ADVANTEX

Letter to Shareholders for the fiscal year ended June 30, 2021

Dear Shareholders,

I would like to start by thanking you for approving the three resolutions at the August 26, 2021 special meeting of shareholders. Your support enabled Advantex to close in early September 2021 a $1.0 million second tranche of debenture financing. The proceeds of the financing will be used to stabilize your company's financial position, fund its core activity, merchant cash advance business, and for general corporate purposes.

Since the March 11, 2020 declaration of Covid-19 pandemic it has been a difficult time for world economies. Advantex's fiscal year ended June 30, 2021 fell in the centre of the pandemic and had a devastating adverse impact on our revenues, balance sheet and pre pandemic discussions to raise growth capital.

Advantex was able to survive with the support of several stakeholders. The principal debenture holder and shareholder invested $200,000 in the $250,000 March 2021 financing and $975,000 in the $1.0 million financing. Accord, provider of line of credit which we utilize for MCA business, gave Advantex a $460,000 general working capital overdraft. The government wage and rent subsidies helped with payroll and lease costs. Your management and staff took a 15% cut in their salaries. Directors did not take payment of their fees and have agreed to take most of the arrears in common shares. Advisors continued to accommodate on payment terms and provided invaluable advice and guidance during Advantex's interaction with the Ontario Securities Commission, leading to revocation on June 24, 2021 of the November 1, 2019 failure to file cease trade order.

There is reason to be cautiously optimistic about Advantex's future. Several reasons to be optimistic - the Canadian economy is on the mend, a substantial number of Advantex's merchants although weakened by the Covid-19 pandemic have survived, Advantex believes merchant cash advance is a growth industry because institutional lenders are not focused on independent merchants, even more so because of the Covid-19 pandemic. Caution comes from an uncertain economic environment, withdrawal of certain government Covid-19 pandemic support programs for individuals and businesses, Covid-19 continuing to be a cloud and these are likely to dampen consumer confidence and diminish Advantex's ability to raise additional growth capital.

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

"Kelly E. Ambrose"
Kelly E. Ambrose
President and CEO
October 28, 2021

This letter to shareholders contains "forward-looking statements" within the meaning of applicable securities laws relating to the future business and operations of Advantex. Actual results and developments may differ materially from those contemplated by these statements. The business and operations of Advantex described herein is dependent on a number of factors and is subject to a number of risks and uncertainties. Factors that could cause actual results to differ material include, but are not limited to, changes in Advantex's economic and competitive conditions including but not limited to the industry sectors in which Advantex operates. The statements in this letter to shareholders are made as of the date of this release. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and Advantex undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the fiscal years ended June 30, 2021 and 2020

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at October 28, 2021. Management's Discussion and Analysis ("MD&A") is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the twelve months ended June 30, 2021, compared to the twelve months ended June 30, 2020. 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, 2021, and which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Some dollar amounts have been rounded and may not tie directly to the audited consolidated financial statements.

Overall Performance

Advantex is an aggregator of independent merchants, and currently provides merchant cash advance ("MCA") and loyalty marketing services to its community of merchants. MCA program meets working capital needs of merchants. It is the core business of the company. Loyalty marketing provides merchants an economic way to market their establishments to about 5 million consumers. Loyalty marketing services are delivered through its re-seller relationship with Aeroplan loyalty program owned by Air-Canada.

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

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.

Year ended June 30, 2021 ("Fiscal 2021") was shaped by the devastating adverse impact of the Covid-19 pandemic on both programs - MCA and loyalty marketing. Year ended June 30, 2020 reflected the operation of the new business model, MCA program, following completion of transition to MCA during three months ended September 30, 2019 and the impact of Covid-19 pandemic from the fourth (April to June) quarter.

<u>Transition to MCA program</u>

For the better part of fiscal year ended June 30, 2019 ("Fiscal 2019") the company developed and managed merchant based loyalty programs for Canadian Imperial Bank of Commerce ("CIBC") and The Toronto Dominion Bank ("TD") through its CIBC/TD program. Given that the CIBC/TD program would expire by June 30, 2019 the company commenced during the latter half of Fiscal 2019 the transition to its current MCA program. The company completed this transition during the three months ended September 30, 2019.

<u>Impact of Covid-19 pandemic</u>

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus, Covid-19, as a global pandemic. The government in Canada ordered the closure of all non-essential businesses. Practically

all of the company's customers, small independent merchants, operate in the non-essential business segments. Since March 2020 and until June 30, 2021 the restrictions flexed between lockdowns and limited relaxation across Canada resulting in a devastating adverse impact on the company's Fiscal 2021 performance and further deterioration of its financial position since June 30, 2020.

Restrictions led to decline in the ability of the company's merchants to pay the contracted amounts per MCA agreements. The company did not also give significant additional advances – both on account of diminished working capital availability and the credit environment - and this in turn led to decline in MCA program transaction credits and participating merchants. The two factors led to a sharp decline in the company's MCA revenues. Average number of MCA merchants during Fiscal 2021 were just over 100 compared to about 250 during Fiscal 2020. Similarly the company's loyalty marketing re-seller program ("Aeroplan program") was impacted. Participating merchants either stopped or curtailed their loyalty marketing activities leading to decline in revenues from this program. Average number of merchants about 100 during Fiscal 2021 and Fiscal 2020.

Fiscal 2021 revenues at $1,229,880 declined $1,379,662 (52.9%) compared to Fiscal 2020.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve, expensing $1,022,015, during Fiscal 2020, specifically in quarters ended March 31, 2020 and June 30, 2020 against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Fiscal 2021 (expense $75,483). To date the reserves created are adequate.

The company availed federal government Covid-19 pandemic relief measures and continues to do so as of date hereof. To manage its costs the company had to lay-off of some staff and the remaining staff including the management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy ("CEWS"). The company benefited from its landlord applying for Canada Emergency Commercial Rent Assistance ("CECRA") program. Since October 2020 the company is accessing the Canada Emergency Rent Subsidy ("CERS"), successor program to CECRA. The company applied for and received $60,000 under the Canada Emergency Business Account.

Despite cutting costs and receiving government subsidies the decline in revenues was sharp and consequently Fiscal 2021 loss was $2,091,967 (Fiscal 2020 $2,927,396).

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

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

Accord Financial Inc. ("Accord") (see Section Loan Payable), which is the source of 90% of funds for the MCA program, 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. As of June 30, 2021 the company owed $454,000 on this overdraft.

The company has a decade old relationship with Aeroplan. The current five year term of the agreement ended April 30, 2019 which was extended to April 30, 2020 and thereafter – in July 2020 - further extended to April 30, 2021. 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 company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. As of date hereof a payment plan is in place and the company is current with it.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9% debentures") with no ability to cure the default. With the requisite consents from holders of the 9% debentures, in March 2021 the 9% debentures maturity date was extended to December 31, 2025 and 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. (see Sections 9% Non convertible debentures payable and Capital Raise Developments).

Since the company was not in a financial position to timely file the Fiscal 2019 annual financial statements and related financial documents the Ontario Securities Commission ("OSC") issued a failure to file cease trade order ("FFCTO") on November 1, 2019. While the company remedied filing situation on May 21, 2020 by filing Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents it did not, due to financial constraints outlined above, timely file its Fiscal 2020 annual financial statements and related financial documents. The company also did not timely file its interim financial statements and related financial documents for three months ended September 30, 2020 and three and six months ended December 31, 2020. As further discussed below in section Capital Raise Developments the company remedied outstanding filing requirements of continuous disclosure documents on March 31, 2021. In May 2021 the company applied to the OSC for a revocation of the FFCTO. On June 24, 2021 the OSC issued an order ("Revocation Order") revoking the FFCTO.

Capital Raise Developments

Given its financial hardship, Covid-19, termination of alternative financing options described in above in Impact of Covid-19 pandemic the company negotiated a financing of up-to $1.0 million with its principal holder of 9% debentures and common shares of the company (see section Related party transactions for information about principal holder). However, given the regulatory complications and delays connected to this financing the investors decided not to pursue the financing. Instead the company and investors agreed to pursue, subject to approval of OSC, a $250,000 raise by way of senior secured 9% non convertible debentures in order to enable the company to continue operating while it worked to obtain a full revocation of the FFCTO, and to canvass and consider other financing alternatives at the same time.

The company applied for the Partial Revocation Order to complete the $250,000 financing. The OSC issued an order dated February 25, 2021 partially revoking the FFCTO. Through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("9% 2025 debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the 9% 2025 debentures.

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

The company completed the $250,000 financing on March 15, 2021.

The proceeds of the financing were to pay for the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the financing; operational and general administrative expenses; payment of accounts payable incurred in the ordinary course of business; and partial funding of its MCA business as public health restrictions were gradually eased in Canada.

Actions taken since March 16, 2021

The company filed its audited year ended June 30, 2020, three months September 30, 2020, and three and six months ended December 31, 2020 disclosure documents on March 31, 2021 and paid the late filing fees with the applicable regulatory authorities.

The company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants.

In May 2021 the company applied to the OSC for a full revocation of the FFCTO. On June 24, 2021 the OSC issued an order revoking the FFCTO.

The company held a Special Meeting of shareholders to seek requisite approval with respect to issuance of common shares for the proposed $1.0 million debenture financing, share consolidation and the increase in the existing restricted share unit plan (“RSU Plan”).

On September 10, 2021 the company announced the close of a $1.0 million debenture financing (“Financing”). Through its managed accounts and principals, Generation subscribed for $975,000 of the senior secured non-convertible debentures of Advantex (9% 2025 debentures) and the company’s CEO subscribed for $25,000 of the 9% 2025 debentures. Subscribers to the $1.0 million 9% 2025 debentures in September 2021 and the $250,000 9% 2025 debentures in March 2021 were issued 4,475 common shares in the capital of the company for each dollar of 9% 2025 debentures subscribed for. The company issued an aggregate of 5,593,750,000 common shares related to this Financing.

In addition, CFO of Advantex was issued 125,000,000 common shares as a retention bonus and 3,429,384 common shares in lieu of a portion of the vacation pay owed to him and CEO was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of the vacation pay owed to him (“Compensation Issuances”). The Compensation Issuances were approved by the company’s shareholders at the Special Meeting.

As the Financing and the Compensation Issuances would constitute a related party transaction pursuant MI 61-101, the company relied on the financial hardship exemption from the formal valuation approval requirements of such instrument. Pursuant to the minority shareholder approval requirements of MI 61-101, the votes attached to common shares held by Generation, CEO, CFO, independent directors of the company and their respective associates were excluded from voting on the approval of the Financing and the Compensation Issuances.

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022 (see Section Loan Payable for additional details).

Next steps

The proceeds of the Financing will be used to stabilize Advantex’s financial position, fund its MCA business and for general corporate purposes.

The company’s future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (see section Economic Dependence).

Outlook

The company believes its core business - MCA - is a growth industry because institutional lenders are not focused on independent merchants, even more so because of impact of Covid-19 pandemic. Independent merchants are the engines of significant economic activity and although there are several competitors in the MCA space 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.

As of date hereof, primarily due to Covid pandemic, the company’s MCA portfolio has declined to about 100 merchants. The company believes with adequate capital it has the ability to initially go back to pre Covid pandemic level of about 250 merchants and expand beyond significantly thereafter. As discussed in detail in Section Capital Raise Developments the company raised $1.0 million in September 2021, to be used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it can expand its MCA portfolio depends on the return of merchant business confidence and the

availability of funds from the recent money raise to expand MCA portfolio. Return of merchant business confidence depends on the pace of roll back of public health restrictions and belief a return of restrictions is a low probability. The growth of company's MCA portfolio is essential to bring financial stability.

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

The company believes it has the support of the primary holder of 9% non convertible debentures payable, evidenced by their investment in September 2021. The company believes it has the support of Accord. The company and Accord extended the term of the agreement to June 30, 2022 amongst other accommodations (see Section Loan payable).

There is reason to be cautiously optimistic about Advantex's future. Several reasons to be optimistic - the Canadian economy is on the mend, a substantial number of Advantex's merchants although weakened by the Covid-19 pandemic have survived, Advantex believes merchant cash advance is a growth industry because institutional lenders are not focused on independent merchants, even more so because of the Covid-19 pandemic. Caution comes from an uncertain economic environment, withdrawal of certain government Covid-19 pandemic support programs for individuals and businesses, Covid-19 continuing to be a cloud and these are likely to dampen consumer confidence and diminish Advantex's ability to raise additional growth capital.

Twelve months ended June 30, 2021

The financial performance reflects the impact of Covid-19 pandemic described in Section Overall Performance.

The financial highlights for Fiscal 2021 compared to Fiscal 2020 are summarized in the tabulation.

	Fiscal 2021	Fiscal 2020
	$	$
Revenues		
MCA program	745,781	1,890,852
Aeroplan program	484,099	718,690
	$ 1,229,880	**$ 2,609,542**
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (424,514)**	**$ (865,263)**
Net (loss) and Comprehensive (loss)	**$ (2,091,967)**	**$ (2,927,396)**

Income Statement – Fiscal 2021 compared to Fiscal 2020

Income statement for Fiscal 2021 reflects the impact of Covid-19 pandemic which was declared on March 11, 2020. Income statement for Fiscal 2020 reflects the transition from CIBC/TD program to MCA program and Covid-19 pandemic. The transition to MCA program was completed during the three months ended September 30, 2019.

Revenues. Fiscal 2021 $1,379,662 (52.9%) drop in revenues to $1,229,880 reflects the impact of Covid-19. MCA program revenues declined $1,145,071 (60.6 %) and Aeroplan program revenues declined $234,591 (32.6%).

Gross profit. Fiscal 2020 reflects a higher expense for provision for delinquencies against MCA program transaction credits (Fiscal 2020 $1,022,015 vs Fiscal 2021 $75,483). An outcome of Covid-19. This compressed the Fiscal 2020 gross profit to $868,837. Fiscal 2021 MCA program gross profit was lower at $670,298 and primarily reflects decline in revenues due to effects of Covid-19. Aeroplan program gross profit was lower primarily reflecting decline in revenues due to effects of Covid-19 on participating merchants (Fiscal 2021 $190,932 vs Fiscal 2020 $331,663).

Selling expenses were $221,414 lower, a 30.8% drop compared to Fiscal 2020. To offset some of the financial impact of Covid-19, since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration with assistance from CEWS. The CEWS received for sales and administration staff is reflected in G&A (see Section G&A). In addition, the headcount was lower reflecting lay-off and termination.

General & Administrative ("G&A") were $558,605 lower, a 41.5% drop compared to Fiscal 2020. To offset some of the financial impact of Covid-19 pandemic, administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. In addition, lower headcount reflecting lay-off. The results for Fiscal 2021 reflect CEWS of $463,580 (Fiscal 2020 $156,492). Staff remuneration including travel expenses are the main component of SG&A. The company in partnership with its landlord availed CECRA since the start of the program until its termination September 30, 2020. The company received rent subsidy through CERS (CECRA's successor program) during Fiscal 2021 of $84,442.

Loss from operations before depreciation, amortization and interest. The above are reflected in Fiscal 2021 loss from operations before depreciation, amortization and interest of $424,514. Fiscal 2020 reflects loss from operations before depreciation, amortization and interest of $865,263.

Stated interest. Fiscal 2021 stated interest consists of stated interest on loan payable ($355,986) and 9% non convertible debentures payable ($554,888), (Fiscal 2020 $807,189 and $512,761 respectively).The lower interest on loan payable is primarily a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during Fiscal 2021 was $3,111,004 compared to $6,307,996 during Fiscal 2020. The lower loan payable utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Fiscal 2021. While the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. The interest rate charged on the loan payable is at 9.05% + prime rate, so the reduction in prime rate in March 2020 also was a factor in the lower interest cost. The company issued $250,000 of 9% non convertible debentures payable in March 2021 (principal amount outstanding at June 30, 2021 $6,009,000 vs $5,759,000 at June 30, 2020). Interest on the higher principal amount together with interest on unpaid interest is reflected in the higher 9% non convertible debentures stated interest cost.

9% non convertible debentures payable charges for accretion, restructuring bonus and amortization of transaction costs for Fiscal 2021 were $644,798 (Fiscal 2020 $598,733).

The depreciation for right of use asset for Fiscal 2021 at $45,490 was lower reflecting write-off due to its partial impairment at June 30, 2020 (Fiscal 2020 $65,336). At end of Fiscal 2020 the property, plant and equipment were fully depreciated. Consequently depreciation and amortization expense for Fiscal 2021 was $nil vs $15,210 during Fiscal 2020.

The Fiscal 2021 income statement reflects complete write-off of right of use asset ($53,072). Fiscal 2020 reflects partial write-off ($43,000).

The above factors are reflected in a lower net loss. Fiscal 2021 $2,091,967 vs. Fiscal 2020 $2,927,396.

Balance Sheet – Fiscal 2021 compared to Fiscal 2020

Transaction credits, which represent balance due of working capital advanced to merchants, are about 88.7% of total assets at June 30, 2021 compared to 89.9% at June 30, 2020. The gradual easing of Covid-19 pandemic public health restrictions commenced late June 2021 onwards. During the fourth quarter of Fiscal 2020 and all of Fiscal 2021 the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. Transaction credits, net of provision for delinquent accounts, of $1,726,663 at June 30, 2021 were $2,197,254 lower compared to $3,923,917 at June 30, 2020. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies. These factors led to decline in transaction credits. The transaction credits at June 30, 2021 and June 30, 2020 reflect an additional general reserve for potential delinquent transaction credits on account of Covid-19 pandemic. The general reserve at June 30, 2021 is $165,236 (June 30, 2020 $641,090). Consequently the total provision for delinquent transaction credits at June 30, 2021 was $1,061, 295 (June 30, 2020 $994,198).

Loan payable of $2,387,439 at June 30,, 2021 was $1,981,567 lower compared to $4,369,006 at June 30, 2020. 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 Covid-19 pandemic Accord provided company with a working capital overdraft. The loan payable balance at June 30, 2021 and June 30, 2020 includes amounts payable under the working capital overdraft provided by Accord (2021 $454,000 vs 2020 $184,098). The loan payable balance at June 30, 2021 and June 30, 2020 (net of working capital overdraft) primarily reflects the change in transaction credits (grossed up for general reserve) at the end of the two periods.

June 30, 2020 reflects 9% debentures and the book value reflects accrued and unpaid interest of $784,385 for the period December 16, 2018 until June 30, 2020. The company did not have the ability to pay the interest. The 9% debentures were replaced with 9% 2025 debentures with maturity date of December 31, 2025. The company issued $250,000 of additional 9% 2025 debentures in March 2021. June 30, 2021 reflects 9% 2025 debentures. Details are provided in section 9% non convertible debentures payable in this document.

Results of Operations

	Fiscal 2021	Fiscal 2020
	$	$
Revenue	**$ 1,229,880**	**$ 2,609,542**
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	293,167	387,027
Direct Expenses - Expense for provision against delinquent accounts	75,483	1,022,015
Gross profit	**$ 861,230**	**$ 1,200,500**
Selling and General & Administrative	1,285,744	2,065,763
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (424,514)**	**$ (865,263)**
Cash interest on loan payable and debentures	910,874	1,319,950
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (1,335,388)**	**$ (2,185,213)**
Depreciation of right of use asset	45,490	65,336
Depreciation of property, plant and equipment	-	15,210
Interest - Lease	13,219	19,904
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	644,798	598,733
Impairment of right of use asset	53,072	43,000
Net (loss) and comprehensive (loss)	**$ (2,091,967)**	**$ (2,927,396)**
Basic and Diluted (loss) per share	**$ -**	**$ -**

Extract from the Statement of Financial Position

	At June 30, 2020	At June 30, 2019	Increase/ (Decrease)
	$	$	$
Current assets	$ 1,946,034	$ 4,268,200	$ (2,322,166)
Total assets	$ 1,946,034	$ 4,366,762	$ (2,420,728)
Shareholders' deficiency	$ (8,012,127)	$ (9,167,710)	$ (1,155,583)

The change in current assets primarily reflects decrease in transaction credits, net of provision for delinquent accounts, of $2,197,254.

Since the start of Covid-19 pandemic the company reduced the collections from merchants so as not to stress the merchants' cash flows and it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the decline in transaction credits.

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

On the current liabilities side, the main change is on account of loan payable. The loan payable balance at June 30, 2021 at $2,387,439 was down $1,981,567 compared to June 30, 2020. Loan payable supports 90%

investment in transaction credits. The loan payable balance at June 30, 2021 also includes amounts payable under the working capital overdraft provided by Accord (June 30, 2021 $454,000 vs. June 30, 2020 $184,098). The loan payable balance at June 30, 2021 and June 30, 2020 (net of working capital overdraft) primarily reflects the change in transaction credits (grossed up for general reserve – see credit risk under Section Critical Accounting Estimates) at the end of the two periods.

June 30, 2020 reflects book value of the 9% debentures as current liability. The company was in default with respect to its financial covenants and interest payments. 9% debentures book value reflects accrued and unpaid interest of $784,385 for the period December 16, 2018 until June 30, 2020. The company did not have the ability to pay the interest. The 9% debentures were replaced with 9% 2025 debentures with maturity date of December 31, 2025. The company issued $250,000 of additional 9% 2025 debentures in March 2021. June 30, 2021 reflects 9% 2025 debentures. Details are provided in Section 9% non convertible debentures payable in this document.

The movement in the shareholders' deficit reflects net loss of $2,091,967 during Fiscal 2021 and recording of contributed surplus of $3,247,550 upon the issuance of 9% 2025 debentures (see Section 9% non convertible debentures payable).

Extracts from the Statement of Cash Flow

	Fiscal 2021	Fiscal 2020	Change
	$	$	$
Net (loss)	$ (2,091,967)	$ (2,927,396)	$ 835,429
Adjustments for non cash expenses	1,311,467	1,254,989	56,478
(Loss) after adjustments for non cash expenses	$ (780,500)	$ (1,672,407)	$ 891,907
Changes in working capital	2,604,570	5,644,816	(3,040,246)
Net cash (used in) financing activities	(1,908,065)	(3,925,444)	2,017,379
Net cash generated from/(used in) operations	$ (83,995)	$ 46,965	$ (130,960)
Cash at start of year	$ 166,601	$ 119,636	$ 46,965
Cash at end of year	$ 82,606	$ 166,601	$ (83,995)

Adjustments for non cash expenses. A significant item for Fiscal 2021 and Fiscal 2020 is accrued and unpaid interest on 9% non convertible debentures payable (Fiscal 2021 $554,888 vs. Fiscal 2020 $512,761). Furthermore, Fiscal 2021 charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable were $631,491 (Fiscal 2020 $586,209).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The gradual easing of Covid-19 pandemic public health restrictions commenced late June 2021 onwards. During the fourth quarter of Fiscal 2020 and all of Fiscal 2021 the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. Transaction credits, net of provision for delinquent accounts, of $1,726,663 at June 30, 2021 were $2,197,254 lower compared to $3,923,917 at June 30, 2020. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies during three months ended March 31, 2020 and three months ended June 30, 2020. Relevant to Fiscal 2020 was transition of merchants participating in the CIBC/TD program to the MCA program (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned to MCA program. Collection was the primary activity between completion of transition to MCA by end of first quarter (July to September 2019) of Fiscal 2020 until third quarter (January - March 2020) of Fiscal 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020. These factors led to decline in transaction credits in both Fiscal 2021 and 2020. The transaction credits at June 30, 2021 and June 30, 2020 reflect an additional general reserve for potential delinquent transaction credits on account of Covid-19

pandemic. The general reserve at June 30, 2021 is $165,236 (June 30, 2020 $641,090). Consequently the total provision for delinquent transaction credits at June 30, 2021 was $1,061, 295 (June 30, 2020 $994,198).

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with certain vendors. The company agreement with Aeroplan ended April 30, 2021. As of date hereof they continue to work together under the terms of the original agreement while discussing future terms and direction. The company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter was the establishment of a payment plan to address Advantex's arrears to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it.

Financing activities. During Fiscal 2021 the primary change was: a) the decrease of $1,981,567 in loan payable which is primarily due to above noted decrease in transaction credits and raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures on March 15, 2021. Furthermore, the loan payable balance during Fiscal 2021 and Fiscal 2020 also includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2021 $454,000 vs. June 30, 2020 $184,098). During Fiscal 2020 the primary change was the decrease in loan payable ($4,047,070) which is primarily due to above noted decrease in transaction credits of $5,550,082 (net of provision for delinquent accounts).

Investing activities. The company is frugal with capital expenditures given its financial situation. The company plans to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures in the next twelve months.

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the audited consolidated financial statements for the fiscal year ended June 30, 2021, 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 about 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 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.

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

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

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

The significant factor adversely impacting Fiscal 2021 revenues was the Covid-19 pandemic. Covid-19 was a factor in the fourth quarter (April to June 2020) of Fiscal 2020.

The revenue trends are provided in the tabulation.

	Fiscal 2021	Fiscal 2020
	$	$
Revenues		
MCA program	745,781	1,890,852
Aeroplan program	484,099	718,690
	$ 1,229,880	**$ 2,609,542**

MCA program

Since the start of the Covid-19 pandemic on an on and off basis most of the participating merchants either were mandated by the law to close operations or operate with restrictions. The company reduced the contracted collections from merchants so as not to stress the merchants' cash flows. Although during March 2021 the company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants the amounts were not significant. Throughout Fiscal 2021 and during the fourth quarter of Fiscal 2020 the company did not give any significant additional working capital advances to merchants - both on account of diminished working capital availability and the credit environment – leading to reduction in transaction credits and participating merchants.

Average number of MCA merchants during Fiscal 2021 were just over 100 compared to about 250 during Fiscal 2020.

The above factors led to a sharp decline in Fiscal 2021 revenues compared to Fiscal 2020.

Aeroplan program

Fiscal 2021 revenue decline primarily reflects economic impact of Covid-19 pandemic on participating merchants and their diminished ability to carry on with loyalty marketing activity using this program.

Average number of merchants about 100 during Fiscal 2021 and Fiscal 2020.

Direct Expenses

The MCA direct expenses are provision for delinquencies against transaction credits.
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.

	Fiscal 2021	Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 745,781	$ 1,890,852	$ (1,145,071)	-60.6%
Aeroplan program	484,099	718,690	(234,591)	-32.6%
	$ 1,229,880	**$ 2,609,542**	**$ (1,379,662)**	**-52.9%**
Direct expenses				
MCA program	$ 75,483	$ 1,022,015	$ (946,532)	-92.6%
Aeroplan program	293,167	387,027	(93,860)	-24.3%
	$ 368,650	**$ 1,409,042**	**$ (1,040,392)**	**-73.8%**

MCA program

While the company believes it has adequate provision for delinquencies as at June 30, 2021 and June 30, 2020, Covid-19 pandemic is 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 continued to monitor credit risk along above methodology during Fiscal 2021.

Aeroplan program

The decline in direct costs reflects decline in revenues.

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

Gross Profit

Fiscal 2021 gross profit primarily reflects decline in revenues due to effects of Covid-19.

As described in section Direct Expenses Fiscal 2020 reflects a higher expense for provision for delinquencies against transaction credits. An outcome of Covid-19. This compressed MCA and the company gross profit for Fiscal 2020.

Gross profit tabulation:

	Fiscal 2021	Fiscal 2020	Inc./(Dec)
	$	$	$
MCA program	$ 670,298	$ 868,837	$ (198,539)
Aeroplan program	190,932	331,663	(140,731)
	$ 861,230	**$ 1,200,500**	**$ (339,270)**
Company gross margin	70.0%	46.0%	

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.

To offset some of the financial impact of Covid-19 since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration with assistance from CEWS. The CEWS received for sales and administration staff is reflected in G&A (see Section G&A). In addition, the headcount was lower on account of two staff on temporary lay-off – one since March 2020 and the second since September 2020. Both recalled in April 2021.

The company's sales force is common to both programs.

	Fiscal 2021	Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 745,781	$ 1,890,852	$ (1,145,071)	-60.6%
Aeroplan program	484,099	718,690	(234,591)	-32.6%
	$ 1,229,880	**$ 2,609,542**	**$ (1,379,662)**	**-52.9%**
Selling expenses				
MCA program	$ 301,284	$ 520,450	$ (219,166)	-42.1%
Aeroplan program	195,569	197,817	(2,248)	-1.1%
	$ 496,853	**$ 718,267**	**$ (221,414)**	**-30.8%**
Remuneration/expenses of sales staff	$ 488,141	$ 703,165		
Remuneration/expenses as % of selling expenses	98.2%	97.9%		

General and Administrative Expenses ("G&A")

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

	Fiscal 2021	Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues	**$ 1,229,880**	**$ 2,609,542**	**$ (1,379,662)**	**-52.9%**
G&A				
Compensation for non-sales staff	$ 894,214	$ 1,063,690	$ (169,476)	
CEWS - for sales and non-sales staff	(463,580)	(156,492)	(307,088)	
CERS	(84,442)	-	(84,442)	
All other G&A expenses, incl staff travel	442,699	440,298	2,401	
	$ 788,891	**$ 1,347,496**	**$ (558,605)**	**-41.5%**

Compensation

Since April 1, 2020, non-sales (administrative) staff, including management, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. The CEWS received for sales and non-sales (administrative) staff is reflected in G&A.

Rent subsidy

Fiscal 2021 reflects receipt of CERS, successor to CECRA program.

The company in partnership with its landlord availed CECRA since the start of the program until its termination September 30, 2020.

All other G&A expenses

Fiscal 2021 is flat vs. Fiscal 2020. Defensive steps to manage costs in order to mitigate impact of Covid-19 pandemic on revenues were implemented in the fourth (April – June) quarter of Fiscal 2020.

Interest Expense

Tabulation:

	Fiscal 2021	Fiscal 2020	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 355,986	$ 807,189	$ (451,203)
9% non convertible debentures payable	554,888	512,761	42,127
	$ 910,874	$ 1,319,950	$ (409,076)
Non-cash interest expense			
Interest - Lease	$ 13,219	$ 19,904	$ (6,685)
Accretion charge on 9% non convertible debentures payable	453,036	327,181	125,855
Restructuring bonus on 9% non convertible debentures payable	178,455	259,028	(80,573)
Amortization of transaction costs on 9% non convertible debentures payable	13,307	12,524	783
	$ 658,017	$ 618,637	$ 39,380
Total interest expense	**$ 1,568,891**	**$ 1,938,587**	**$ (369,696)**

Stated interest

Loan payable. The lower interest on loan payable is primarily a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during Fiscal 2021 was $3,111,104 compared to $6,307,996 during Fiscal 2020. The lower loan payable utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Fiscal 2021. While the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. The interest rate charged on the loan payable is at 9.05% + prime rate, so the reduction in prime rate in March 2020 also was a factor in the lower interest cost.

9% non convertible debentures payable. The company issued $250,000 of 9% non convertible debentures payable in March 2021 (principal amount outstanding at June 30, 2021 $6,009,000 vs $5,759,000 at June 30, 2020) and the interest on the higher principal amount is reflected in 9% non convertible debentures stated interest cost. In addition, Fiscal 2021 also includes interest on interest of $30,351. This reflects computation of interest on interest for the period March 15, 2021 to June 30, 2021 on outstanding interest of $1,150,383 on 9% non convertible debentures payable for the period December 16, 2018 to March 14, 2021 and is payable upon maturity of 9% non convertible debentures .

Non cash interest expense

During Fiscal 2020 and until March 14, 2021 the company was in default with respect to its financial covenants and interest payments with respect to 9% non convertible debentures payable. The company did not have the ability to pay the interest. The maturity date of the 9% non convertible debentures payable was extended to December 31, 2025. In March 2021 the company issued $250,000 of additional 9% non convertible debentures payable. (principal amount outstanding at June 30, 2021 $6,009,000 vs $5,759,000 at June 30, 2020). This resulted in amendment to the fair value of the 9% non convertible debentures

payable. This is reflected in the Fiscal 2021 accretion charges as is the restructuring bonus payable connected to $250,000 9% non convertible debentures payable.

Non-recurring Item

Impairment of right of use asset respecting the head office lease. The adoption of IFRS 16 Leases at start of Fiscal 2020 resulted in creation of a right of use asset to be amortized over the life of the lease. A charge in Fiscal 2020 of $43,000 respecting partial impairment of the right of use asset and $53,072 in Fiscal 2021 respecting full impairment reflects the uncertainty around the company's ability to meet its lease payments and in securing a sub-lease primarily on account of Covid-19 pandemic. This lease expires August 31, 2022.

Net (Loss)

Highlights of Fiscal 2021 compared to Fiscal 2020 are tabulated:

	Fiscal 2021		Fiscal 2020		Inc./(Dec)	
	$		$		$	
Revenues	$	1,229,880	$	2,609,542	$	(1,379,661)
Gross profit	$	861,230	$	1,200,500	$	(339,270)
Earnings (loss) from operations before depreciation, amortization and interest	$	(424,514)	$	(865,263)	$	440,749
Net (loss) and Comprehensive (loss)	$	(2,091,967)	$	(2,927,396)	$	(835,429)
Basic and Diluted loss per share	$	-	$	-		

The detailed analysis of the above tabulated items is provided in Sections Twelve months ended June 30, 2020 - *Income Statement – Fiscal 2021 compared to Fiscal 2020*, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, Interest Expense, Non-recurring Item.

Highlights are provided here:

- The decline in revenues reflects impact of Covid-19 pandemic.
- Fiscal 2020 reflect a higher expense for provision for delinquencies against transaction credits. An outcome of Covid-19. This compressed the gross profit. Controlling for the higher delinquency provision Fiscal 2021 gross profit is significantly lower and reflects the decline in revenues.
- Selling, General and Administrative ("SG&A") expenses during Fiscal 2021 were 37.8% lower vs Fiscal 2020. The lower SG&A expenses primarily reflects Covid-19 pandemic driven temporary lay-off of some staff and the remaining staff including the management, since April 1, 2020, receiving 85% of their pre pandemic remuneration with assistance from CEWS. Receipt of CERS was a factor during Fiscal 2021 while CECRA was a factor in Fiscal 2020 and Fiscal 2021. Staff remuneration including travel expenses are the main component of SG&A.
- (Loss) from operations before depreciation, amortization and interest. Fiscal 2020 reflects higher expense for provision for delinquencies against transaction credits thereby compressing the gross profit and consequently increased the loss. Fiscal 2021 reflect the outcome of decline in revenues partially offset by lower SG&A.
- Stated interest cost was significantly lower reflecting lower utilization of loan payable which is used to fund 90% of the MCA program advances (transaction credits).
- 9% non convertible debentures payable charges for accretion, restructuring bonus and amortization of transaction costs for Fiscal 2021 $644,798 (Fiscal 2020 $598,733).
- The depreciation for right of use asset was lower reflecting write-off due to its partial impairment at June 30, 2020. At end of Fiscal 2020 the property, plant and equipment were fully depreciated. Consequently depreciation and amortization expense for Fiscal 2020 was $35,056 lower vs Fiscal 2021.
- The above factors are reflected in the reported Fiscal 2021 loss of $2,091,967 vs. Fiscal 2020 loss of $2,927,396.

Working Capital and Liquidity Management

	Fiscal 2021	Fiscal 2020
	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	$ (2,091,967)	$ (2,927,396)
Adjustments for non cash expenses	1,311,467	1,254,989
(Loss) after adjustment for non cash expenses	(780,500)	(1,672,407)
Cash balances at start of the period	166,601	119,636
(Decrease) in loan payable	(1,981,567)	(4,047,070)
Net proceeds from raise of 9% non convertible debentures payable	131,173	159,297
Proceeds from loan - Canada Emergency Business Account	20,000	40,000
Increase/(Decrease) in accounts receivable	25,811	(8,271)
	$ (2,418,482)	**$ (5,408,815)**
Utilization of funds		
Cash balances at end of periods	$ 82,606	$ 166,601
(Decrease) in transaction credits	(2,197,254)	(5,550,082)
(Increase) in accounts payable and accrued liabilities	(366,399)	(109,554)
Changes in all other working capital items	(15,106)	6,549
Change in other financing items	77,671	77,671
	$ (2,418,482)	**$ (5,408,815)**

Working Capital Movement during Fiscal 2021 and Fiscal 2020

Adjustments for non cash expenses. A significant item for Fiscal 2021 and Fiscal 2020 is accrued and unpaid interest on 9% non convertible debentures payable (Fiscal 2021 $554,888 vs. Fiscal 2020 $512,761). Furthermore, Fiscal 2021 charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable were $631,491 (Fiscal 2020 $586,209).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The gradual easing of Covid-19 pandemic public health restrictions commenced late June 2021 onwards. During the fourth quarter of Fiscal 2020 and all of Fiscal 2021 the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. Transaction credits, net of provision for delinquent accounts, of $1,726,663 at June 30, 2021 were $2,197,254 lower compared to $3,923,917 at June 30, 2020. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies during three months ended March 31, 2020 and three months ended June 30, 2020. Relevant to Fiscal 2020 was transition of merchants participating in the CIBC/TD program to the MCA program (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned to MCA program. Collection was the primary activity between completion of transition to MCA by end of first quarter (July to September 2019) of Fiscal 2020 until third quarter (January - March 2020) of Fiscal 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020. These factors led to decline in transaction credits in both Fiscal 2021 and 2020. The transaction credits at June 30, 2021 and June 30, 2020 reflect an additional general reserve for potential delinquent transaction credits on account of Covid-19 pandemic. The general reserve at June 30, 2021 is $165,236 (June 30, 2020 $641,090). Consequently the total provision for delinquent transaction credits at June 30, 2021 was $1,061,295 (June 30, 2020 $994,198).

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with certain vendors. The company agreement with Aeroplan ended April 30, 2021. As of date hereof they continue to work while discussing future terms and direction. The company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter is the establishment of a payment plan to address Advantex's arrears to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it.

Financing activities. During Fiscal 2021 the primary change was: a) the decrease of $1,981,567 in loan payable which is primarily due to above noted decrease in transaction credits and raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures on March 15, 2021. Furthermore, the loan payable balance during Fiscal 2021 and Fiscal 2020 also includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2021 $454,000 vs. June 30, 2020 $184,098). During Fiscal 2020 the primary change was the decrease in loan payable ($4,047,070) which is primarily due to above noted decrease in transaction credits of $5,550,082 (net of provision for delinquent accounts).

Investing activities. The company is frugal with capital expenditures given its financial situation. The company plans to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures in the next twelve months.

The company does not have the wherewithal to re-pay its legacy suppliers i.e. those who provided services connected to CIBC/TD program and those suppliers not essential to operating the new business model. The company has payment plans in place with suppliers critical to ongoing operations. The company agreement with Aeroplan ended April 30, 2021. As of date hereof they continue to work while discussing future terms and direction. The company is in arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter is the establishment of a payment plan to address Advantex's arrears to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it.

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, and deployment of advances with merchants where 10% of company cash is deployed [the balance 90% coming from loan payable]. (Since fourth quarter of Fiscal 2020 until June 30, 2021 not significant activity due to diminished availability of working capital). Fiscal 2020 movement in cash also reflects net proceeds ($159, 297) from issuance in October 2019 9% non convertible debentures payable. Fiscal 2021 movement in cash reflects net proceeds ($131,173) from issuance in March 2021 of 9% non convertible debentures payable.

The company's operations are funded by debt – loan payable and effective March 15, 2021 9% 2025 debentures (see Sections Loan Payable and 9% Non-Convertible Debentures Payable) in this document.

Impact of Covid-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus, Covid-19, as a global pandemic. The government in Canada ordered the closure of all non-essential businesses. Practically all of the company's customers, small independent merchants, operate in the non-essential business segments. Since March 2020 and until June 30, 2021 the restrictions flexed between lockdowns and limited relaxation across Canada resulting in a devastating adverse impact on the company's Fiscal 2021 performance and further deterioration of its financial position since June 30, 2020.

Restrictions led to decline in the ability of the company's merchants to pay the contracted amounts per MCA agreements. The company did not also give significant additional advances – both on account of its diminished working capital availability and the credit environment and this in turn led to decline in MCA program transaction credits and participating merchants. The two factors led to a sharp decline in the company's MCA revenues. Average number of MCA merchants during Fiscal 2021 were just over 100 compared to about 250 during Fiscal 2020. Similarly the company's loyalty marketing re-seller program ("Aeroplan program") was impacted. Participating merchants either stopped or curtailed their loyalty

marketing activities leading to decline in revenues from this program. Average number of merchants about 100 during Fiscal 2021 and Fiscal 2020.

Fiscal 2021 revenues at $1,229,880 declined $1,379,662 (52.9%) compared to Fiscal 2020.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve, expensing $1,022,015, during Fiscal 2020, specifically in quarters ended March 31, 2020 and June 30, 2020 against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Fiscal 2021 (expense $75,483). To date the reserves created are adequate.

The company availed federal government Covid-19 pandemic relief measures and continues to do so as of date hereof. To manage its costs the company had to lay-off of some staff and the remaining staff including the management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy ("CEWS"). The company benefited from its landlord applying for Canada Emergency Commercial Rent Assistance ("CECRA") program. Since October 2020 the company is accessing the Canada Emergency Rent Subsidy ("CERS"), successor program to CECRA. The company applied for and received $60,000 under the Canada Emergency Business Account.

Despite cutting costs and receiving government subsidies the decline in revenues was sharp and consequently Fiscal 2021 loss was $2,091,967 (Fiscal 2020 $2,927,396).

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

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

Accord Financial Inc. ("Accord") (see Section Loan Payable), which is the source of 90% of funds for the MCA program, 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. As of June 30, 2021 the company owed $454,000 on this overdraft.

The company has a decade old relationship with Aeroplan. The current five year term of the agreement ended April 30, 2019 which was extended to April 30, 2020 and thereafter – in July 2020 - further extended to April 30, 2021. 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 company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. As of date hereof a payment plan is in place and the company is current with it.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9% debentures") with no ability to cure the default. With the requisite consents from holders of the 9% debentures in March 2021 the 9% debentures maturity date was extended to December 31, 2025 and 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. (see Sections 9% Non-convertible debentures payable and Capital Raise Developments).

Since the company was not in a financial position to timely file the Fiscal 2019 annual financial statements and related financial documents the Ontario Securities Commission ("OSC") issued a failure to file cease trade order ("FFCTO") on November 1, 2019. While the company remedied filing situation on May 21, 2020 by filing Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents it did not, due to financial constraints outlined above, timely file its Fiscal 2020 annual financial statements and related financial documents. The company also did not timely file its interim financial statements and related financial documents for three months ended September 30, 2020 and three and six months ended December 31, 2020. As further discussed below in section Capital Raise Developments the company remedied outstanding filing requirements of continuous disclosure documents on March 31,

2021. In May 2021 the company applied to the OSC for a revocation of the FFCTO. On June 24, 2021 the OSC issued an order ("Revocation Order") revoking the FFCTO.

Capital Raise Developments

Given its financial hardship, Covid-19, termination of alternative financing options described in above in Impact of Covid-19 pandemic the company negotiated a financing of up-to $1.0 million with its principal holder of 9% debentures and common shares of the company (see section Related party transactions for information about principal holder). However, given the regulatory complications and delays connected to this financing the investors decided not to pursue the financing. Instead the company and investors agreed to pursue, subject to approval of OSC, a $250,000 raise by way of senior secured 9% non convertible debentures in order to enable the company to continue operating while it worked to obtain a full revocation of the FFCTO, and to canvass and consider other financing alternatives at the same time.

The company applied for the Partial Revocation Order to complete the $250,000 financing. The OSC issued an order dated February 25, 2021 partially revoking the FFCTO. Through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("9% 2025 debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the 9% 2025 debentures.

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

The company completed the $250,000 financing on March 15, 2021.

The proceeds of the financing were to pay for the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the financing; operational and general administrative expenses; payment of accounts payable incurred in the ordinary course of business; and partial funding of its MCA business as public health restrictions were gradually eased in Canada.

Actions taken since March 16, 2021

The company filed its audited year ended June 30, 2020, three months September 30, 2020, and three and six months ended December 31, 2020 disclosure documents on March 31, 2021 and paid the late filing fees with the applicable regulatory authorities.

The company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants.

In May 2021 the company applied to the OSC for a full revocation of the FFCTO. On June 24, 2021 the OSC issued an order revoking the FFCTO.

The company held a Special Meeting of shareholders to seek requisite approval with respect to issuance of common shares for the proposed $1.0 million debenture financing, share consolidation and the increase in the existing restricted share unit plan ("RSU Plan").

On September 10, 2021 the company announced the close of a $1.0 million debenture financing ("Financing"). Through its managed accounts and principals, Generation subscribed for $975,000 of the senior secured non-convertible debentures of Advantex (9% 2025 debentures) and the company's CEO subscribed for $25,000 of the 9% 2025 debentures. Subscribers to the $1.0 million 9% 2025 debentures in September 2021 and the $250,000 9% 2025 debentures in March 2021 were issued 4,475 common shares in the capital of the

company for each dollar of 9% 2025 debentures subscribed for. The company issued an aggregate of 5,593,750,000 common shares related to this Financing.

In addition, CFO of Advantex was issued 125,000,000 common shares as a retention bonus and 3,429,384 common shares in lieu of a portion of the vacation pay owed to him and CEO was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of the vacation pay owed to him ("Compensation Issuances"). The Compensation Issuances were approved by the company's shareholders at the Special Meeting.

As the Financing and the Compensation Issuances would constitute a related party transaction pursuant MI 61-101, the company relied on the financial hardship exemption from the formal valuation approval requirements of such instrument. Pursuant to the minority shareholder approval requirements of MI 61-101, the votes attached to common shares held by Generation, CEO, CFO, independent directors of the company and their respective associates were excluded from voting on the approval of the Financing and the Compensation Issuances.

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022 (see Section Loan Payable for additional details).

Next steps

The proceeds of the Financing will be used to stabilize Advantex's financial position, fund its MCA business and for general corporate purposes.

The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (see section Economic Dependence).

Off Balance sheet financing arrangements

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

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

Going Concern

The 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 $8,012,127 and negative working capital of $3,304,473 as at June 30, 2021. Subsequent to June 30, 2021 the company closed a $1.0 m financing (notes 9 and 19 to the consolidated financial statements). 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 5 to the consolidated financial statements) which supports the company's merchant cash advance program, and general working capital provided by 9% 2025 debentures (note 6 to the

consolidated financial statements); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

Contractual obligations as at June 30, 2021 were due as follow:

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 2,387,439	$ 2,387,439	$ -	$ -
9% debentures		6,009,000	-	-	6,009,000
Canada Emergency Business Account		60,000	-	60,000	-
Head office lease		90,616	77,671	12,945	-
Operating leases		160	160	-	-
		$ 8,547,215	**$ 2,465,270**	**$ 72,945**	**$ 6,009,000**

In addition, there is a contractual obligation to holders of 9% non convertible debentures payable for interest of: a) $1,150,383 payable for the period December 16, 2018 to March 14, 2021, as holders of 9% debentures b) $2,594,406 for the period March 15, 2021 to December 31, 2025 as holders of 9% 2025 debentures, and c) interest on interest of $617,784 (interest on interest is described in section 9% Non convertible debentures payable). The company also has a liability of restructuring bonus for $1,081,620 to the holders of the 9% 2025 debentures payable on maturity. The features of 9% 2025 debentures are described in section 9% Non convertible debentures payable.

The company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease.

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

Loan Payable

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

The facility has a limit of $8.5 million and is only available to the company for acquisition of transaction credits under its MCA and Aeroplan programs, and was until end of Fiscal 2019 under CIBC/TD program. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

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

The interest rate is equivalent to the prime rate of a certain Canadian bank plus 9.05% and effective September 1, 2021 the interest rate is equivalent to prime rate of a certain Canadian bank plus 8.80%. Accord funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%. Interest is calculated daily on the amount outstanding and charged monthly. The company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

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. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of June 30, 2021 and date hereof the company has utilized $454,000 and $446,000 respectively from this facility. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022.

The company had utilized $2.4 million of the facility at June 30, 2021 (at June 30, 2020 $4.4 million).

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

9% Non Convertible Debentures Payable

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 (Section Related party transactions).

The company also received agreement from the holders of 9% debentures to extend the 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.

As described in Section Related party transactions, the debenture holders also received common shares in relation to the debentures. 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 and June 30, 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 issuance of 9% 2025 debentures is 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.

Selected Annual and Quarterly Information

The following financial data has been derived from the company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2021, June 30, 2020, and June 30, 2019 ("Fiscal 2019").

(In millions of dollars except per share amounts)			
	Fiscal 2021	Fiscal 2020	Fiscal 2019
	$	$	$
Revenues	1.2	2.6	6.1
Net income/(loss)	(2.1)	(2.9)	(0.9)
Profit/(Loss) per share - Basic and Diluted	-	-	-
Total assets	1.9	4.3	9.8
Current liabilities	5.3	13.5	16.0
Long-term liabilities	4.7	0.1	-
No cash dividend declared per common share			

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

	Fiscal 2021	Fiscal 2020	Fiscal 2019
	$	$	$
Working capital	(3,304,473)	(9,181,593)	(6,282,357)

Composition of total assets is tabulated:

	Fiscal 2021	Fiscal 2020	Fiscal 2019
	$	$	$
Cash and cash equivalents	83,000	167,000	120,000
Accounts receivable	93,000	119,000	111,000
Transaction credits	1,727,000	3,924,000	9,474,000
Prepaid expenses and sundry assets	44,000	59,000	52,000
Right of use asset	-	98,000	-
Property, plant and equipment	-	-	15,000
	1,947,000	4,367,000	9,772,000

Transaction credits are the significant asset – 88.7% Fiscal 2021; 89.9% Fiscal 2020; and 97.0% Fiscal 2019.

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

Fiscal 2021. The decrease in transaction credits vs. Fiscal 2020 is an outcome of covid-19 pandemic. Although during March 2021 the company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants the amounts were not significant. Throughout Fiscal 2021 and during the fourth quarter of Fiscal 2020 the company did not give any significant additional working capital advances to merchants - both on account of its diminished working capital availability and the credit environment – leading to reduction in transaction credits.

Fiscal 2020. The decrease in transaction credits vs. Fiscal 2019 is an outcome of three factors - Covid-19 pandemic, reserve for delinquencies, and timing of MCA advances vs collection. During the April – June 2020 period, due to covid-19 pandemic, most of the participating merchants either were mandated by the law to close operations or operate with restrictions. The company did not give any additional working capital

advances to merchants during this period although it reduced the collections from merchants so as not to stress the merchants' cash flows. In addition, the balance at June 30, 2020 reflects the additional reserve for transaction credits on account of Covid-19. Relevant to Fiscal 2020 was transition of merchants participating in the CIBC/TD program to the MCA program (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned to MCA program. Collection was the primary activity between completion of transition to MCA by end of first quarter (July to September 2019) of Fiscal 2020 until fourth quarter (January to March 2020) of Fiscal 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020.

Fiscal 2019. The increase in transaction credits vs. Fiscal 2018 reflects transition of merchants participating in the CIBC/TD program to the MCA program. The transition started in the latter half of Fiscal 2019 and was completed during the first quarter of Fiscal 2020. Under the MCA program the working capital advances of merchants being transitioned were refreshed to new higher credit limits.

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

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

Please refer to the section on Results of Operations section in this document for an analysis of Fiscal 2021 and Fiscal 2020.

<u>Fiscal 2020 compared to Fiscal 2019</u>

The results for Fiscal 2020 and Fiscal 2019 were:

		Fiscal 2020	Fiscal 2019
Net profit/(loss) and Comprehensive profit/(loss)		$ (2,927,396)	$ (911,945)

Highlights of Fiscal 2020 compared to Fiscal 2019 (in millions of dollars):

Operational Highlights.

	Revenues	Gross profit	SG&A	Earnings from operations before depreciation, amortization and interest	Stated and Non cash interest	Non-recurring item	Net profit/(loss)
Fiscal 2020	2.6	1.2	2.1	(0.9)	1.3	-	(2.9)
Fiscal 2019	6.1	4.5	3.5	1.0	1.8	-	(0.9)

<u>Income Statement – Fiscal 2020 compared to Fiscal 2019</u>

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

Revenues tabulation:

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

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

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

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

Gross profit tabulation:

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

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

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

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

advances to merchants. Consequently average loan payable balance was marginally higher during Fiscal 2020 at $6,307,996 vs. Fiscal 2019 $6,078,276 and this is reflected in the marginally higher interest.

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

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

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

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

Cash and Working capital movement during Fiscal 2020

The company used up cash in its operations of $1,672,407, equivalent to loss before non cash expenses (see Section Extracts from the Statement of Cash Flow). This was partially offset by reduction of working capital primarily from reduction in transaction credits ($5,550,082) less of amounts due to loan payable ($4,047,070) which funds 90% of transaction credits. Financing activities contributed to cash primarily through net proceeds from raise of 9% non convertible debenture payable in October 2019. Net increase in cash during the year of $49,965. Fuller details available in Section Extracts from the Statement of Cash Flow in this document and Consolidated Statements of Cash Flow from Consolidated Financial Statements for year ended June 30, 2020.

The deterioration in Working Capital of $2,899,236 (negative $9,181,593 at June 30, 2020 vs negative $6,282,357 at June 30, 2019) is primarily on account of reduction in transaction credits ($5,550,082) less of amounts due to loan payable ($4,047,070). The movement on these is explained in Sections Balance Sheet – Fiscal 2021 compared to Fiscal 2020 and Extracts from the Statement of Cash Flow in this document.

* Loss before non-cash expenses is a non-GAAP financial measure which does not have any standardized meaning prescribed by the issuer's GAAP and is unlikely to be comparable to similar measures presented by other issuers. It is provided as additional information to assist readers in understanding a component of the company's financial performance; as it is the company's assessment of the cash generated from its operating activities prior to changes in working capital items. Loss before non-cash expenses during Fiscal 2020 is arrived after adding back expenses not affecting cash – accrued and unpaid 9% non convertible debentures interest; depreciation of property, plant and equipment; accretion charge, restructuring bonus, amortization of transaction costs related 9% non convertible debentures payable; interest, depreciation of right of use asset, impairment of right of use asset to do with head office lease which is disclosed in the audited consolidated financial statements for year ended June 30, 2021 and June 30, 2020 under the section consolidated statements of cash flow.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
Fiscal 2021						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	
		$	$	$	$	$
Revenues		0.3	0.4	0.2	0.3	1.2
% of annual revenues		25.0%	33.3%	16.7%	25.0%	100.0%
Net (loss)		(0.5)	(0.5)	(0.5)	(0.6)	(2.1)
(Loss) per share - Basic and Diluted		-	-	-	-	-
Fiscal 2020						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	
		$	$	$	$	$
Revenues		0.8	0.9	0.7	0.2	2.6
% of annual revenues		30.8%	34.6%	26.9%	7.7%	100.0%
Net (loss)		(0.5)	(0.5)	(1.0)	(0.9)	(2.9)
(Loss) per share - Basic and Diluted		-	-	-	-	-

Fiscal 2021 and Q4 Fiscal 2020 primarily reflects impact of Covid-19 pandemic.

Fourth Quarter of Fiscal 2021 (Q4 F2021) vs. Fourth Quarter of Fiscal 2020 (Q4 F2020)

Overview

Q4 F2021 and Q4 F2020 are both impacted by Covid-19 pandemic. During both periods Covid-19 pandemic was the primary factor driving revenues, defensive measures taken by the company on cost control and accessing government subsidies. Q4 F2020 was a period of more severe public health restrictions compared to Q4 F2021 and this is reflected in the comparatively better revenues in Q4 F2021 compared to Q4 F2020. Significant provision for potential merchant delinquencies and collection of MCA transactions credits due to Covid-19 pandemic was created in third quarter of F2020 and in Q4 F2020. The $250,149 expense for provision for delinquencies in Q4 F2020 compressed the MCA and company gross profit and contributed to a bigger loss compared to Q4 F2021.

Impact of Covid-19 is discussed in Section Overall Performance.

Tabulation of financial performance - Q4 F2021 vs. Q4 F2020

F2021					
		MCA program	Aeroplan program	Corporate	Total
		$	$	$	$
Revenues		203,525	87,006	-	290,531
Direct expenses		763	54,033	-	54,796
Gross profit		202,762	32,973	-	235,735
Gross margin		99.6%	37.9%		81.1%
Selling & marketing					73,165
General & administrative					206,082
Earnings from operations before depreciation, amortization and interest					(43,512)
Stated interest					233,659
Interest - Lease					2,637
Accretion charges, restructuring bonus, amortization of transaction costs					195,005
Depreciation and amortization including right of use asset					11,372
Impairment of right of use asset				53,072	53,072
Net loss					(539,257)

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

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company's plan is to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures in the next twelve months.

Critical Accounting Estimates

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

The company's significant accounting policies are disclosed in note 3 to the audited consolidated financial statements for year ended June 30, 2021.

Contingent liabilities

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

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding impact of Covid-19 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, renewal of its agreement with Aeroplan, 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 and support growth of its core business, the MCA program.

The company's audited consolidated financial statements for year ended June 30, 2021 carry a going concern note (Note 2a). The note is also carried in the Section Working Capital and Liquidity Management in this document.

Financial instruments – fair value

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

A significant amount of estimation was applied in evaluation of the fair value of the 9% non convertible debentures payable. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

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

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 cash flows 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 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.

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

The Covid-19 pandemic restrictions have impacted economic activity and this will affect the collectability of the transaction credits. As of date hereof the federal and provincial governments are easing the restrictions in phases and laying out re-opening plans. Although the vaccinations have picked pace there is considerable uncertainty related to the pace and extent of economic recovery and hence the evaluation of collectability of transaction credits.

The maximum exposure to credit risk is the balance, net of provision for impaired accounts, of the transaction credits, and accounts receivable.

The accounts receivable, transaction credits, and the allowance is as follows:

	June 30, 2021	June 30, 2020
	$	$
Transaction credits	$ 2,787,958	$ 4,918,115
Accounts receivable	97,475	123,286
Allowance	(1,065,680)	(998,583)
Per Consolidated statement of financial position	**$ 1,819,753**	**$ 4,042,818**
Maximum exposure to credit risk	**$ 1,819,753**	**$ 4,042,818**

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

	June 30, 2021	June 30, 2020
	$	$
Impaired transaction credits	$ 896,059	$ 353,108
Allowance	(896,059)	(353,108)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This allowances at June 30, 2021 and 2020 include a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 165,236	$ 641,090

Stock Options

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

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

No stock options are outstanding at the start and end of Fiscal 2021 and Fiscal 2020.

There was no stock based compensation expense during Fiscal 2021 and 2020.

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.

At the August 26, 2021 Special Meeting of the shareholders the company received approval from its shareholders to increase the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan from 32,000,000 common shares to 412,000,000 common shares.

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

Outstanding Share Data

Issued and outstanding common shares

	Number of shares
Balance at June 30, 2020 and 2021	878,948,414

On September 7, 2021 the company issued 6,053,768,037 common shares as follows. 6,932,716,451 common shares are issued and outstanding after the below noted issuances.

a. 5,593,750,000 common shares to the subscribers of $1.0 million 9% 2025 debentures issued September 7, 2021 and $250,000 9% 2025 debentures issued March 15, 2021;

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.

Potentially Dilutive Securities

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

Related party transactions

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

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.

In addition, 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.

9% debentures and 9% 2025 debentures are described in Section 9% non convertible debenture payable.

The holdings of debentures by related parties are summarized below:

	June 30, 2021		June 30, 2020	
	9% 2025 debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 550,000	95,523,818	$ 500,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz (c)	9,000	1,168,971	-	-
Chief Financial Officer - M. Sabharwal	115,000	27,498,576	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	2,815,229	321,629,458	2,669,120	321,629,458
Herbert Abramson (b)	159,891	11,560,814	106,000	11,560,814
	$ 4,149,120	530,896,455	$ 3,890,120	529,727,484
Total issued and outstanding 9% 2025 debentures (June 30, 2021), 9% debentures (June 30, 2020) and common shares	$ 6,009,000	878,948,414	$ 5,759,000	878,948,414
% held by parties in tabulation	69.0%	60.4%	67.5%	60.3%

(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 following 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

(c) David Moscovitz was elected director of the company at the annual and special meeting of shareholders held on December 24, 2020

On September 7, 2021 the company issued an aggregate of 6,053,768,037 of common shares as follows:

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.

b. 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;

c. 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

d. 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.

Economic Dependence

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

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

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them. The company has a 15 year + relationship with the principal holder of the 9% 2025 debentures and the principal holders invested $1,175,000 through 9% 2025 debentures in the company ($200,000 in March 2021 and $975,000 in September 2021) see section Related party transactions.

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The agreement is subject to automatic renewal thereafter for periods of one year unless terminated by either party upon 180 days written notice. 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. As of date hereof the company has utilized $454,000 of this facility. Either non-payment of interest on due dates, if not cured within time period stipulated in the agreement, or non-payment of overdraft facility (in the event it is not converted into either equity or quasi equity position in the company) would constitute an event of default and would be some, amongst certain other circumstances, where the loan payable is repayable on demand to Accord. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. The term of the agreement was due to expire April 30, 2019, was extended to April 30, 2020 and thereafter further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from

prior payment plan - to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it. The company has a 10 year + relationship with Aeroplan.

General Risks and Uncertainties

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

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% 2025 debentures (see sections Loan Payable and 9% Non Convertible Debentures Payable in this document). The loan payable agreement term ends June 30, 2022. The 9% 2025 debentures mature December 31, 2025. The risks connected to the continuity of the two sources of debt are explained in Section Economic Dependence.

Covid-19 pandemic has created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration of the crisis and its adverse effect on the economy in general and the company's merchants' in particular. This may adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% 2025 debentures, renew agreement with Aeroplan; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. As of date hereof the company has applied for and received relief under some government programs, and continues to explore its eligibility under various other government programs but no assurance can be given on continuing successful outcomes.

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

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

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

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 cash flws 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 two sources of debt. The 9% 2025 debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% 2025 debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05% (8.80% effective September 1, 2021) on loan payable. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During the year ended June 30, 2021, the company incurred interest expense of $355,986 on utilization of loan payable. Had the interest rate, for the year ended June 30, 2021, been 10% higher the interest expense on loan payable would have been $391,585, an increase of $35,599.

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 Covid-19 pandemic on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and in turn 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. The current agreement ended April 30, 2021. As of date hereof the two parties continue to work while discussing future terms and direction of their commercial relationship. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan and as of date hereof a payment plan is in place and the company is current with it. If the company cannot secure a renewal it could have a material effect on its revenues, liquidity position, ability to retain existing financial partners and or attract growth capital.

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 current Covid-19 concerns and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

The company provides loyalty marketing services to retail organizations and, in more general terms, the company could be considered competitive with other advertising and promotional programs for a portion of a client's total marketing budget. If client promotional spending levels decrease, this could have a material adverse effect on the company's revenue. In addition, there are additional operators of either loyalty programs or merchant cash advance in Canada, targeting the same merchant base as the company. In the past, other companies have attempted to develop similar merchant-based coalitions on their own and failed, making the company, with its established merchant coalition and proven programs, a reputable outsourced partner in the Canadian marketplace. The company believes its substantial client equity, proprietary systems, provide a strong platform for the company to compete effectively and respond to competition in Canada.

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to grow its MCA program 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 financial stability phase; expectation of securing an agreement with Aeroplan; expectation of capital expenditures required to operate the business in the next twelve months; expectation of adequacy of reserve created for delinquent transaction credits; belief it has the ability to manage delinquencies consequent to Covid-19 pandemic and during growth mode; belief drivers of revenues across all programs are those set out in the Revenue section; belief it may be able to pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable and holders of 9% 2025 debentures; renewal of its agreement with Aeroplan; its ability to access additional working capital in the form of debt and or equity to meet operational needs and to support the growth of the company; its expectation to timely raise growth capital; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

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

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the

company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

® ADVANTEX is a Registered Trademark of Advantex Marketing International Inc.

® Aeroplan is a Registered Trademark of Aeroplan Inc.

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2021, and June 30, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2021.

The company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) using the accounting policies described therein. The significant accounting policies which management believes are appropriate for the company are described in note 3 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, majority of whose members are non-management Directors, is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy and internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

BDO Canada LLP, the company's external auditors, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the consolidated financial statements.

(Signed) – "Kelly E. Ambrose"

Kelly E. Ambrose
President and Chief Executive Officer

(Signed) - "Mukesh Sabharwal"

Mukesh Sabharwal
V.P. and Chief Financial Officer

Tel: 905 946 1066
Fax: 905 946 9524
www.bdo.ca

BDO Canada LLP
60 Columbia Way, Suite 300
Markham ON L3R 0C9 Canada

Independent Auditor's Report

To the Shareholders of Advantex Marketing International Inc.

Opinion

We have audited the consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2021 and 2020, and the consolidated statements of (loss) comprehensive (loss), changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2a in the financial statements, which indicates that the Group has current liabilities in excess of current assets of $3,304,473 as at June 30, 2021 and, had an accumulated deficit of $39,860,019. As stated in Note 2a, these events or conditions, along with other matters as set forth in Note 2a, indicate that a material uncertainty exists that may cast significant doubt on the Groups' ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Matutat.

(signed) BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
October 28, 2021

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

	Note	June 30, 2021	June 30, 2020
		$	$
Assets			
Current assets			
Cash		$ 82,606	$ 166,601
Accounts receivable	10 a	93,090	118,901
Transaction credits	10 a	1,726,663	3,923,917
Prepaid expenses and sundry assets		43,675	58,781
		$ 1,946,034	**$ 4,268,200**
Non-current assets			
Right of use asset	17	$ -	$ 98,562
		$ -	**$ 98,562**
Total assets		**$ 1,946,034**	**$ 4,366,762**
Liabilities			
Current liabilities			
Loan payable	5	$ 2,387,439	$ 4,369,006
Lease liability	17	71,910	64,452
Loan	18	60,000	40,000
Accounts payable and accrued liabilities		2,731,158	2,364,759
9% non convertible debentures payable	6	-	6,611,576
		$ 5,250,507	**$ 13,449,793**
Non-current liabilities			
9% non convertible debentures payable	6	4,694,885	-
Lease liability	17	$ 12,769	$ 84,679
		$ 4,707,654	**$ 84,679**
Total liabilities		**$ 9,958,161**	**$ 13,534,472**
Shareholders' deficiency			
Share capital	7	$ 24,530,555	$ 24,530,555
Contributed surplus		7,364,720	4,117,170
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(39,860,019)	(37,768,052)
Total deficiency		**$ (8,012,127)**	**$ (9,167,710)**
Total liabilities and deficiency		**$ 1,946,034**	**$ 4,366,762**

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

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

Approved by the Board

Director: Signed "Marc Lavine"
Marc Lavine

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of (Loss) and Comprehensive (Loss)
For the years ended June 30, 2021 and 2020
(expressed in Canadian dollars)

	Note	2021	2020
		$	$
Revenues	16		
Marketing activities		$ 484,099	$ 718,690
Interest income		745,781	1,890,852
		1,229,880	**$ 2,609,542**
Direct expenses	15/16	368,650	1,409,042
		861,230	1,200,500
Operating expenses			
Selling and marketing	15/16	496,853	718,267
General and administrative	15/16	788,891	1,347,496
(Loss) from operations before depreciation, amortization and interest		**(424,514)**	**(865,263)**
Stated interest expense - loan payable, and 9% non convertible debentures payable	5/6	910,874	1,319,950
Interest - Lease	17	13,219	19,904
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	6	644,798	598,733
Depreciation of right of use asset	17	45,490	65,336
Depreciation of property, plant and equipment	4	-	15,210
Impairment of right of use asset	17	53,072	43,000
Net (loss) and comprehensive (loss)		**$ (2,091,967)**	**$ (2,927,396)**
(Loss) per share			
Basic and Diluted	14	**$ -**	**$ -**

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended June 30, 2021 and June 30, 2020
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (34,840,656)**	**$ (6,267,102)**
Issuance of 9% non convertible debentures payable (note 6)	-	-	26,788	-	-	26,788
Net (loss) and comprehensive (loss)	-	-	-	-	(2,927,396)	(2,927,396)
Balance - June 30, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (37,768,052)**	**$ (9,167,710)**
Balance - July 1, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (37,768,052)**	**$ (9,167,710)**
Issuance of 9% non convertible debentures payable (note 6)	-	-	3,247,550	-	-	3,247,550
Net (loss) and comprehensive (loss)	-	-	-	-	(2,091,967)	(2,091,967)
Balance - June 30, 2021	**$ 3,815**	**$ 24,526,740**	**$ 7,364,720**	**$ (47,383)**	**$ (39,860,019)**	**$ (8,012,127)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow
For the years ended June 30, 2021 and 2020
(expressed in Canadian dollars)

	Note	June 30, 2021	June 30, 2020
		$	$
Operational activities			
Net (loss) for the year		$ (2,091,967)	$ (2,927,396)
Adjustments for:			
Accrued and unpaid 9% non convertible debentures payable interest	6	554,888	512,761
Interest - Lease	17	13,219	19,904
Depreciation of right of use asset	17	45,490	65,336
Depreciation of property, plant and equipment	4	-	15,210
Impairment of right of use asset	17	53,072	43,000
Loss on disposal of property, plant & equipment		-	45
Accretion charge - 9% non convertible debentures payable	6	453,036	327,181
Restructuring bonus - 9% non convertible debentures payable	6	178,455	259,028
Amortization of transaction costs - 9% non convertible debentures payable	6	13,307	12,524
		(780,500)	(1,672,407)
Changes in items of working capital			
Accounts receivable		25,811	(8,271)
Transaction credits		2,197,254	5,550,082
Prepaid expenses and sundry assets		15,106	(6,549)
Accounts payable and accrued liabilities		366,399	109,554
		2,604,570	5,644,816
Net cash generated - operating activities		**$ 1,824,070**	**$ 3,972,409**
Financing activities			
Gross proceeds - 9% non convertible debentures payable	6	$ 250,000	$ 200,000
Transaction costs - 9% non convertible debentures payable	6	(118,827)	(40,703)
Payment for lease		(77,671)	(77,671)
Proceeds from loan - Canada Emergency Business Account	18	20,000	40,000
(Decrease) of loan payable	5	(1,981,567)	(4,047,070)
Net cash (used) - financing activities		**$ (1,908,065)**	**$ (3,925,444)**
Increase/(Decrease) in cash during the year		**$ (83,995)**	**$ 46,965**
Cash at beginning of the year		166,601	119,636
Cash at end of the year		**$ 82,606**	**$ 166,601**
Additional information			
Interest paid		$ 355,986	$ 807,189
Cash		$ 82,606	$ 166,601

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

1 General information

Advantex Marketing International Inc. and its subsidiaries (together the company or Advantex) is a public company with common shares listed on the Canadian Securities Exchange (trading symbol ADX).

During years ended June 30, 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 16.

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

2a 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 $8,012,127 and negative working capital of $3,304,473 as at June 30, 2021. Subsequent to June 30, 2021 the company closed a $1.0 m financing (notes 9 and 19). 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 5) which supports the company's merchant cash advance program, and general working capital provided by 9% 2025 debentures (note 6); 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.

2b Basis of preparation

Statement of Compliance
These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on October 28, 2021.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention.

Basis of consolidation
The financial statements of the company consolidate the accounts of Advantex and its wholly owned subsidiaries including Advantex Dining Corporation, Advantex Marketing Corporation, Advantex Marketing International Inc. (US), Advantex Marketing International (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership, Advantex GP Inc. and Advantex Smartadvance Inc.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Significant estimation uncertainties
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These significant estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to the recoverability of transaction credits and determining the initial fair value of the 9% non convertible debentures payable.

Transaction credits
The company reviews transaction credits quarterly for indication of the amounts that might be impaired. A significant amount of estimation is applied in determining allowance for transaction credits, which is established based on the specific credit risk associated with the customer and other relevant information.

The net realizable amount of transaction credits is disclosed in note 10 a.

9% Non convertible debentures payable ("9% debentures" and "9% 2025 debentures")
A significant amount of estimation was applied to the evaluation of the initial fair value of the $ 5,559,000 9% debentures in fiscal 2018, $200,000 9% debentures issued in fiscal 2020 and 9% 2025 debentures issued in March 2021 in current fiscal year. Estimates applied by management in the determination of fair value were reflective of the company's overall cost of equity capital.

3 Summary of significant accounting policies

The significant policies used in the preparation of these consolidated financial statements are described below.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the Chief Executive Officer of the company. The company's operating segments are disclosed in note 16.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Advantex group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of each of the entities in the Advantex group.

(ii) Translation of transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the approximate exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of income in the current year. The foreign currency gain for year ended June 30, 2021 is $965 (June 30, 2020 loss of $506).

Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The company does not have any assets recorded at fair value profit or loss or through other comprehensive income.

Amortized cost

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest.

The company's financial assets measured at amortized cost comprise cash, accounts receivable and transaction credits.

Impairment provisions for transaction credits is determined based on the company' assessment of the collectability of outstanding transaction credits using the simplified approach as prescribed by IFRS 9. The evaluation of collectability of transaction credits is done on an individual customer basis. For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. For the current year, due to the uncertainties created by covid-19 pandemic, for the unimpaired transaction credits the company has estimated loss based on historical loss rate supplemented by a forecast loss rate. This forecast loss rate is based on the company's knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

Financial **liabilities**

The company's liabilities are classified as Other financial liabilities and include accounts payable and accrued liabilities, loans payable, 9% non convertible debentures payable and lease liability.

The loan payable and 9% non convertible debentures payable are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

Transaction credits
Under the merchant cash advance product the company purchases at a discount the rights to receive future cash flows associated with future cash flows from participating establishments. The company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

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

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

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

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

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

Impairment **of non-financial assets**
Property, plant and equipment and right of use assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generated units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss, if any, is charged to the consolidated statements of income (loss) and comprehensive income (loss) in the year it arises. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Non-convertible debentures
The non-convertible debentures described in note 6 as 9% debentures were issued as units which included debt and common shares. As described in note 6 the 9% debentures were replaced in March 2021 with 9% 2025 debentures. In addition, the company issued $250,000 of 9% 2025 debentures in March 2021.

The proceeds received upon issue of the non-convertible debentures are allocated into their liability and equity components on initial recognition in accordance with IAS 32, Financial Instruments: Presentation. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include common shares. Subsequently, the debt component is accounted for as a financial liability

measured at amortized cost until extinguished on maturity. The remainder of the proceeds is allocated to the common shares within shareholders' deficiency.

To the extent there are changes to the terms of the outstanding non-convertible debentures these changes may be recorded as a modification or an exchange of debt instruments. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Provisions

Provisions for legal claims, where applicable, are recognized in other liabilities when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income (loss) except to the extent that it relates to items recognized directly in other comprehensive income (loss) or directly in equity, in which case the income tax is also recognized directly in other comprehensive income (loss) or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

Revenue

Merchant Cash Advance ("MCA") program

Per the contract terms the company earns its revenue as it collects against the pre-purchased future cash flows. The collection is specified in the contract and could be either once or twice a week. Pursuant to IFRS 9 the company treats the revenue as interest income.

Aeroplan program

Revenue is recognized using the five step model prescribed by IFRS 15.

Step 1: Identifying the contract

The company's contracts with participating merchants identify the terms, rights and obligations of each party, and payment terms. Before recognizing revenue the company reviews merchants' status to ensure that it is probable that the company will collect the consideration in exchange for the services as stated in the contract.

Step 2: Identifying performance obligations

The company sells aeroplan points to merchants and this gives merchants the ability to reward aeroplan points to their eligible customers.

Step 3: Identifying the transaction price

The contract identifies the price a merchant will pay for each aeroplan point.

Step 4: Allocating the transaction price to performance obligations

The company provides a single product.

Step 5: Recognizing revenue upon satisfaction of performance obligations

Per the contract terms the company earns its revenue when a merchant purchases an aeroplan point.

Share capital
Common shares, and preference shares are classified as equity. Incremental costs directly attributable to the issuance of common shares or preference shares are recognized as a deduction from equity. Share capital is described in note 7 to these consolidated financial statements.

Stock option plan
The company has a stock option plan which is described in note 8 a. The company uses the Black-Scholes option pricing model to determine the fair value of stock options and expenses the fair value over the estimated vesting periods. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest. Any consideration paid by employees or directors on the exercise of stock options is credited to share capital together with any previously recognized compensation expense in contributed surplus.

Restricted Share Unit Plan
The company has a restricted share unit plan which is described in note 8 b.

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

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, and similar instruments is computed using the treasury stock method. As at June 30, 2021 and 2020 the company did not have any outstanding stock options or restricted share grants.

Leases
At inception, the company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control use of the asset for a period of time in exchange for consideration. The company allocates the consideration to each lease and non-lease component on the basis of their relative stand-alone prices.

The right of use asset and a lease liability are recognized at the lease commencement date. The right of use asset is initially measured at present value of lease payments adjusted for initial direct costs and incentives received. The right of use asset is depreciated over the lesser of the useful life of the asset or lease term, and is assessed for impairment on an annual basis. The lease term includes the renewal option or early termination if it is reasonably certain to be exercised.

The lease liability is initially measured at present value of lease payments to be made over the lease term and includes fixed payments and variable payments that depend on the terms of the lease. The cost of an option that is reasonably certain to be exercised by the company is included in the lease payments. In calculating the present value of the lease payments, the company uses the discount rate reflective of the borrowing rate for the asset and the company's financial condition. The lease liability is increased to reflect the accretion of interest and reduced to reflect lease payments made, and the carrying amount of the lease liability is re-measured for any lease modifications.

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

The company has applied the practical expedient of excluding application of IFRS 16 with respect to leases where the lease term is 12 months or less or the underlying asset is of low value.

In 2020, thee adoption of IFRS 16 in these consolidated financial statements is with respect to the company's head office lease, an operating lease.

Recent accounting pronouncements not in effect
The below standards have been issued but are not yet effective for the financial period ended June 30, 2021, and accordingly, have not been applied in preparing the consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 9	Interest Rate Benchmark Reform
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts –Cost of Fulfilling a Contract
Annual Improvements to IFRS	Amendments to IFRS 1 First-time Adoption of International Financial
Standards 2018-2020 Cycle	Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Company does not expect the adoption of the standards and amendments to standards listed above will have a material impact on the financial statements of the Company in future periods.

4 Property, plant and equipment

Year ended June 30, 2020			
Opening net book value	$ 6,631	$ 8,624	$ 15,255
Additions during the year	-	-	-
Disposal	(45)	-	(45)
Depreciation for the year	6,586	8,624	15,210
Closing net book value	$ -	$ -	$ -
At June 30, 2020			
Cost	**$ 417,405**	**$ 160,026**	**$ 577,431**
Accumulated amortization	**$ 417,405**	**$ 160,026**	**$ 577,431**
Year ended June 30, 2021			
No movement during the year			
At June 30, 2020			
Cost	**$ 417,405**	**$ 160,026**	**$ 577,431**
Accumulated amortization	**$ 417,405**	**$ 160,026**	**$ 577,431**

5 Loan payable

	June 30, 2021	June 30, 2020
	$	$
Balance at start of year	**$ 4,369,006**	**$ 8,416,076**
(Decrease) in borrowing	(1,981,567)	(4,047,070)
Balance at end of year	**$ 2,387,439**	**$ 4,369,006**

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 year ended June 30, 2021 and 2020, and 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. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of June 30, 2021 and date hereof the company has utilized $454,000 and $446,000 respectively from this facility. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022.

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 year ended June 30, 2021 was $355,986 (2020 $807,189).

6 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 9).

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.

As described in Note 9 b, the debenture holders also received common shares in relation to the debentures. 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 and June 30, 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 issuance of 9% 2025 debentures is 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 is determined as the amount required to extinguish the 9% debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,776,628 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,247,550 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency) which consists of the book value of the 9% debentures of $7,427,366 (tabulated in this section under Movement on 9% debentures), plus fresh cash proceeds of $250,000 less the fair value of the 9% 2025 debentures of $4,310,989 and financing costs of $118,827.

Movement on 9% debentures			
	Debt portion	Accrued and Unpaid interest	Total
	$	$	$
Balance at June 30, 2019	**$ 5,095,949**	**$ 271,624**	**$ 5,367,573**
Fair value of 9% debentures issued October 2019	173,212	-	173,212
Transaction costs related to October 2019 raise	(40,703)	-	(40,703)
Accretion charge for the period	327,181	-	327,181
Restructuring bonus for the period	259,028	-	259,028
Amortization of transaction costs	12,524	-	12,524
Interest for the year	-	512,761	512,761
Balance at June 30, 2020	**$ 5,827,191**	**$ 784,385**	**$ 6,611,576**
Accretion charge for the period	248,797	-	248,797
Restructuring bonus for the period	187,689	-	187,689
Amortization of transaction costs for the period	13,307	-	13,307
Interest for the period	-	365,997	365,997
Refinanced March 15, 2021 as 9% 2025 debentures	(6,276,984)	(1,150,382)	(7,427,366)
Balance at June 30, 2021	**$ -**	**$ -**	**$ -**

Movement on 9% 2025 debentures			
	Debt portion	Accrued and Unpaid interest	Total
	$	$	$
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**

Interest cost						
	Year ended June 30, 2021			**Year ended June 30, 2020**		
	Stated interest	Accretion charge	Restructuring bonus	Stated interest	Accretion charge	Restructuring bonus
	$	$	$	$	$	$
9% debentures	$ 365,997	$ 248,797	$ 187,689	$ 512,761	$ 327,181	$ 259,028
9% 2025 debentures	188,891	204,239	(9,234)	-	-	-
	$ 554,888	$ 453,036	$ 178,455	$ 512,761	$ 327,181	$ 259,028

7 Share capital

(a) Authorized

Class A preference - 500,000 shares without par value, non-voting, non-participating, redeemable at the company's option (at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Class B preference - Unlimited number of shares, without par value, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue.

Class C preference - 125,000 shares without par value, non-voting, non-participating, redeemable at the option of either the holder or the company (at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Common – Unlimited number of shares without par value.

(b) Issued Class A preference shares

	Number of shares	$
No par value. At June 30, 2020 and 2021	461,887	$ 3,815

(c) Issued common shares

	Number of shares	$
No par value. At June 30, 2020	878,948,414	$ 24,526,740
No par value. At June 30, 2021	878,948,414	$ 24,526,740

8 Share-based payments

a. Employee stock options

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

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

There were no stock options outstanding during the years ended June 30, 2021 and 2020.

The company has recorded $nil of stock-based compensation expense during year ended June 30, 2021 (2020 - $nil).

b. Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board. As at June 30, 2021 the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at June 30, 2021 and 2020.

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

c. Potentially Dilutive Securities

No potentially dilutive securities exist as at June 30, 2021 and 2020.

9 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.

In addition, 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.

9% debentures and 9% 2025 debentures are described in note 6.

The holdings of debentures by related parties are summarized below:

	June 30, 2021		June 30, 2020	
	9% 2025 debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 550,000	95,523,818	$ 500,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz (c)	9,000	1,168,971	-	-
Chief Financial Officer - M. Sabharwal	115,000	27,498,576	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	2,815,229	321,629,458	2,669,120	321,629,458
Herbert Abramson (b)	159,891	11,560,814	106,000	11,560,814
	$ 4,149,120	530,896,455	$ 3,890,120	529,727,484
Total issued and outstanding 9% 2025 debentures (June 30, 2021), 9% debentures (June 30, 2020) and common shares	$ 6,009,000	878,948,414	$ 5,759,000	878,948,414
% held by parties in tabulation	69.0%	60.4%	67.5%	60.3%

(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 following 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

(c) David Moscovitz was elected director of the company at the annual and special meeting of shareholders held on December 24, 2020

On September 7, 2021 the company:

a. Closed a $1.0 million financing by way of 9% 2025 debentures. The financing was a related party transaction. 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;

b. Issued common shares. 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;

c. 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

d. 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.

Key management includes the company's directors and members of the Executive Committee. The members of the Executive Committee are the Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management included:

	Year ended June 30, 2021	Year ended June 30, 2020
	$	$
Salaries, management bonuses and directors fees	$448,650	$507,604
	$448,650	**$507,604**

10 Financial instruments

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers.

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

Accounts receivable and 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.

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 and this will continue to affect the collectability of the transaction credits. As of date hereof the federal and provincial governments have eased the restrictions in phases. Although the vaccinations have picked pace there is considerable uncertainty related to the pace and extent of economic recovery 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 maximum exposure to credit risk is the net balance of the transaction credits and accounts receivable.

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

	June 30, 2021	June 30, 2020
	$	$
Transaction credits	$ 2,787,958	$ 4,918,115
Accounts receivable	97,475	123,286
Allowance	(1,065,680)	(998,583)
Per Consolidated statement of financial position	**$ 1,819,753**	**$ 4,042,818**
Maximum exposure to credit risk	**$ 1,819,753**	**$ 4,042,818**

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

	June 30, 2021	June 30, 2020
	$	$
Impaired transaction credits	$ 896,059	$ 353,108
Allowance	(896,059)	(353,108)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This allowances at June 30, 2021 and 2020 include a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 165,236	$ 641,090

Movement on allowance for impaired transaction credits

	June 30, 2021	June 30, 2020
	$	$
Balance brought forward at start of year	**$ 994,198**	**$ 239,909**
Allowance created during the year	67,500	1,016,779
Impaired accounts written off against allowance	(403)	(262,490)
Balance carried forward at end of year	**$ 1,061,295**	**$ 994,198**

(b) Currency risk

Currency risk arises due to fluctuations in foreign currency rates.

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

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

	June 30, 2021	**June 30, 2020**
	$	**$**
Cash	**56**	56
Accounts payable and accrued liabilities	**697**	3,633

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company carries a going concern qualification – note 2a. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when operational obligations, comprising payroll; accounts payable; interest payable; and capital expenditures, are due.

The company deploys available funds to merchants under its merchant cash advance product, which are disclosed as transaction credits on the consolidated statements of financial position.

The contractual maturities of the company's financial liabilities at June 30, 2021 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable – (note 5)	$2,387,439	$2,387,439	$-
Accounts payable and accrued liabilities	2,731,158	2,731,158	-
9% 2025 debentures – face amount – maturing December 31, 2025 (note 6)	6,009,000	-	6,009,000
9% debentures interest for period December 16, 2018 to March 14, 2021	1,150,383	-	1,150,383
9% 2025 debentures cash interest (note 6)	2,594,406	-	2,594,406
9% 2025 debentures restructuring bonus (note 6)	1,081,620	-	1,081,620
Canada Emergency Business Account	60,000	-	60,000
Lease (note 17)	90,616	77,671	12,945
Total	**$16,104,622**	**$5,196,268**	**$10,908,354**

In addition, interest on interest of $617,784 - on above 9% debentures unpaid interest of $1,150,383 and first year interest on 9% 2025 debentures which is payable in instalments (note 6) - is due December 31, 2025 upon maturity of 9% 2025 debentures. The liability of such interest payable as at June 30, 2021 is $84,551.			

The contractual maturities of the company's financial liabilities at June 30, 2020 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable (note 5)	$4,369,006	$4,369,006	$-
Accounts payable and accrued liabilities	2,364,759	2,364,759	-
9% debentures – face amount – maturing December 31, 2021 (note 6)	5,759,000	5,759,000	-
9% debentures interest (note 6)	1,561,848	1,302,693	259,155
9% debentures restructuring bonus (note 6)	1,036,620	-	1,036,620
Canada Emergency Business Account	40,000	-	40,000
Lease (note 17)	168,287	77,671	90,616
Total	**$15,299,520**	**$13,873,129**	**$1,426,391**
In addition, liability payable as at June 30, 2020, with respect to interest on unpaid 9% debentures interest, is $35,965			

(d) Fair value

The company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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

The 9% debentures and 9% 2025 debentures were recognized at fair value on initial recording and are now reflected at amortized cost in the consolidated financial statements. A significant amount of estimation was applied in evaluation of the initial fair value of the 9% debentures and 9% 2025 debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital. The carrying value of the 9% debentures and 9% 2025 debentures reflect their fair value. The fair value is a level 3 determination.

In calculating the right of use asset and lease liability, the company uses the discount rate reflective of the borrowing rate for the asset and the company's financial condition. The fair value of the right of use asset and lease liability is a level 3 determination.

(e) Interest rate risk

The company's activities are funded by two sources of debt; the 9% non convertible debentures payable (note 6) which have fixed interest rates, and the loan payable (note 5) which carries a floating interest rate. While the company is not exposed to interest rate risk on account of its 9% non convertible debentures payable, its future cash flows are exposed to interest rate risk from the floating interest rate payable on its loan payable. The company does not use derivative instruments to reduce its exposure to interest rate risk.

As disclosed in note 5, during year ended June 30, 2021, the company paid annual interest of $355,986. Interest is calculated daily on the amount outstanding on loan payable and charged monthly. The interest rate during year ended June 30, 2021 was equivalent to prime rate of a certain Canadian bank plus 9.05% per annum. For the year ended June 30, 2021, a 10% increase in interest rates would lead to an additional annual interest cost of $35,598.

11 Capital management

The company's objective is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The company manages its Loan payable, 9% Non convertible Debentures Payable, and Shareholder deficiency. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth in revenues and net income.

Tabulation of capital base

	At June 30, 2021	At June 30, 2020
	$	$
Loan payable – note 5	2,387,439	4,369,006
9% Non-convertible debentures – Principal – note 6	6,009,000	5,759,000
Loan – note 18	60,000	40,000
Share capital – note 7	24,530,555	24,530,555
Contributed surplus and deficit	(32,542,682)	(33,698,265)
	$444,312	$1,000,296

12 Commitments and contingencies

Commitments

As at June 30, 2021, the company is committed to nominal minimum payment of $160, due not later than one year, with respect to existing leases for equipment.

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

Legal matters

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

13 Income taxes

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

	2021 $	2020 $
Current income taxes	-	-
Deferred income taxes	-	-
	$-	$-

The average combined federal and provincial statutory income rate applicable to the company in Canada for 2021 and 2020 was 26.5% and in the USA for 2021 and 2020 was 21.0%.

Since the company does not have an income tax expense there is no reconciliation between the company's effective income tax rate and the combined statutory income tax rate.

The effective tax rate was $nil or 0%.

In assessing the ability to realize deferred income tax assets, the company considers whether it is more likely or not that some portion or all of the deferred income tax assets will be utilized in the foreseeable future. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. As at June 30, 2021, there is no certainty that such deferred income tax assets will be utilized and, therefore, such assets have not been recognized on the consolidated statements of financial position. The components of deferred income tax are as follows:

	2021 $	2020 $
Non capital losses carried forward	4,592,000	4,604,000
Property, plant and equipment due to amortization	24,000	29,000
	$4,616,000	$4,633,000
Deferred income tax assets not recognized	$(4,616,000)	(4,633,000)
	$-	$-

As at June 30, 2020, the company has gross non-capital income tax losses of approximately $18,036,000 (2020 $18,215,000), which may be carried forward to reduce future income for income tax purposes. The benefit of these losses has not been recognized in these consolidated financial statements. These losses expire between 2022 and 2041, and are tabulated hereunder:

Year ending June 30, 2022	$	508,000
Year ending June 30, 2023	$	181,000
Year ending June 30, 2024 and thereafter	$	17,347,000
	$	18,036,000

14 Earnings (loss) per share

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

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

		2021		2020
		$		$
Net (loss) and comprehensive (loss)	$	(2,091,967)	$	(2,927,396)
Basic and Diluted EPS				
Average number of issued common shares during the year		878,948,414		869,981,685
Basic EPS	**$**	**(0.00)**	**$**	**(0.00)**
There are no potentially dilutive common shares outstanding at June 30, 2021 and 2020. Hence Diluted EPS not computed				

15 Nature of Expenses

			Year ended June 30, 2021		Year ended June 30, 2020
			$		$
Direct expenses					
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program		$	293,167	$	387,027
Expense for provision against impaired accounts receivable and transaction credits			75,483		1,022,015
		$	**368,650**	**$**	**1,409,042**
Selling and Marketing, and General & Administrative					
Salaries and wages including travel		$	969,052	$	1,675,259
Professional fees			192,105		114,971
Facilities, processing, and office expenses			83,685		227,176
Other			40,902		48,357
		$	**1,285,744**	**$**	**2,065,763**

Sales and wages including travel reflects receipt of Canada Emergency Wage Subsidy of $463,580 during year ended June 30, 2021 (2020 - $156,492).

Facilities, processing, and office expenses reflect receipt of Canada Emergency Rent Subsidy of $84,442 during year ended June 30, 2021 (2020 - $nil). During year ended June 30, 2021 and 2020 the company’s head office landlord applied for Canada Emergency Commercial Rent Assistance program whereby the company had to pay 25% of the rent.

16 Segment reporting

The company's reportable segments include: (1) Merchant cash advance ("MCA") program and (2) Aeroplan program. Where applicable, corporate and other activities are reported separately as Corporate. All programs operated in Canada.

The above noted programs are described in Note 1.

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

Financial information by reportable segment for period ended June 30, 2021 and 2020 is tabulated.

Year ended June 30, 2021

June 30, 2021				
	MCA program	Aeroplan program	Corporate	Total
	$	$	$	$
Revenues	745,781	484,099	-	1,229,880
Direct expenses	75,483	293,167	-	368,650
	670,298	190,932	-	861,230
Selling & marketing	301,284	195,569	-	496,853
General & administrative	478,371	310,520	-	788,891
(Loss) from operations before depreciation, amortization and interest	(109,357)	(315,157)	-	(424,514)
Stated Interest - loan payable	355,986	-	-	355,986
Stated Interest - 9% non convertible debentures payable	336,475	218,413	-	554,888
Interest - Lease	8,015	5,204	-	13,219
Non-cash interest - 9% non convertible debentures payable - accretion charges and restructuring bonus	390,995	253,803	-	644,798
Depreciation and amortization including right of use asset	27,584	17,906	-	45,490
Impairment of right of use asset	-	-	53,072	53,072
Segment (loss)	(1,228,412)	(810,483)	(53,072)	(2,091,967)

Year ended June 30, 2020

	MCA program	Aeroplan program	Corporate	Total
	$	$	$	$
Revenues	1,890,852	718,690	-	2,609,542
Direct expenses	1,022,015	387,027	-	1,409,042
	868,837	331,663	-	1,200,500
Selling & marketing	520,450	197,817	-	718,267
General & administrative	976,384	371,112	-	1,347,496
(Loss) from operations before depreciation, amortization and interest	(627,997)	(237,266)	-	(865,263)
Stated Interest - loan payable	807,189	-	-	807,189
Stated Interest - 9% non convertible debentures payable	371,542	141,219	-	512,761
Interest - Lease	14,422	5,482	-	19,904
Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	433,837	164,896	-	598,733
Depreciation and amortization including right of use asset	58,363	22,183	-	80,546
Impairment of right of use asset	-	-	43,000	43,000
Segment (loss)	(2,313,350)	(571,046)	(43,000)	(2,927,396)

17 Lease

The company has adopted IFRS 16 from its accounting period beginning July 1, 2019 and the adoption is reflected in these financial statements. The adoption is with respect to the company's head office lease (note 1 and note 3) expiring August 31, 2022.

	Right of use asset	**Lease liability**
Opening balance July 1, 2019 on adoption of IFRS 16	**$206,898**	**$206,898**
Depreciation for the period	(65,336)	-
Impairment of asset	(43,000)	-
Interest payments	-	19,904
Lease payments	-	(77,671)
Balances at June 30, 2020	**$ 98,562**	**$149,131**
Depreciation for the period	(45,490)	-
Impairment of asset	(53,072)	
Interest payments	-	13,219
Lease payments	-	(77,671)
Balances at June 30, 2021	**$ -**	**$ 84,679**

June 30, 2020		
Current		$ 64,452
Long-term		84,679
		$149,131
June 30, 2021		
Current		$ 71,910
Long-term		12,769
		$ 84,679

The impairment of the right to use asset reflected the uncertainty around the company's ability to meet Its lease payments or sub-lease the premises in year ended June 30, 2022.

The undiscounted lease liability is as follows:

	Base rent
Due 12 months ended June 30, 2022	77,671
Due 12 months ended June 30, 2023	12,945
Total	**$ 90,616**

18 Government subsidies

The company has availed Covid-19 pandemic relief measures.

Amount of $463,580 received during year ended June 30, 2021 (2020 - $156,492) under the Canada Emergency Wage Subsidy is reflected as a reduction of the salaries and wages expense disclosed in note 15.

Amount of $84,442 received during year ended June 30, 2021 (2020 - $156,492) under the Canada Emergency Rent Subsidy is reflected as a reduction of the facilities expense disclosed in note 15.

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

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.

19 Subsequent events

a. Company's agreement with Accord. 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. Additional details provided in note 5 to these financial statements.

b. The Ontario Securities Commission ("OSC") issued an order dated June 24, 2021 revoking (the "Revocation Order") the failure-to-file cease trade order issued against the company on November 1, 2019 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner.

c. Following the Revocation Order the company sought shareholder approval to 1) a financing which involved issuance of 9% 2025 debentures and common shares, 2) share consolidation and 3) increase in the RSU Plan. The company received the requisite shareholder approval at the special meeting of the shareholders held on August 26, 2021.

d. The company closed second tranche of 9% 2025 debentures financing and issued common shares. Additional details provided in note 9 to these financial statements.

® Aeroplan is a Registered Trademark of Aeroplan Inc.

Head Office:

606-600 Alden Road
Markham, Ontario, Canada, L3R 0E7
Telephone: (905) 470-9558
Fax: (905) 946-2984
www.advantex.com

Board of Directors:

Kelly Ambrose. Chairman of the Board of Directors
Marc Lavine. Chairman of the Audit Committee
David Moscovitz. Chairman of the Compensation and Governance Committee

Senior Management:

Kelly Ambrose
President and Chief Executive Officer

Mukesh Sabharwal
VP and Chief Financial Officer

Listing:

Canadian Securities Exchange
Trading symbol ADX

Auditors:

BDO Canada LLP

Transfer Agent:

AST Trust Company (Canada)
1 Toronto Street,
Suite 1200
Toronto, ON
M5C 2V6
1-800-387-0825