segment reporting is provided in note 14.

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

2 Going concern

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

The company has a shareholders' deficiency of \$8,848,595 and negative working capital of \$8,848,595 as at December 30, 2021. In September 2021 the company closed a \$1.0 million financing (notes 7 and 10). The pandemic has 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: loan payable (note 6) which supports the company's merchant cash advance program, and general working capital provided by 9% 2025 debentures (note 7); 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, 2021, 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 on February 28, 2022.

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, 2021.

5 Transaction credits

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

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

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

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

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

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

The Covid-19 pandemic restrictions have impacted economic activity. As of date hereof the federal and provincial governments are easing the restrictions in phases. There is uncertainty related to the pace and extent of economic recovery in the business segments the company operates in and hence the evaluation of collectability of transaction credits.

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

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

The transaction credits and the allowance is as follows:

	December 31, 2021	June 30, 2021
	\$	\$
Transaction credits	\$ 5,931,338	\$ 2,787,958
Allowance	(1,061,852)	(1,061,295)
Per Consolidated statement of financial position	\$ 4,869,486	\$ 1,726,663
Maximum exposure to credit risk on Transaction credits	\$ 4,869,486	\$ 1,726,663

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

	December 31, 2021	June 30, 2021
	\$	\$
Impaired transaction credits	\$ 864,522	\$ 896,059
Allowance	(864,522)	(896,059)
Impaired transaction credits not allowed for	\$ -	\$ -
The company carries a general allowance towards transaction credits. This allowance at December 31, 2021 is the historical loss ratio. At June 30, 2021 this allowance is the historical loss ratio and a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic	\$ 197,330	\$ 165,236

Movement on allowance for impaired transaction credits:

	December 31, 2021	December 31, 2020
	\$	\$
Balance brought forward at start of period	\$ 1,061,295	\$ 994,198
Allowance created during the period	-	67,500
Impaired accounts written back against allowance	557	477
Balance carried forward at end of period	\$ 1,061,852	\$ 1,062,175

6 Loan payable

	December 31, 2021	June 30, 2021
	\$	\$
Balance at start of period	\$ 2,387,439	\$ 4,369,006
Increase/(Decrease) in borrowing	<u>2,862,990</u>	<u>(1,981,567)</u>
Balance at end of period	\$ 5,250,429	\$ 2,387,439

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

In September 2021 the company and Accord agreed to extend the term of their agreement, which was due to end in December 2021, to June 30, 2022. The agreement is subject to automatic renewal thereafter for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term.

The interest rate was equivalent to the prime rate of a certain Canadian bank plus 9.05% during period January 1, 2018 until August 31, 2021. Effective September 1, 2021 the interest rate is equivalent to prime rate of a certain Canadian bank plus 8.80%.

Due to Covid-19 pandemic restrictions and their impact on the company’s business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of \$460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of December 31, 2021 the company has utilized \$443,000 from this facility. The September 2021 agreement gave Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord did not exercise this option, the overdraft would be repayable by the company in equal monthly instalments between January 2022 and June 2022. In December 2021 Accord informed the company it would not exercise the conversion option. Accord deferred the start of the re-payment to April 1, 2022. The company and Accord are in discussions on a new re-payment plan.

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

In certain circumstances the loan payable is repayable on demand to Accord.

The interest cost during three and six month periods ended December 31, 2021 was \$124,386 and \$195,087 (2020 \$94,839 and \$211,394).

7 9% Non-convertible debentures payable

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, 2021. The financing was a related party transaction (note 10).

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

On September 7, 2021 the company issued 9% 2025 debentures for gross proceeds of \$1.0 million. The financing was a related party transaction (note 10). As described in Note 10, in September 2021, the purchasers of 9% 2025 debentures - \$250,000 in March 2021 and \$1.0 million in September 2021 - received common shares. The common shares were determined to have nil value.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at March 31, 2021, June 30, 2021, and September 30, 2021. The company was offside of a financial covenant at December 31, 2021 and consequently the 9% 2025 debentures are treated as a current liability at December 31, 2021. 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 shall be seeking a waiver to the default at December 31, 2021.

The issuance of 9% 2025 debentures in March 2021 was considered a transaction with holders of 9% debentures in their capacity as shareholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures. The value of the 9% 2025 debentures was determined as the amount required to extinguish the 9% debentures. The fair value of the 9% 2025 debentures issued was determined to be \$4,310,989 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures.

The fair value of the \$1.0 million 9% 2025 debentures issued in September 2021 was determined to be \$597,275 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result, a gain of \$402,725 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency). In addition, the company incurred \$77,501 of transaction costs related to the transaction and these 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>
	\$	\$	\$
Fair value of 9% 2025 debentures in the principal amount of \$6,009,000 on issuance March 15, 2021	\$ 4,310,989	\$ -	\$ 4,310,989
Accretion charge for the period	204,239	-	204,239
Restructuring bonus for the period	(9,234)	-	(9,234)
Interest for the period	-	188,891	188,891
Balance at June 30, 2021	\$ 4,505,994	\$ 188,891	\$ 4,694,885
Fair value of 9% 2025 debentures issued in September 2021	597,275	-	597,275
Transaction costs related to September 2021 raise	(77,501)	-	(77,501)
Accretion charge for the period	346,271	-	346,271
Restructuring bonus for the period	36,254	-	36,254
Amortization of transaction costs for the period	5,960	-	5,960
Interest for the period	-	372,561	372,561
Balance at December 31, 2021	\$ 5,414,253	\$ 561,452	\$ 5,975,705

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

	<u>Period ended December 31, 2021</u>			<u>Period ended December 31, 2020</u>		
	<u>Stated interest</u>	<u>Accretion charge</u>	<u>Restructuring bonus</u>	<u>Stated interest</u>	<u>Accretion charge</u>	<u>Restructuring bonus</u>
	\$	\$	\$	\$	\$	\$
<u>Three Months ended December 31, 2021</u>						
9% debentures	\$ -	\$ -	\$ -	\$ 130,285	\$ 87,916	\$ 66,927
9% 2025 debentures	199,055	172,327	17,505	-	-	-
	<u>\$ 199,055</u>	<u>\$ 172,327</u>	<u>\$ 17,505</u>	<u>\$ 130,285</u>	<u>\$ 87,916</u>	<u>\$ 66,927</u>
<u>Six months ended December 31, 2021</u>						
9% debentures	\$ -	\$ -	\$ -	\$ 260,571	\$ 174,404	\$ 133,855
9% 2025 debentures	372,561	346,271	36,254	-	-	-
	<u>\$ 372,561</u>	<u>\$ 346,271</u>	<u>\$ 36,254</u>	<u>\$ 260,571</u>	<u>\$ 174,404</u>	<u>\$ 133,855</u>

In addition, three and six months ended December 31, 2021 include amortization of transaction costs (\$4,470 and \$5,960) compared to corresponding periods in the previous year (\$4,696 and \$9,393)

8 Share capital

No change in the authorized share capital since June 30, 2021.

No change in issued Class A preference shares since June 30, 2021.

Common shares:

In September 2021 the company issued common shares to: 1) purchasers of 9% 2025 debentures, 2) CEO and CFO as retention bonus, and 3) CEO and CFO in lieu of a portion of vacation pay due to them. Details provided in notes 7 and 10.

	<u>Number of common shares</u>	<u>\$</u>
No par value. At June 30, 2021	878,948,414	\$ 24,526,740
No par value. At September 30 and December 31, 2021	6,932,716,451	\$ 24,526,740

9 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 16,688,546.

There were nil employee stock options outstanding at December 31, 2021, June 30, 2021, and December 31, 2020.

The number of employee stock options available for future issuance as at December 31, 2021, June 30, 2021 and December 31, 2020 was 16,688,546.

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.

On August 26, 2021 at a special meeting of the shareholders the company received approval from its shareholders to increase to 412,000,000, from 32,000,000, as the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan.

The company has not granted any RSUs under the RSU plan as at December 31, 2021, June 30, 2021 and December 31, 2020.

Potentially Dilutive Securities

No potentially dilutive securities exist as at December 31, 2021 and December 31, 2020.

10 Related party transactions

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

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

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

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

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

- a. For purchase of \$200,000 and \$975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 5,258,125,000 common shares to managed accounts and principals of Generation IACP Inc. and Generation PMCA Corp. For purchase of \$50,000 and \$25,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 335,625,000 common shares to Kelly Ambrose the company's President and Chief Executive Officer;
- b. Kelly Ambrose, the company's President and Chief Executive Officer was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of vacation pay due to him; and
- c. Mukesh Sabharwal, the company's Vice President and Chief Financial Officer was issued 125,000,000 common shares as a retention bonus and 3,429,384 common shares in lieu of a portion of vacation pay due to him.

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

	<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>9% 2025 debentures</u>	<u>Common shares</u>	<u>9% 2025 debentures</u>	<u>Common shares</u>
Director, Chief Executive Officer - K. Ambrose	\$ 575,000	762,737,471	\$ 550,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz	9,000	1,168,971	9,000	1,168,971
Chief Financial Officer - M. Sabharwal	115,000	155,927,960	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	3,543,650	4,452,455,589	2,815,229	321,629,458
Herbert Abramson (b)	<u>356,000</u>	<u>1,130,310,814</u>	<u>159,891</u>	<u>11,560,814</u>
	<u>\$ 5,098,650</u>	<u>6,576,115,623</u>	<u>\$ 4,149,120</u>	<u>530,896,455</u>
Total issued and outstanding 9% 2025 debentures and common shares	\$ 7,009,000	6,932,716,451	\$ 6,009,000	878,948,414
% held by parties in tabulation	72.7%	94.9%	69.0%	60.4%
(a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the above securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms				
(b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company				

11 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.

12 Earnings per share

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

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

	Three months ended December 31, 2021	Three months ended December 31, 2020	Six months ended December 31, 2021	Six months ended December 31, 2020
	\$	\$		
Net (loss) and comprehensive (loss)	\$ (682,785)	\$ (509,138)	\$ (1,239,193)	\$ (1,017,959)
Basic and Diluted EPS				
Average number of issued common shares during the period	6,932,716,451	878,948,414	4,695,454,350	878,948,414
Basic EPS	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
There are no potentially dilutive common shares outstanding at December 31, 2021 and 2020. Hence Diluted EPS not computed				

13 Nature of expenses

	Six months ended December 31, 2021	Six months ended December 31, 2020
	\$	\$
Direct expenses		
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	\$ 213,116	\$ 183,850
Expense for provision against impaired accounts receivable and transaction credits, and credit/collection expense	5,923	72,742
	\$ 219,039	\$ 256,592
Selling and Marketing, and General & Administrative		
Salaries and wages including travel	\$ 586,413	\$ 499,057
Professional fees	98,395	60,586
Facilities, processing, and office expenses	61,041	68,530
Other	54,801	12,037
	\$ 800,650	\$ 640,210

Selling and Marketing, and General & Administrative reflect:

1. Receipt of wage and rent subsidies during six months ended December 31, 2021 of \$110,121 (2020 \$280,478); and
2. Salaries and wages expense during six months ended December 31, 2021 period reflects write-back of \$35,063 (in September 2021) resulting from extinguishment of a portion of vacation pay dues to CEO and CFO of the company upon issuance to them of common shares in September 2021 (note 10).

14 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 December 31 2021 and December 31, 2020 is tabulated.

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

<u>For six months ended December 31, 2021</u>			
	MCA program	Aeroplan program	Total
	\$	\$	\$
Revenues	451,426	289,067	740,493
Direct expenses	<u>5,923</u>	<u>213,116</u>	<u>219,039</u>
	445,503	75,951	521,454
Selling & marketing	183,543	117,531	301,074
General & administrative	<u>304,556</u>	<u>195,020</u>	<u>499,576</u>
(Loss) from operations before depreciation, amortization and interest	(42,596)	(236,600)	(279,196)
Stated Interest - loan payable	195,087	-	195,087
Stated Interest - 9% non convertible debentures payable	81,724	290,837	372,561
Interest - Lease	1,023	2,841	3,864
Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	<u>236,832</u>	<u>151,653</u>	<u>388,485</u>
Segment (loss)	<u>(557,262)</u>	<u>(681,931)</u>	<u>(1,239,193)</u>

<u>For six months ended December 31, 2020</u>			
	MCA program	Aeroplan program	Total
	\$	\$	\$
Revenues	391,618	307,080	698,698
Direct expenses	<u>72,742</u>	<u>183,850</u>	<u>256,592</u>
	318,876	123,230	442,106
Selling & marketing	144,026	112,934	256,960
General & administrative	<u>214,810</u>	<u>168,440</u>	<u>383,250</u>
(Loss) from operations before depreciation, amortization and interest	(39,960)	(158,144)	(198,104)
Stated Interest - loan payable	211,394	-	211,394
Stated Interest - 9% non convertible debentures payable	146,049	114,522	260,571
Interest - Lease	4,199	3,293	7,492
Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	178,043	139,609	317,652
Depreciation of right of use asset	<u>12,749</u>	<u>9,997</u>	<u>22,746</u>
Segment (loss)	<u>(592,394)</u>	<u>(425,565)</u>	<u>(1,017,959)</u>

15 Leases

The company adopted IFRS 16 with respect to its head office lease (note 1). The lease ends August 31, 2022.

Movement is tabulated:

	<u>Right of use asset</u>	<u>Lease liability</u>
	\$	\$
Balance as at June 30, 2021	\$ -	\$ 84,679
Interest payments	-	3,864
Lease payments	<u>-</u>	<u>(38,837)</u>
Balance as at December 31, 2021	<u>\$ -</u>	<u>\$ 49,706</u>
Current		\$ 49,706

The undiscounted lease liability from January 2022 until August 2022 is \$ \$51,780

16 Government subsidies

The company has availed Covid-19 pandemic relief measures.

Amount of \$87,713 received during six months ended December 31, 2021 (2020 - \$230,220) under the Canada Emergency Wage Subsidy is reflected as a reduction of the salaries and wages expense disclosed in note 13.

Amount of \$22,408 received during six months ended December 31, 2021, 2021 (2020 - \$22,281) under the Canada Emergency Rent Subsidy is reflected as a reduction of the facilities expense disclosed in note 13.

The company's landlord applied for Canada Emergency Commercial Rent Assistance program. This covered the period ended September 30, 2020.

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

Aeroplan is a Registered Trademark of Aeroplan Inc.