ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three and six month periods ended December 31, 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 February 28, 2024. 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 and six month periods ended December 31, 2023, compared to the three and six month periods ended December 31, 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 and six months ended December 31, 2023 which are available on www.sedarplus.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.

From third quarter of calendar 2021 the company commenced the task of re-building itself by re-building its MCA and Aeroplan points re-seller activities which suffered during the pandemic. Re-build back to the activity level existing immediately prior to the pandemic. The re-build process required substantial working capital, return of business confidence, and support of business partners. The working capital came from the principal holders of the company's 9% non-convertible debentures payable ("9% debentures"), who are the primary shareholder as well, putting in $1,725,000 from September 2021 until January 2023, and the company raising $400,000 in April 2023 by way of 12% non-convertible debentures ("12% debentures"). The 9% debentures have to date deferred interest payments to enable the new capital to be put to use in the business. The journey was supported by provider of loan payable - used for MCA program - Accord Financial Inc. ("Accord"), and partner Aeroplan Inc. ("Aeroplan") agreement – renewed in September 2023 for a five year term - which allows the company to operate its re-seller program. The pace of re-build accelerated and paused/slowed depending on the timing of the availability of working capital and the return of business confidence which ebbed and flowed from fears of return of pandemic in late 2021 until middle of 2022, and the challenges of inflation and high interest rates which are with us as of date hereof. Despite the challenges the company by end of December 2023 completed the re-build phase and has financially reached the pre-pandemic situation. The successful re-build is illustrated in the below tabulation.

	Three months ended	
	December 31, 2023	December 31, 2019
Revenues		
MCA program	$ 581,756	$ 653,855
Aeroplan re-seller ("Aeroplan program")	282,226	237,081
	$ 863,982	**$ 890,936**
Earnings from operations before depreciation, amortization and interest	**$ 216,272**	**$ 19,530**
Cash interest on loan payable [loan payable is the source of 90% by value of funds deployed under MCA]	237,570	228,241
	$ (21,298)	**$ (208,711)**
Cash interest on 9% debentures and 12% debentures	237,266	128,916
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (258,564)**	**$ (337,627)**

The story of three and six months ended December 31, 2023 ("Q2 Fiscal 2024" and "YTD Fiscal 2024" respectively) and the improvements in financial metrics over corresponding periods in the previous year ("Q2 Fiscal 2023 and "YTD Fiscal 2023") is the culmination of the re-build journey commenced in September 2021 and which is described in the above paragraph. The improvements are illustrated in the below tabulation.

	Q2 Fiscal 2024	Q2 Fiscal 2023	YTD Fiscal 2024	YTD Fiscal 2023
	$	$	$	$
Revenues	$ 581,756	$ 283,655	$ 1,107,445	$ 651,915
MCA program	282,226	153,896	504,715	370,473
Aeroplan re-seller ("Aeroplan program")	**$ 863,982**	**$ 437,551**	**$ 1,612,160**	**$ 1,022,388**
Earnings from operations before depreciation, amortization and interest	**216,272**	**(99,576)**	**392,777**	**(105,047)**
Cash interest on loan payable [loan payable is the source of 90% by value of funds deployed under MCA]	237,570	107,889	463,958	219,823
	$ (21,298)	**$ (207,465)**	**$ (71,181)**	**$ (324,870)**
Cash interest on 9% debentures and 12% debentures	237,266	202,142	474,532	404,285
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (258,564)**	**$ (409,607)**	**$ (545,713)**	**$ (729,155)**

Material event post December 31, 2023

On February 22, 2024 the company announced it closed its private placement of a secured non-convertible debenture for gross proceeds of $300,000 ("new 12% debentures"), bearing interest at 12% per annum, maturing October 10, 2025, to an arm's length party. The proceeds of the new 12% debentures, in addition to being used to continue to stabilize the company's position and for general corporate purposes, will be used to assist in the growth of the MCA program and kick start the expansion phase.

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.

There is reason to be cautiously optimistic about the company's future during the expansion phase. Growth of MCA program from Q2 Fiscal 2024 level, expected to be gradual process, is the path to financial stability and to prosperity. 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. Additional risk factor is the current inflationary and high interest environment and its fallout on the economy which in turn could adversely impact business confidence and consequently the company's MCA and loyalty marketing programs.

Summary – Three and six months ended December 31, 2023 vs December 31, 2022

The financial highlights for Q2 Fiscal 2024 and YTD Fiscal 2024 compared to Q2 Fiscal 2023 and YTD Fiscal 2023 are summarized in the tabulation:

	Q2 Fiscal 2024	Q2 Fiscal 2023	YTD Fiscal 2024	YTD Fiscal 2023
	$	$	$	$
Revenues				
MCA program	$ 581,756	$ 283,655	$ 1,107,445	651,915
Aeroplan program	282,226	153,896	504,715	370,473
	$ 863,982	**$ 437,551**	**$ 1,612,160**	**$ 1,022,388**
Earnings/(Loss) from operations before depreciation, amortization and interest	**$ 216,272**	**$ (99,576)**	**$ 392,777**	**$ (105,047)**
Net (loss) and Comprehensive (loss)	**$ (528,776)**	**$ (627,531)**	**$ (1,078,733)**	**$ (1,158,935)**

Income Statement – Q2 Fiscal 2024 vs. Q2 Fiscal 2023 and YTD Fiscal 2024 vs YTD Fiscal 2023

Revenues:

MCA program revenues reflect growth in the funds deployed with merchants. Transaction credits, net of provision for delinquent accounts, is the balance of amounts receivable from the funds deployed with merchants. Average transaction credits during Q2 Fiscal 2024 at $5,808,167 were higher compared to $1,995,456 during Q2 Fiscal 2023. Average during YTD Fiscal 2024 $5,631,129 were higher compared to $ 2,338,221 during YTD Fiscal 2023.

Aeroplan program revenues in both periods reflect increase in the number of merchants and overwhelmingly the increase is in large merchants with commitment to loyalty marketing, as well as pick up in loyalty marketing activities post pandemic. The increase in YTD Fiscal 2024 revenues is driven by Q2 Fiscal 2024.

Gross profit:

MCA program gross margin was flat. The increase of gross profit in Q2 Fiscal 2024 and YTD Fiscal 2024 compared to corresponding periods in the previous year is primarily on account on higher revenues.

Aeroplan program gross profits in Q2 Fiscal 2024 and YTD Fiscal 2024 were higher compared to corresponding periods in the previous year primarily reflecting increase in revenues. The gross margins in Q2 Fiscal 2024 at 32.4% was lower compared to Q2 Fiscal 2023 at 38.8% reflecting mix of merchants which leaned towards larger merchants with lower gross margins. YTD Fiscal 2024 is flat compared to YTD Fiscal 2023, 31.9% compared to 30.1%.

Increase in company Q2 Fiscal 2024 and YTD Fiscal 2024 gross profits compared to corresponding periods in the previous year reflected primarily increase in revenues.

Selling and General & Administrative ("SG&A") expenses:

The company succeeded in keeping its SG&A expenses flat during the re-build period July 2022 to December 31, 2023. Q2 Fiscal 2024 and YTD Fiscal 2024 at $455,029 and $866,311 respectively were flat compared to $441,920 and $861,052 during Q2 Fiscal 2023 and YTD Fiscal 2023 respectively.

Earnings from operations before depreciation, amortization and interest:

The above revenues less costs are reflected in the improvement. Illustrated in below tabulation.

	Q2 Fiscal 2024	Q2 Fiscal 2023	YTD Fiscal 2024	YTD Fiscal 2023
	$	$	$	$
Earnings/(Loss) from operations before depreciation, amortization and interest	216,272	(99,576)	392,777	(105,047)

Stated interest. This is cash interest.

Loan payable. This is a line of credit which is used exclusively by the company to funds 90% by dollar amount the funds deployed in the MCA program. The higher interest cost during Q2 Fiscal 2024 and YTD Fiscal 2024 compared to Q2 Fiscal 2023 and YTD Fiscal 2023 is primarily on account of higher utilization of loan payable. Higher utilization reflects higher transaction credits. Average loan payable Q2 Fiscal 2024 and YTD Fiscal 2024 $3,116,617 and $3,191,409 respectively compared to $2,713,252 and $2,954,064 Q2 Fiscal 2023 and YTD Fiscal 2023 respectively. A secondary factor was the interest rate charged on the line of credit which is a base rate plus prime rate. The increase in prime rates during 2023 was the factor that hurt the financial performance for July-August 2023 period, but this was offset by reduction in the base rate from September 2023.

9% debentures. The higher interest costs reflect higher issued amounts. $ 7,759,00 during YTD Fiscal 2024 compared to $7,159,000 during YTD Fiscal 2023. In addition, higher interest on interest payable on maturity with respect to the deferral of interest payable (see section 9% Non-Convertible Debentures Payable).

12% debentures. The company issued $400,000 12% debentures and the interest for 12% debentures is reflected in Q2 Fiscal 2024 and YTD Fiscal 2024. (see section 12% Non-Convertible Debentures Payable)

Non-cash interest:

Consisting of accretion charges and restructuring bonus with respect to 9% debentures and amortization of transaction costs connected to 9% debentures and 12% debentures. The increase was primarily from accretion charges - $233,043 in Q2 Fiscal 2024 and $458,677 in YTD Fiscal 2024 compared to $193,608 in Q2 Fiscal

2023 and $380,968 in YTD Fiscal 2023 - to do with accounting related to 9% debentures (Section 9% Non-Convertible Debentures Payable).

The above factors are reflected in lower net loss and comprehensive loss. Illustrated in the following tabulation.

	Q2 Fiscal 2024	Q2 Fiscal 2023	YTD Fiscal 2024	YTD Fiscal 2023
	$	$	$	$
Net (loss) and comprehensive (loss)	(528,776)	(627,531)	(1,078,733)	(1,158,935)

Balance Sheet – December 31, 2023 compared to December 31, 2022

	December 31, 2023	December 31, 2022	Change
	$	$	$
Current assets			
Transaction credits (net of provision for delinquent accounts)	$ 5,645,935	$ 1,779,377	$ 3,866,558
Cash	155,598	35,063	120,535
All others	68,047	97,313	(29,266)
	$ 5,869,580	**$ 1,911,753**	**$ 3,957,827**
Transaction credits as % of Current assets	96.2%	93.1%	
Total assets	**$ 5,869,580**	**$ 1,911,753**	**$ 3,957,827**
Current liabilities			
Loan payable	$ 5,869,038	$ 2,494,508	$ 3,374,530
Accounts payable and accrued liabilities	3,605,951	3,070,300	535,651
All others	60,000	60,000	-
	$ 9,534,989	**$ 5,624,808**	**$ 3,910,181**
Non-current liabilities			
9% non-convertible debentures payable	$ 9,749,158	$ 7,787,763	$ 1,961,395
Principal amount at December 31, 2023 $7,759,000 vs. $7,159,000 at December 31, 2022			
12% non-convertible debentures payable	$ 374,387	$ -	$ 374,387
Principal amount at December 31, 2023 $400,000			
	$ 10,123,545	**$ 7,787,763**	**$ 2,335,782**
Shareholders' deficiency	**$ (13,788,955)**	**$ (11,500,818)**	**$ (2,288,137)**
Total liabilities and deficiency	**$ 5,869,580**	**$ 1,911,753**	**$ 3,957,827**

Transaction credits. Transaction credits, net of provision for delinquent accounts, is the balance of amounts receivable from the funds deployed with merchants under the MCA program. The above amounts are net of provision for delinquent accounts which are comparable for the two periods (at December 31, 2023 $862,181 after a write-off against provision of delinquent accounts aggregating to $630,711 during YTD Fiscal 2024 compared to $1,379,853 at December 31, 2022). The balances at the end of the two periods reflect the gradual process of re-build of MCA program post pandemic. This is described in detail in section Overall Performance.

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 December 31, 2023 and December 31, 2022 includes amounts payable under the working capital overdraft provided by Accord (2023 $266,831 vs 2022 $387,025). The loan payable balance at December 31, 2023 and December 31, 2022 (net of working capital overdraft) reflects the change in transaction credits.

The 9% debentures balances at December 31, 2023 and December 31, 2022 reflect debt portion – fair value of debentures plus primarily the accretion charges - of 9% debentures and accrued and unpaid interest. Additional details provided in section 9% Non-Convertible Debentures Payable.

The 12% debentures were issued in April 2023. Additional details provided in section 12% Non-Convertible Debentures Payable.

Results of Operations

	Q2 Fiscal 2024	Q2 Fiscal 2023	YTD Fiscal 2024	YTD Fiscal 2023
	$	$	$	$
Revenues	**$ 863,982**	**$ 437,551**	**$ 1,612,160**	**$ 1,022,388**
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	190,741	94,112	343,543	259,108
Expense for provision against delinquent accounts, credit/collection expense	1,940	1,095	9,529	7,275
Gross profit	**$ 671,301**	**$ 342,344**	**$ 1,259,088**	**$ 756,005**
Selling and General & Administrative	455,029	441,920	866,311	862,940
Federal pandemic wage and rent subsidies	-	-	-	(1,888)
Earnings/(Loss) from operations before depreciation, amortization, interest	**$ 216,272**	**$ (99,576)**	**$ 392,777**	**$ (105,047)**
Cash interest on loan payable	237,570	107,889	463,958	219,823
	$ (21,298)	**$ (207,465)**	**$ (71,181)**	**$ (324,870)**
Cash interest on 9% debentures and 12% debentures	237,266	202,142	474,532	404,285
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (258,564)**	**$ (409,607)**	**$ (545,713)**	**$ (729,155)**
Interest - Lease	-	-	-	180
Non-cash interest expense - accretion charges, restructuring bonus related to 9% debentures, and amortization of transaction costs related to 9% debentures and 12% debentures	270,212	217,924	533,020	429,600
Net (loss) and comprehensive (loss)	**$ (528,776)**	**$ (627,531)**	**$ (1,078,733)**	**$ (1,158,935)**
Basic and Diluted (loss) per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

	At December 31, 2023	At June 30, 2023	Change
	$	$	$
Current assets			
Transaction credits (net of provision for delinquent accounts)	$ 5,645,935	$ 5,641,940	$ 3,995
All others	223,645	426,760	(203,115)
	$ 5,869,580	**$ 6,068,700**	**$ (199,120)**
Total assets	**$ 5,869,580**	**$ 6,068,700**	**$ (199,120)**
Current liabilities			
Loan payable	$ 5,869,038	$ 5,992,287	$ (123,249)
Accounts payable and accrued liabilities	3,605,951	3,590,699	15,252
All others	60,000	60,000	-
	$ 9,534,989	**$ 9,642,986**	**$ (107,997)**
Non-current liabilities			
9% non-convertible debentures payable	$ 9,749,158	$ 8,765,806	$ 983,352
Principal amount at December 31, 2023 and June 30, 2023 $7,759,000			
12% non-convertible debentures payable	300,696	278,136	22,560
Deferred fair value adjustment on 12% non-convertible debentures payable	$ 73,691	$ 91,993	$ (18,302)
Principal amount at December 31, 2023 and June 30, 2023 $400,000			
	$ 10,123,545	**$ 9,135,935**	**$ 987,610**
Shareholders' deficiency	**$ (13,788,955)**	**$ (12,710,221)**	**$ (1,078,733)**
Total liabilities and deficiency	**$ 5,869,580**	**$ 6,068,700**	**$ (199,120)**

The change in current assets primarily reflects decrease in transaction credits, net of provision for delinquent accounts. Under section Overall Performance the company's journey to re-build its MCA program to pre pandemic levels is explained. At end of June 2023 the company grew its MCA portfolio following infusion of capital by way of 12% debentures on April 20, 2023. During the entire YTD Fiscal 2024 period the company maintained the MCA program around June 30, 2023, levels. As explained in section Overall Performance the MCA program was successfully re-built to pre pandemic level. Provision for delinquent accounts at June 30, 2023, and December 31, 2023, are comparable. $1,492,892 at June 30, 2023, compared to $862,181 at December 31, 2023, which reflects $630,711 write-off during YTD Fiscal 2024 of impaired accounts against the provision brought forward from June 30, 2023.

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

On the current liabilities side, the main change is on account of loan payable. Loan payable supports 90% by $ value investment in transaction credits. The loan payable balances at December 31, 2023 and June 30, 2023 also include amounts payable under the working capital overdraft provided by Accord (December 31, 2023 $266,831 vs. June 30, 2023 $325,540). The loan payable balance at December 31, 2023, and at June 30, 2023 (net of working capital overdraft) reflects the change in transaction credits at the end of the two periods.

The 9% debentures balances at December 31, 2023 and June 30, 2023 reflect debt portion – fair value of debentures plus primarily the accretion charges - of 9% debentures and accrued and unpaid interest. Additional details provided in section 9% Non-Convertible Debentures Payable.

The 12% debentures were issued in April 2023. Additional details provided in section 12% Non-Convertible Debentures Payable.

The movement in the shareholders' deficit reflects net loss of $1,078,733 during YTD Fiscal 2024.

Extracts from the Statement of Cash Flow

	YTD Fiscal 2024	YTD Fiscal 2023	Change
	$	$	$
Net (loss)	$ (1,078,733)	$ (1,158,935)	$ 80,202
Adjustments for non cash expenses	1,007,552	834,065	173,487
(Loss) after adjustments for non cash expenses	$ (71,181)	$ (324,870)	$ 253,689
Changes in working capital	32,483	1,804,873	(1,772,390)
Increase/(Decrease) in cash during the period	$ (38,698)	$ 1,480,003	$ (1,518,701)
Net cash (used in) investing activities	(146,131)	(1,538,125)	1,391,994
Increase/(Decrease) in cash	(184,829)	(58,122)	$ (126,707)
Cash at start of year	$ 340,427	$ 93,185	$ 247,242
Cash at end of year	$ 155,598	$ 35,063	$ 120,535

Adjustments for non-cash expenses. A significant item for both periods was accrued and unpaid 9% debentures interest, and charges for accretion and restructuring bonus. Illustrated in below tabulation.

	YTD Fiscal 2024	YTD Fiscal 2023
	$	$
Respecting 9% debentures		
Accrued & unpaid interest	450,532	404,285
Accretion charge	458,678	380,968
Restructuring bonus	56,608	38,608
	965,818	823,861

Changes in working capital. Transaction credits (net of provision for delinquent accounts), accounts receivable, accounts payable and accrued liabilities and other working capital items.

The primary item of working capital is transactions credits. The changes in YTD Fiscal 2024 working items was nominal because the transaction credits at December 31, 2023 were flat compared to June 30, 2023. The primary change in YTD Fiscal 2023 was the decrease in transaction credits of $1,532,891 reflecting ebbs and flows – consequent to availability of capital to drive MCA program and business confidence in merchants – in the journey to re-build the MCA program. Described in greater details in section Overall Performance. The provision for delinquent MCA program accounts was comparable. $1,379,853 at December 31, 2022 (nil movement during YTD Fiscal 2022) compared to $862,181 at December 31, 2023 which is after write-off during YTD Fiscal 2024 of impaired accounts aggregating to $630,711 against the provision brought forward from June 30, 2023.

From time to time the company enters into payment plans to settle its dues. The significant payment plan of company: 1) during Fiscal YTD 2024 and Fiscal 2023 was with Accord with respect to the working capital overdraft (see section Loan Payable). As of date hereof the company is current with the payment plan obligations, 2) during YTD Fiscal 2023 the company also had a payment plan to settle its arrears to Aeroplan.

The company primarily fell into arrears on account of the pandemic. A payment plan was established in April 2021 and to end in December 2022. The company met its obligations on a timely basis.

Financing activities.

Loan payable. Loan payable [provider Accord] supports 90% by $ value investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord. Save for payments during both periods per its payment plan obligations with respect to the working capital overdraft, the movement on the loan payable reflects changes in transaction credits.

Investing activities. $nil in both periods. The company is frugal with capital expenditures given its financial situation. During YTD Fiscal 2023 the company continued gradual move of its entire IT infrastructure into the cloud and this project was completed in fiscal year ended June 30 2023. 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 and six months ended December 31, 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. Larger merchants issue more Aeroplan points thereby generating more revenue for the company.

The revenue trends are provided in the tabulation.

	Q2 Fiscal 2024	Q2 Fiscal 2023	Inc./(Dec)	YTD Fiscal 2024	YTD Fiscal 2023	Inc./(Dec)
	$	$	$	$	$	$
Revenues						
MCA program	$ 581,756	$ 283,655	$ 298,101	$ 1,107,445	$ 651,915	$ 455,530
Aeroplan program	282,226	153,896	128,330	504,715	370,473	134,242
	$ 863,982	**$ 437,551**	**$ 426,431**	**$ 1,612,160**	**$ 1,022,388**	**$ 589,772**

MCA program:

MCA program revenues reflect growth in the funds deployed with merchants. Transaction credits, net of provision for delinquent accounts, is the balance of amounts receivable from the funds deployed with merchants. Average transaction credits during Q2 Fiscal 2024 at $5,808,167 were higher compared to $1,995,456 during Q2 Fiscal 2023. Average during YTD Fiscal 2024 $5,631,129 were higher compared to $ 2,338,221 during YTD Fiscal 2023.

Transaction credits reflect ebbs and flows – consequent to availability of capital to drive MCA program and business confidence in merchants – in the journey to re-build the MCA program. Described in greater details in section Overall Performance.

Aeroplan program:

Aeroplan program revenues in both periods reflect increase in the number of merchants and overwhelmingly the increase is in large merchants with commitment to loyalty marketing, as well as pick up in loyalty marketing activities post pandemic. The increase in YTD Fiscal 2024 revenues is driven by Q2 Fiscal 2024.

Direct Expenses

MCA direct expenses are expense for provision for delinquencies against transaction credits ($nil for Q2 Fiscal 2024-YTD Fiscal 2024 and Q2 Fiscal 2023-YTD Fiscal 2023), and credit /collection expense.

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.

	Q2 Fiscal 2024	Q2 Fiscal 2023	Inc./(Dec)	YTD Fiscal 2024	YTD Fiscal 2023	Inc./(Dec)
	$	$	$	$	$	$
Revenues						
MCA program	$ 581,756	$ 283,655	$ 298,101	$ 1,107,445	$ 651,915	$ 455,530
Aeroplan program	282,226	153,896	128,330	504,715	370,473	134,242
	$ 863,982	**$ 437,551**	**$ 426,431**	**$ 1,612,160**	**$ 1,022,388**	**$ 589,772**
Direct expenses						
MCA program	$ 1,940	$ 1,095	$ 845	$ 9,529	$ 7,275	$ 2,254
Aeroplan program	190,741	94,112	96,629	343,543	259,108	84,435
	$ 192,681	**$ 95,207**	**$ 97,474**	**$ 353,072**	**$ 266,383**	**$ 86,689**

MCA program:

While the company believes it has adequate provision for delinquencies as at December 31, 2023, the aftereffects of the pandemic, the prevailing inflationary and high interest environment, and fears of a recession 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 Q2 Fiscal 2024-YTD Fiscal 2024 and Q2 Fiscal 2023-YTD Fiscal 2023.

Aeroplan program:

Direct cost relative to revenues is primarily attributable to the mix of gross margins the company earns from transacting merchants. Larger merchants with high volume of using Aeroplan points pay a lower price per aeroplan point to the company. The gross margins in Q2 Fiscal 2024 at 32.4% was lower compared to Q2 Fiscal 2023 at 38.8% reflecting mix of merchants which leaned towards larger merchants with lower gross margins.

Q2 Fiscal 2023 reflected write-back of certain cost provisions ($12,500). This was reflected in YTD Fiscal 2023.

Gross Profit

The gross profit is tabulated:

	Q2 Fiscal 2024	Q2 Fiscal 2023	Inc./(Dec)	YTD Fiscal 2024	YTD Fiscal 2023	Inc./(Dec)
	$	$	$	$	$	$
MCA program	$ 579,816	$ 282,560	$ 297,256	$ 1,097,916	$ 644,640	$ 453,276
Aeroplan program	91,485	59,784	31,701	161,172	111,365	49,807
	$ 671,301	**$ 342,344**	**$ 328,957**	**$ 1,259,088**	**$ 756,005**	**$ 503,083**
Company gross margin	77.7%	78.2%		78.1%	73.9%	

MCA program:

The gross profit was flat compared in all periods. The increase in gross profit reflects growth in revenues.

Aeroplan program:

The gross margins in Q2 Fiscal 2024 at 32.4% was lower compared to Q2 Fiscal 2023 at 38.8% reflecting mix of merchants which leaned towards larger merchants with lower gross margins. YTD Fiscal 2024 is flat, 31.9% compared to 30.1%.

The increase in gross profit is a combination of growth in revenues and the change in gross margin.

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 all periods the company’s sales force were common to MCA program and Aeroplan program.

	Q2 Fiscal 2024	Q2 Fiscal 2023	Inc./(Dec)	YTD Fiscal 2024	YTD Fiscal 2023	Inc./(Dec)
	$	$	$	$	$	$
Revenues						
MCA program	$ 581,756	$ 283,655	$ 298,101	$ 1,107,445	$ 651,915	$ 455,530
Aeroplan program	282,226	153,896	128,330	504,715	370,473	134,242
	$ 863,982	**$ 437,551**	**$ 426,431**	**$ 1,612,160**	**$ 1,022,388**	**$ 589,772**
Selling expenses						
MCA Remuneration/expenses of sales staff	$ 124,747	$ 121,042	$ 3,705	$ 241,787	$ 237,706	$ 4,081
Aeroplan Remuneration/expenses - staff	16,185	16,185	-	32,370	32,370	-
All other	10,799	3,162	7,637	15,750	5,060	10,690
	$ 151,731	**$ 140,389**	**$ 11,342**	**$ 289,907**	**$ 275,136**	**$ 14,771**
Remuneration/expenses as % of selling expenses	92.9%	97.7%		94.6%	98.2%	

All periods reflected 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.

Growth in MCA program and Aeroplan program were achieved with the same resources.

General and Administrative Expenses ("G&A")

G&A expenses include compensation for all non-sales staff, professional fees, head office premises costs (until August 31, 2022), shareholder and public relations costs, office overheads, capital and income taxes, and foreign exchange gains/(losses).

	Q2 Fiscal 2024	Q2 Fiscal 2023	Inc./(Dec)	YTD Fiscal 2024	YTD Fiscal 2023	Inc./(Dec)
	$	$	$	$	$	$
Change in revenues	**$ 863,982**	**$ 437,551**	**$ 426,431**	**$ 1,612,160**	**$ 1,022,388**	**$ 589,772**
G&A						
Compensation for non-sales staff including staff travel	$ 187,452	$ 193,147	$ (5,695)	$ 357,657	$ 370,385	$ (12,728)
Directors fees	8,125	16,251	(8,126)	16,251	32,502	(16,251)
All other G&A expenses	107,721	92,133	15,588	202,496	183,029	19,467
	$ 303,298	**$ 301,531**	**$ 1,767**	**$ 576,404**	**$ 585,916**	**$ (9,512)**
Remuneration/expenses as % of G&A	61.8%	64.1%		62.0%	63.2%	

All 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:

	Q2 Fiscal 2024	Q2 Fiscal 2023	Inc./(Dec)	YTD Fiscal 2024	YTD Fiscal 2023	Inc./(Dec)
	$	$	$	$	$	$
Stated ("Cash") interest expense						
Loan payable	$ 237,570	$ 107,889	$ 129,681	$ 463,958	$ 219,823	$ 244,135
9% non convertible debentures payable	225,266	202,142	23,124	450,532	404,285	46,247
12% non-convertible debentures payable	12,000	-	12,000	24,000	-	24,000
	$ 474,836	$ 310,031	$ 164,805	$ 938,490	$ 624,108	$ 314,382
Non-cash interest expense						
Accretion charge on 9% non-convertible debentures payable	$ 233,044	$ 193,608	$ 39,436	$ 458,677	$ 380,968	$ 77,709
Restructuring bonus on 9% non-convertible debentures payable	28,305	19,304	9,001	56,608	38,608	18,000
Amortization of transaction costs on 9% non-convertible debentures payable and 12% non-convertible debentures payable	8,864	5,012	3,852	17,735	10,024	7,711
Interest - Lease	-	-	-	-	180	(180)
	$ 270,213	$ 217,924	$ 52,289	$ 533,020	$ 429,780	$ 103,240
Total interest expense	**$ 745,049**	**$ 527,955**	**$ 217,094**	**$ 1,471,510**	**$ 1,053,888**	**$ 417,622**

Loan payable. This is a line of credit which is used exclusively by the company to funds 90% by dollar amount the funds deployed in the MCA program. The higher interest cost during Q2 Fiscal 2024 and YTD Fiscal 2024 compared to Q2 Fiscal 2023 and YTD Fiscal 2023 is primarily on account of higher utilization of loan payable. Higher utilization reflects higher transaction credits. Average loan payable Q2 Fiscal 2024 and YTD Fiscal 2024 $3,116,617 and $3,191,409 respectively compared to $2,713,252 and $2,954,064 Q2 Fiscal 2023 and YTD Fiscal 2023 respectively. A secondary factor was the interest rate charged on the line of credit which is a base rate plus prime rate. The increase in prime rates during 2023 was the factor that hurt the financial performance for July-August 2023 period, but this was offset by reduction in the base rate from September 2023.

9% debentures. The higher interest costs reflect higher issued amounts. $ 7,759,00 during YTD Fiscal 2024 compared to $7,159,000 during YTD Fiscal 2023. In addition, higher interest on interest payable on maturity with respect to the deferral of interest payable (see section 9% Non-Convertible Debentures Payable).

12% debentures. The company issued $400,000 12% debentures and the interest for 12% debentures is reflected in Q2 Fiscal 2024 and YTD Fiscal 2024.

Non-cash interest:

Consisting of accretion charges and restricting bonus with respect to 9% debentures and amortization of transaction costs connected to 9% debentures and 12% debentures. The increase was primarily from accretion charges to do with accounting related to 9% debentures (Section 9% Non-Convertible Debentures Payable).

Net Loss

Highlights are tabulated:

	Q2 Fiscal 2024	Q2 Fiscal 2023	Inc./(Dec)	YTD Fiscal 2024	YTD Fiscal 2023	Inc./(Dec)
	$	$	$	$	$	$
Revenues	$ 863,982	$ 437,551	$ 426,432	$ 1,612,160	$ 1,022,388	$ 589,772
Gross profit	$ 671,301	$ 342,344	$ 328,957	$ 1,259,088	$ 756,005	$ 503,083
Earnings/(Loss) from operations before depreciation, amortization and interest	$ 216,272	$ (99,576)	$ 315,848	$ 392,777	$ (105,047)	$ 497,824
Net (loss) and comprehensive (loss)	$ (528,776)	$ (627,531)	$ (98,755)	$ (1,078,733)	$ (1,158,935)	$ (80,202)
Basic and Diluted loss per share	$ (0.00)	$ (0.00)		$ (0.00)	$ (0.00)	

The detailed analysis of the factors including above tabulated items is provided in Sections - *Income Statement – Q2 Fiscal 2024-YTD Fiscal 2024 compared to Q2 Fiscal 2023-YTD Fiscal 2023*, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Working Capital and Liquidity Management

	Q2 Fiscal 2024	Q2 Fiscal 2023	YTD Fiscal 2024	YTD Fiscal 2023
	$	$	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs				
Net (loss)	$ (528,776)	$ (627,531)	$ (1,078,733)	$ (1,158,935)
Adjustments for non cash expenses	507,481	420,066	1,007,552	834,065
(Loss) after adjustment for non cash expenses	(21,295)	(207,465)	(71,181)	(324,870)
Cash balances at start of the period	239,897	156,938	340,427	93,185
Change in loan payable	(416,691)	74,268	(123,249)	(1,525,177)
Change in accounts receivable	(5,852)	(22,793)	18,286	(12,576)
	$ (203,941)	**$ 948**	**$ 164,283**	**$ (1,769,438)**
Utilization of funds				
Cash balances at end of periods	$ 155,598	$ 35,063	$ 155,598	$ 35,063
Change in transaction credits	(372,281)	139,614	3,995	(1,532,891)
Change in accounts payable & accrued liabilities	(10,143)	(173,557)	(18,192)	(244,386)
Change in all other working capital items	-	(172)	-	(40,172)
Change in other financing items	22,882	-	22,882	12,948
	$ (203,944)	**$ 948**	**$ 164,283**	**$ (1,769,438)**

Adjustments for non-cash expenses. A significant item for both periods was accrued and unpaid 9% debentures interest, and charges for accretion and restructuring bonus. Illustrated in below tabulation.

	Q2 Fiscal 2024	Q2 Fiscal 2023	YTD Fiscal 2024	YTD Fiscal 2023
	$	$	$	$
Respecting 9% debentures				
Accrued & unpaid interest	225,266	202,142	450,532	404,285
Accretion charge	233,044	193,608	458,678	380,968
Restructuring bonus	28,305	19,304	56,608	38,608
	486,615	415,054	965,818	823,861

Changes in working capital. Transaction credits (net of provision for delinquent accounts), accounts receivable, accounts payable and accrued liabilities and other working capital items.

The primary item of working capital is transactions credits. During the periods ended in Q2 Fiscal 2024 and YTD Fiscal 2024 the company's goal was to, as a minimum, keep the transaction credits flat to position at June 30, 2023. The position at December 31, 2023 reflects completion of the re-build of MCA program to pre pandemic levels. The changes during Q2 Fiscal 2023 and YTD Fiscal 2023 in transaction credits reflect ebbs and flows – consequent to availability of capital to drive MCA program and business confidence in merchants – in the journey to re-build the MCA program. Described in greater details in section Overall Performance. The provision for delinquent MCA program accounts was comparable. $1,379,853 at December 31, 2022 (nil movement during YTD Fiscal 2022) compared to $862,181 at December 31, 2023 which is after write-off during

YTD Fiscal 2024 of impaired accounts aggregating to $630,711 against the provision brought forward from June 30, 2023.

From time to time the company enters into payment plans to settle its dues. The significant payment plan of company: 1) during Fiscal YTD 2024 and Fiscal 2023 was with Accord with respect to the working capital overdraft (see section Loan Payable). As of date hereof the company is current with the payment plan obligations, 2) during YTD Fiscal 2023 the company also had a payment plan to settle its arrears to Aeroplan. The company primarily fell into arrears on account of the pandemic. A payment plan was established in April 2021 and to end in December 2022. The company met its obligations on a timely basis. 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. It will have to reach settlement accommodation with these suppliers.

Financing activities.

Loan payable. Loan payable [provider Accord] supports 90% by $ value investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord (see section Loan Payable). Save for payments during both periods per its payment plan obligations with respect to the working capital overdraft, the movement on the loan payable reflects changes in transaction credits.

Investing activities. $nil in both periods. The company is frugal with capital expenditures given its financial situation. During YTD Fiscal 2023 the company continued gradual move of its entire IT infrastructure into the cloud and this project was completed in fiscal year ended June 30 2023. The company does not expect significant capital expenditures in the next twelve months.

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% debentures and 12% debentures, and usage for general corporate purposes.

The company's operations are funded by debt – loan payable, 9% 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% 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 December 31, 2023 is essential to bring financial stability.

At the end of December 31, 2023, the company is in need of capital to maintain its current MCA program activity level, which is at pre pandemic level, expand MCA program, expand Aeroplan program. These conditions are essential to continue operations.

As of December 31, 2023 the company does not have any off-balance sheet financing arrangements.

Material event post December 31, 2023

On February 22, 2024 the company announced it closed its private placement of a secured non-convertible debenture for gross proceeds of $300,000 ("new 12% debentures"), bearing interest at 12% per annum, maturing October 10, 2025, to an arm's length party. The proceeds of the new 12% debentures, in addition to being used to continue to stabilize the company's position and for general corporate purposes, will be used to assist in the growth of the MCA program and kick start the expansion phase.

Going Concern

The consolidated financial statements for the three and six months ended December 31, 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 $13,788,955 and negative working capital of $3,665.409 as at December 31, 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 high 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% 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 for the three and six months ended December 31, 2023 do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

Contractual Obligations

Contractual obligations as at December 31, 2023 were due as follow:

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 5,869,038	$ 5,869,038	$ -	$ -
9% debentures		7,759,000	-	7,759,000	-
12% debentures		400,000	-	400,000	-
Canada Emergency Business Account		60,000	-	60,000	-
		$ 14,088,038	**$ 5,869,038**	**$ 8,219,000**	**$ -**

In addition,

1. there are contractual obligations to holders of 9% 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 $781,344. During the term of the 9% 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. $22,882 paid in Q2 Fiscal 2024.

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 December 31, 2023, the company has utilized $266,831 from this overdraft facility (at June 30, 2023 $325,540). The amount outstanding on the overdraft facility is due by July 31, 2024.

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 until August 31, 2023

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 old 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 old 9% debentures were replaced by 9% 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% debentures"). The 9% debentures were issued on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2025. The financing was a related party transaction (section Related Party Transactions).

The unpaid interest from December 16, 2018 until March 14, 2021 on the old 9% debentures together with interest on interest are due on maturity of 9% debentures. An additional feature of the 9% debentures was that the first-year interest was deferred and was 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 to be added in the final interest payment.

The company issued 9% 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% debentures and for purchase of $250,000 9% 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% debentures at December 31, 2023 is $7,759,000 (at December 31, 2022 $7,159,000).

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. The company was in compliance with financial covenants at December 31, 2022 and December 31, 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. On December 19, 2023 the company received agreement of the debenture holders to re-set financial covenants at December 31, 2023.

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

If the company is unable to secure alternative financing to repay the 9% debentures in the event that the debenture holders demand immediate payment, the 9% 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% 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% debentures, and the difference between the face value of the 9% 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% 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% debentures to issue the 12% debentures.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
12 month period ended December 31, 2023						
		Q3	Q4	Q1	Q2	Total
		Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	
		$	$	$	$	$
Revenues		0.5	0.6	0.7	0.9	2.7
% of annual revenues		18.6%	22.2%	25.8%	33.3%	100.0%
Net (loss)		(0.7)	(0.7)	(0.5)	(0.5)	(2.4)
(Loss) per share - Basic and Diluted		-	-	-	-	(0.01)
12 month period ended December 31, 2022						
		Q3	Q4	Q1	Q2	Total
		Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	
		$	$	$	$	$
Revenues		0.5	0.5	0.6	0.4	2.0
% of annual revenues		25.0%	25.0%	30.0%	20.0%	100.0%
Net (loss)		(0.6)	(0.9)	(0.5)	(0.6)	(2.6)
(Loss) per share - Basic and Diluted		-	-	-	-	(0.01)

YTD Fiscal 2024 – Q1 ended September 30, 2023 and Q2 ended December 31, 2023 results – reflect the re-build of the MCA program and Aeroplan program to pre pandemic activity levels. The re-build phase started in September 2021. At end of December 31, 2023 the re-build phase was complete.

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

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

Taxation. The Inland Revenue Service ("IRS") assessed a penalty of USD 100,000 with respect to a US subsidiary for late filing of a return for fiscal year which commenced September 1, 2020 and ended August 31, 2021 with respect to certain foreign owned US corporations. The corporation in question is dormant since its year ended August 31, 2019. The company lodged an appeal with the IRS citing the relief for late filing available with respect to fiscal year 2020 and other mitigating circumstances including the relief available under small corporation category. In January 2024 the IRS waived the penalty.

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, interim consolidated financial statements for three months ended September 30, 2023 and interim consolidated financial statements for three and six months ended December 31, 2023 carry a going concern note (note 2a in audited consolidated financial statements for year ended June 30, 2023 and note 2 for the interim consolidated financial statements). 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% 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.

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.

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

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

During periods ended December 31, 2022 and 2023 the economic uncertainties were the result of the inflationary and high interest environment. While during both fiscal periods the economic situation was less uncertain compared to the period of peak pandemic from March 2020 to September 2021, during period ended December 31, 2022 there was higher economic uncertainty due to the added impact of pandemic after-effects. During period ended December 31, 2023 and December 31, 2022 for level 1 transaction credits the company estimated loss based on historical loss rate. In addition, during period ended December 31, 2022 the company supplemented estimated loss with a forecast loss rate.

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

The forecast loss rate is based on the company's knowledge of its customers and its evaluation of the impact of the pandemic and uncertain economic conditions on individual customers' ability to operate.

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

During period ended September 30, 2022 the pandemic continued to impact economic activity. During period October 2022 to December 31, 2022 and during six month period ended December 31, 2023 the inflationary and interest rate environment impacted economic activity. Hence in both six month periods 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:

	December 31, 2023	June 30, 2023
	$	$
Transaction credits	$ 6,508,116	$ 7,134,832
Accounts receivable	71,016	89,302
Allowance	(866,566)	(1,497,277)
Per Consolidated statement of financial position	**$ 5,712,566**	**$ 5,726,857**
Maximum exposure to credit risk	**$ 5,712,566**	**$ 5,726,857**

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

	December 31, 2023	June 30, 2023
	$	$
Impaired transaction credits	$ 586,758	$ 1,262,909
Allowance	(586,758)	(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	$ 275,423	$ 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 and at end of YTD Fiscal 2024 and YTD Fiscal 2023.

There was no stock based compensation expense during YTD Fiscal 2024 and YTD 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 December 31, 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

<u>9% debentures</u>

Related parties were issued units of 9% debentures on terms and conditions applicable to other recipients of 9% debentures. Effective March 15, 2021 the old 9% debentures held by all debenture holders were replaced by 9% 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% 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% debentures. Principals of Generation IACP Inc. and Generation PMCA Corp. purchased the 9% debentures.

9% 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% 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% debentures and common shares by related parties are summarized below:

	December 31, 2023		June 30, 2023	
	9% debentures	Common shares	9% 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)	3,403,000	154,327,765	3,464,680	156,505,045
Herbert Abramson (b)	731,000	54,864,527	731,000	54,864,527
	$ 5,333,000	242,303,933	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	68.7%	91.3%	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% 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% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures mature December 31, 2025. The 9% debentures require the company to meet financial covenants. The company has secured agreement of the holders of 9% 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% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. The company has a 20-year relationship with the principal holders of the 9% debentures and the principal holders invested $1,925,000 through 9% 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% 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 events 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% 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% 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% 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 December 31, 2023, levels using the current Accord loan payable facility. The retention of December 31, 2023 levels 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% 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% 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 December 31, 2023 the company has utilized $5.9 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% 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% 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 8.0%. 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 six months ended December 31, 2023 the company incurred interest expense of $463,958 on utilization of loan payable. Had the interest rate been 10% higher during six months ended December 31, 2023 the interest cost would be approximately $46,000 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 and high interest 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. See section Economic Dependence.

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 it has re-built its MCA program, Aeroplan program and business to pre pandemic activity levels; expectation of capital, resources and time required to execute on expansion phase; belief it has the ability to execute on the expansion phase, belief that the outcome of expansion phase is financial stability and prosperity; 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, inflation and high interest 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% debentures and 12% debentures; securing agreement to defer interest payments and re-set financial covenants from holders of 9% debentures; securing waiver of defaults from holders of 9% 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.sedarplus.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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