ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three and six month periods ended December 31, 2021 and 2020

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at February 28, 2022. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three and six month periods ended December 31, 2021 compared to the three and six month periods ended December 31, 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 the interim consolidated financial statements and the related notes for the three and six months ended December 31, 2021 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

Advantex is an aggregator of independent merchants, and currently provides merchant cash advance ("MCA") and loyalty marketing services to its community of merchants. MCA program meets working capital needs of merchants. It is the core business of the company. Loyalty marketing provides merchants an economic way to market their establishments to about 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 cash flows. The amount collected against the pre-purchased cash flows less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

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.

The company had been pursuing raise of capital to address the erosion of working capital and its continuity, and in March 2021 and in September 2021 it raised $250,000 and $1.0 million respectively by issuing 9% non convertible debentures payable (section 9% Non Convertible Debentures Payable). Both of these were related party transactions (section Related Party Transactions) where the purchasers were led by the existing primary shareholder and primary holder of 9% non convertible debentures payable. The $1.0 million proceeds were used to stabilize Advantex's financial position, fund its MCA business and for general corporate purposes. Soon after, in September 2021, the company and Accord Financial Inc. ("Accord") agreed to extend the term of their agreement, due to expire December 2021, to June 30, 2022 (section Loan Payable). Accord provides line of credit facility which the company utilizes to fund its MCA program.

The company has a decade old relationship with Aeroplan. The extension of the original multi-year agreement ended 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 (section Economic Dependence).

Covid-19 pandemic was the event driving three and six months ended December 31, 2021 ("Q1 Fiscal 2022" and "YTD Fiscal 2022") and December 31, 2020 ("Q1 Fiscal 2021" and "YTD Fiscal 2021") financial performance. Covid-19 pandemic had an adverse economic impact on Advantex's customer base and consequently this negatively affected Advantex's revenues from both programs, its earnings, and its financial position. During all periods under review the company's survival was dependent on its ability to adjust to the sharp decline in revenues and liquidity, support of its financial partners, receipt of government subsidies and re-build of its MCA portfolio post raise of $1.0 m in September 2021.

The company's common shares are listed on the Canadian Securities Exchange ("CSE"). By June 24, 2021 the company was back in compliance with Ontario Securities Commission ("OSC") regulatory requirements. The next step to commencement of trading of its common shares on CSE requires the completion of a share consolidation, a CSE requirement. The company secured approval of its shareholders at the August 26, 2021 special meeting of its shareholders to consolidate the issued and outstanding common shares of the company, on the basis of a consolidation ratio of not more than one hundred (100) pre-consolidation common shares for one (1) post-consolidation common share. This approval was valid until the next annual meeting of shareholders. The company decided to time the share consolidation with more favourable economic conditions and company performance. Consequently the company will be seeking a fresh approval for share consolidation at the March 18, 2022 annual and special meeting of shareholders. Upon receipt of approval the company expects to complete the share consolidation process in due course and apply to the CSE for commencement of trading.

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.

Primarily due to Covid-19 pandemic, the company's MCA portfolio had declined significantly. Since the raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and as of date hereof it has about 130 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. The $1.0 million the company raised in September 2021 was 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 – after use to stabilize its financial position and for general corporate purposes - from the $1.0 million raise.. Return of merchant business confidence depends on the pace of roll back of public health restrictions, belief a return of restrictions is a low probability, and economic conditions. 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, evidenced by extension of the term of the loan payable agreement to June 30, 2022, amongst other accommodations.

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.

Summary – Three and six months ended December 31, 2021

Three and six months ended December 31, 2021 and corresponding periods in the previous year reflect the impact of Covid-19 pandemic.

The financial highlights for Q2 Fiscal 2022 and YTD Fiscal 2022 compared to corresponding periods in the previous year are summarized in the tabulation:

	Q2 Fiscal 2022	Q2 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Revenues				
MCA program	$ 275,597	$ 192,804	$ 451,426	$ 391,618
Aeroplan program	91,599	194,122	289,067	307,080
	$ 367,196	**$ 386,926**	**$ 740,493**	**$ 698,698**
(Loss) from operations before depreciation, amortization and interest	**$ (163,350)**	**$ (109,570)**	**$ (279,196)**	**$ (198,104)**
Net (loss) and Comprehensive (loss)	**$ (682,785)**	**$ (509,138)**	**$ (1,239,193)**	**$ (1,017,959)**

Income Statement – Q2 Fiscal 2022 and YTD Fiscal 2022 compared to Q2 Fiscal 2021 and YTD Fiscal 2021

Q2 Fiscal 2022 compared to Q2 Fiscal 2021

Q2 Fiscal 2022 revenues at $367,196 were marginally down ($19,730) compared to Q2 Fiscal 2021 at $386,926. MCA revenue was up $82,793 compared to Q2 Fiscal 2021, reflecting re-build of MCA portfolio post raise of $1.0 million in September 2021. Drop in Aeroplan revenue of $102,523 compared to Q2 Fiscal 2021 reflected timing of sale to a wholesale account (July 21 of Fiscal 2022 compared to October 2020 of Fiscal 2021).

The $67,016 increase in the company's gross profit to $287,794 reflects improvement in higher margin MCA program revenues. MCA program gross profit increased $122,351 (82.2%) and Aeroplan program gross profit declined $55,335 (76.9%).

Selling expenses were $43,381 higher, a 39.5% increase. Two factors. Q2 Fiscal 2021 reflects lay-off of two staff and Q2 Fiscal 2022 reflects their return. Q2 Fiscal 2022 reflects $23,930 expense with respect to web marketing of MCA program (Q2 Fiscal 2021 $nil).

General & Administrative ("G&A") were $77,415 higher, a 35.1% increase. Primarily due to lower receipt - $102,235 - of wage and rent subsidies (Q2 Fiscal 2022 $9,211 compared to Q2 Fiscal 2021 $111,446), reflecting tapering and then end of subsides in October 2021.

Q2 Fiscal 2022 reflects a loss from operations before depreciation, amortization and interest of $163,350. Q2 Fiscal 2021 reflects loss from operations before depreciation, amortization and interest of $109,570. Despite the higher MCA revenues and gross profit the deterioration of $53,780 primarily reflects lower wage and rent subsidies.

Stated interest cost was higher by $98,317. The increase reflects higher interest paid - $29,547 - on loan payable (Q2 Fiscal 2022 $124,386 compared with Q2 Fiscal 2021 $94,839) which is primarily a reflection of higher utilization of loan payable, consequent to re-build of MCA portfolio post $1.0 m raise in September 2021. 9%

non convertible debenture interest is higher - $68,770 - (Q2 Fiscal 2022 $199,055 compared with $130,285 for Q2 Fiscal 2021) reflecting higher principal ($7,009,000 during Q2 Fiscal 2022 compared with $5,759,000 during Q2 Fiscal 2021) and interest on unpaid interest.

Q2 Fiscal 2022 non cash interest at $195,994 was higher by $32,923 compared to corresponding period in the previous year. Changes in accretion charges and restructuring bonus relating to 9% non convertible debentures payable for Q2 Fiscal 2022 compared to corresponding period in the previous year reflect amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable of $250,000 and $1.0 million in March 2021 and September 2021 respectively.

The depreciation for right of use asset was lower (Q2 Fiscal 2022 $nil compared to $11,373 for Q2 Fiscal 2021) reflecting write-off of asset at June 30, 2021 due to its impairment..

The above factors are reflected in a higher net loss. Q2 Fiscal 2022 $682,785 compared to $509,138 for Q2 Fiscal 2021.

<u>YTD Fiscal 2022 compared to YTD Fiscal 2021</u>

YTD Fiscal 2022 revenues at $740,493 were up ($41,795) compared to YTD Fiscal 2021 at $698,698. MCA revenue was up $59,808 compared to YTD Fiscal 2021, reflecting re-build of MCA portfolio post raise of $1.0 million in September 2021. Drop in Aeroplan revenue of $18,013 compared to YTD Fiscal 2021 reflected continuing impact of Cocid-19 pandemic on small independent merchants.

The $79,348 increase in the company's gross profit to $521,454 reflects improvement in higher margin MCA program revenues. MCA program gross profit increased $126,627 (39.7%) and Aeroplan program gross profit declined $42,279 (38.4%).

Selling expenses were $44,114 higher, a 17.2% increase. Two factors. Part of YTD Fiscal 2021 reflects lay-off of two staff and YTD Fiscal 2022 reflects their return. YTD Fiscal 2022 reflects $31,275 expense with respect to web marketing of MCA program (YTD Fiscal 2021 $nil).

General & Administrative ("G&A") were $116,326 higher, a 30.4% increase. Primarily due to lower receipt - $170,357 - of wage and rent subsidies (YTD Fiscal 2022 $110,121 compared to YTD Fiscal 2021 $280,478), reflecting tapering and then end of subsides in October 2021.

YTD Fiscal 2022 reflects a loss from operations before depreciation, amortization and interest of $279,196. YTD Fiscal 2021 reflects loss from operations before depreciation, amortization and interest of $198,104. Despite the higher MCA revenues and gross profit the deterioration of $81,092 primarily reflects lower wage and rent subsidies.

Stated interest cost was higher by $95,683. The increase reflects lower interest paid - $16,307 - on loan payable (YTD Fiscal 2022 $195,087 compared with YTD Fiscal 2021 $211,394) which is primarily a reflection of lower interest rate since September 1, 2021. 9% non convertible debenture interest is higher - $ 111,990 - (YTD Fiscal 2022 $372,561 compared with $260,571 for YTD Fiscal 2021) reflecting higher principal ($6,009,000 from July 1, 2021 until September 6, 2021 and $7,009,000 since September 7, 2021 of Fiscal 2022 compared with $5,759,000 during YTD Fiscal 2021) and interest on unpaid interest.

YTD Fiscal 2022 non cash interest at $392,349 was higher by $67,205 compared to corresponding period in the previous year. Changes in accretion charges and restructuring bonus relating to 9% non convertible debentures payable for YTD Fiscal 2022 compared to corresponding period in the previous year reflect amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable of $250,000 and $1.0 million in March 2021 and September 2021 respectively.

The depreciation for right of use asset was lower (YTD Fiscal 2022 $nil compared to $22,746 for YTD Fiscal 2021) reflecting write-off of asset at June 30, 2021 due to its impairment..

The above factors are reflected in a higher net loss. YTD Fiscal 2022 $1,239,193 compared to $1,017,959 for YTD Fiscal 2021.

Balance Sheet – December 31, 2021 compared to December 31, 2020

Transaction credits (net of provision for delinquent accounts) were about 95.2% of total assets at end of YTD Fiscal 2022 (YTD Fiscal 2021 84.9%). Transaction credits represent balance receivable of working capital advanced to merchants. Transaction credits, net of provision for delinquent accounts, were $4,869,486 at December 31, 2021. Company has been rebuilding its MCA portfolio – significantly reduced due to impact of Covid-19 on the company's financial position and on the economy – post raise of $1.0 million in September 2021. Transaction credits, net of provision for delinquent accounts, were $2,250,789 at December 31, 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 its diminished working capital availability and the credit environment and this is reflected in the December 31, 2020 position. Provision for delinquent accounts at December 31, 2021 $1,061,952 compared with $1,061,176 at December 31, 2020.

Loan payable of $5,250,429 at December 31, 2021 compares to $2,843,889 and reflects movement on transaction credits. 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. The loan payable balance at December 31, 2021 and 2020 also includes amounts payable under the working capital overdraft provided by Accord (2021 $443,00 vs. 2020 $460,000). The loan payable balance at December 31, 2021 and 2020 primarily reflects the position in transaction credits at the end of the two periods.

Results of Operations

	Q2 Fiscal 2022	Q2 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Revenue	**$ 367,196**	**$ 386,926**	**$ 740,493**	**$ 698,698**
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	74,945	122,133	213,116	183,850
Direct Expenses - Expense for provision against delinquent accounts, credit/collecion expense	4,457	44,015	5,923	72,742
Gross profit	**$ 287,794**	**$ 220,778**	**$ 521,454**	**$ 442,106**
Selling and General & Administrative	451,144	330,348	800,650	640,210
(Loss) from operations before depreciation, amortization, interest	**$ (163,350)**	**$ (109,570)**	**$ (279,196)**	**$ (198,104)**
Cash interest on loan payable and debentures	323,441	225,124	567,648	471,965
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (486,791)**	**$ (334,694)**	**$ (846,844)**	**$ (670,069)**
Interest - Lease	1,692	3,532	3,864	7,492
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	194,302	159,539	388,485	317,652
Depreciation of right of use asset	-	11,373	-	22,746
Net (loss) and comprehensive (loss)	**$ (682,785)**	**$ (509,138)**	**$ (1,239,193)**	**$ (1,017,959)**
Basic and Diluted (loss) per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

	At December 31, 2021	At June 30, 2021	Increase/ (Decrease)
	$	$	$
Current assets	$ 5,115,101	$ 1,946,034	$ 3,169,067
Total assets	$ 5,115,101	$ 1,946,034	$ 3,169,067
Shareholders' deficiency	$ (8,848,595)	$ (8,012,127)	$ 836,468

The change in current assets primarily reflects increase in transaction credit, net of provision for delinquent accounts, of $3,142,823. 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 its diminished working capital availability and the credit environment. This outcome is reflected in $1,726,663 transaction credits at June 30, 2021. The company started to re-build its MCA portfolio post raise of $1.0 million in September 2021. This outcome is reflected in $4,869,486 transaction credits at December 31, 2021.

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. Loan payable supports 90% investment in transaction credits. The loan payable balance at December 31, 2021 of $5,250,429 also includes amounts payable under the working capital overdraft of $443,000 provided by Accord.. The loan payable balance at December 31, 2020 of $2,843,889 also includes amounts payable under the working capital overdraft of $460,000. The loan payable balance at December 31, 2021 and June 30, 2021 primarily reflects the position in transaction credits at the end of the two periods.

In addition, current liabilities reflect 9% non convertible debentures ("9% 2025 debentures"). At June 30, 2021 reflected as long term liability. The accounting treatment at December 31, 2021 reflects the company being off side a financial covenant at December 31, 2021.

The movement in the shareholders' deficit reflects net loss during YTD Fiscal 2022.

Extracts from the Statement of Cash Flow

	Q2 Fiscal 2022	Q2 Fiscal 2021	Change
	$	$	$
Net (loss)	$ (1,239,193)	$ (1,017,959)	$ (221,234)
Adjustments for non cash expenses	764,910	608,461	156,449
(Loss) after adjustments for non cash expenses	$ (474,283)	$ (409,499)	$ (64,785)
Changes in working capital	(3,206,827)	1,826,436	(5,033,263)
Net cash generated from/(used in) financing activities	3,746,652	(1,543,953)	5,290,605
Net cash generated from/(used in) operations	$ 65,542	$ (127,016)	$ 192,557
Cash at start of year	$ 82,606	$ 166,601	$ (83,995)
Cash at end of year	$ 148,148	$ 39,585	$ 108,562

Adjustments for non cash expenses. A significant item for Q2 Fiscal 2022 and YTD Fiscal 2022 is accrued and unpaid 9% non convertible debentures payable interest; $199,055 and $372,561 respectively (Q2 Fiscal 2021 and YTD Fiscal 2021 $130,285 and $260,571 respectively). Furthermore, charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable for Q2 Fiscal 2022 and YTD Fiscal 2022 were $189,832 and $382,525 respectively compared to $154,843 and $308,259 respectively in corresponding periods in the previous year.

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

During Q2 Fiscal 2022 and YTD Fiscal 2022 the primary item was increase in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During Q2 Fiscal 2021 and YTD Fiscal 2021 the significant item was the decrease in transaction credits, net of provision in delinquent accounts. 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. This is the primary reason for the Q2 Fiscal 2021 and YTD Fiscal 2021 decline in transaction credits.

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.

YTD Fiscal 2022 reflects raise of $1.0 million gross proceeds via issuance of 9% 2025 debentures. Net of transaction costs $922,499.
Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord, see section Loan Payable. The change in all periods under review reflect change in transaction credits.

Investing activities. $nil in both periods. 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 interim consolidated financial statement for the three and six months ended December 31, 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 cash flows. The amount collected against the pre-purchased cash flows less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

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

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

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

The significant factor adversely impacting revenues of both periods was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 275,597	$ 192,804	42.9%	$ 451,426	$ 391,618	15.3%
Aeroplan program	91,599	194,122	-52.8%	289,067	307,080	-5.9%
	$ 367,196	**$ 386,926**	**-5.1%**	**$ 740,493**	**$ 698,698**	**6.0%**

MCA program

During both periods under review 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.
Since the start of Covid-19 pandemic and until June – Aug 2021 the company reduced the collections from several merchants so as not to stress the merchants' cash flows. It also did not give significant additional advances during July and August 2021 of Fiscal 2022 and Q2 Fiscal 2021/YTD 2021 – both on account of diminished working capital availability and the credit environment. This led to reduction in transaction credits and participating merchants.

With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic; a gradual re-build process which slowed down during the re-instatement of public health restrictions in December 2021.

The slowdown in contracted collections in addition to below tabulated change in transaction credits and participating merchants are reflected in the Q2 Fiscal 2022 and YTD Fiscal 2022 revenues compared to corresponding periods in the previous year.

	Q2 Fiscal 2022	Q2 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
Average Transaction credits (net of provision for delinquent accounts) during the period	$ 4,224,811	$ 2,599,386	$ 3,050,606	$ 3,008,738
Average # of merchants during the period	106	112	94	126

Aeroplan program

Covid-19 was the primary factor depressing revenues in both period. It had an economic impact on participating merchants and diminished their requirement and ability to carry on with loyalty marketing using this program.

YTD 2022 reflects revenue from a wholesale merchant ($88,000) from Q1 Fiscal 2022. YTD 2021 reflects revenue from same wholesale merchant ($74,000). The revenues for the two YTD periods are comparable.

Controlling for timing of the above noted revenue from wholesale merchant Q2 Fiscal 2022 and Q2 Fiscal 2021 revenues are comparable.

Average number of merchants about 100 during both periods.

Direct Expenses

MCA program

The MCA direct expenses are primarily provision against transaction credits, and credit/collection expense.

	Q2 Fiscal 2022	Q2 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Provision for delinquencies	$ -	$ 40,000	$ -	$ 67,500
Credit/collection expense	4,457	4,015	5,923	5,242
	$ 4,457	$ 44,015	$ 5,923	$ 72,742

While the company believes it has adequate provision for delinquencies as at December 31, 2021, 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 YTD Fiscal 2022.

Aeroplan program

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

Direct cost is primarily attributable to the mix of gross margins the company earns from transacting merchants.

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenue	$ 91,599	$ 194,122	-52.8%	$ 289,067	$ 307,080	-5.9%
Direct Expenses - Loyalty rewards	$ 74,945	$ 122,133	-38.6%	213,116	183,850	15.9%

Gross Profit

The improvement in the gross profit is primarily due to increase in MCA program revenues and the lower MCA program direct expense (provision for delinquencies) in Q2 Fiscal 2022 and YTD Fiscal 2022.

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 275,597	$ 192,804	42.9%	$ 451,426	$ 391,618	15.3%
Aeroplan program	91,599	194,122	-52.8%	289,067	307,080	-5.9%
	$ 367,196	**$ 386,926**	**-5.1%**	**$ 740,493**	**$ 698,698**	**6.0%**

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Gross Profit						
MCA program	$ 271,140	$ 148,789	82.2%	$ 445,503	$ 318,876	39.7%
Aeroplan program	16,654	71,989	-76.9%	75,951	123,230	-38.4%
	$ 287,794	**$ 220,778**	**30.4%**	**$ 521,454**	**$ 442,106**	**17.9%**
Company gross margin	**78.4%**	**57.1%**		**70.4%**	**63.3%**	

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, and other selling activities. The significant component is cost – remuneration and travel/cell - of the sales staff.

The company's sales force is common to MCA and Aeroplan programs.

Remuneration/expenses of sales staff are the primary selling expenses.

All periods reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of Covid -19 pandemic on the company. The cost assistance from Canada Emergency Wage Subsidy ("CEWS") – which ended October 23, 2021 - for sales and administration staff is reflected in G&A (Section G&A). But for lay-offs of some sales staff during YTD 2021 the remuneration for all periods are comparable.

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues	**$ 367,196**	**$ 386,926**	**-5.1%**	**$ 740,493**	**$ 698,698**	**6.0%**
Selling expenses						
Remuneration/expenses of sales staff	$ 126,416	$ 108,135	16.9%	$ 265,523	$ 246,862	7.6%
Web marketing for MCA program	23,930	-		21,275	-	
All other	2,830	1,660		14,276	10,098	
	$ 153,176	**$ 109,795**	**39.5%**	**$ 301,074**	**$ 256,960**	**17.2%**
Remuneration/expenses as % of selling expenses	82.5%	98.5%		88.2%	96.1%	

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).

All periods reflect administration staff including management receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of Covid -19 pandemic on the company.

The CEO and CFO were issued 10,018,037 common shares in lieu of a part of their vacation dues ($35,063) in September 2021.

The support from CEWS – which ended October 23, 2021 - reflected in below tabulation is received for sales and non-sales staff.

The company sub-let effective November 1, 2021 a part of its head office for a monthly rent of $6,000. The sub-let is on a month to month basis. The company's lease for head office expires August 31, 2022.

The G&A expenses are tabulated. Excluding government subsidies and the extinguishment of part of vacation dues, the G&A expenses are in current periods lower compared to corresponding periods in the previous year, and change is trending lower vs. change in revenues.

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues	**$ 367,196**	**$ 386,926**	**-5.1%**	**$ 740,493**	**$ 698,698**	**6.0%**
G&A						
Compensation for non-sales staff, directors, and including staff travel	$ 219,917	$ 237,697		$ 446,727	$ 482,414	
Extinguishment of part of vacation pay dues of CEO and CFO	-	-		(35,063)	-	
CEWS - for sales and non-sales staff	(7,209)	(89,165)		(87,713)	(230,220)	
Head Office lease	25,302	38,352		63,655	76,705	
CERS (F2022) - CERS + CECRA (F2021)	(2,002)	(22,281)		(22,408)	(50,258)	
All other G&A expenses	61,959	55,950		134,377	104,609	
	$ 297,968	**$ 220,553**	**35.1%**	**$ 499,576**	**$ 383,250**	**30.4%**
G&A Excluding CEWS & CERS, CECRA and Extinguishment of part of vacation pay	**$ 307,179**	**$ 331,999**	**-7.5%**	**$ 644,760**	**$ 663,728**	**-2.9%**

Interest Expense

The interest expense is tabulated:

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Stated ("Cash") interest expense						
Loan payable	$ 124,386	$ 94,839	31.2%	$ 195,087	$ 211,394	-7.7%
9% non convertible debentures payable	199,055	130,285	52.8%	372,561	260,571	43.0%
	$ 323,441	$ 225,124	43.7%	$ 567,648	$ 471,965	20.3%
Non-cash interest expense						
Interest - Lease	$ 1,692	$ 3,532		$ 3,864	$ 7,492	
Accretion charge on 9% non convertible debentures payable	172,327	87,916		346,271	174,404	
Restructuring bonus on 9% non convertible debentures payable	17,505	66,927		36,254	133,855	
Amortization of transaction costs on 9% non convertible debentures payable	4,470	4,696		5,960	9,393	
	$ 195,994	$ 163,071	20.2%	$ 392,349	$ 325,144	20.7%
Total interest expense	**$ 519,435**	**$ 388,195**	**63.9%**	**$ 959,997**	**$ 797,109**	**20.4%**

Stated interest cost was flat.

- Interest paid on loan payable was higher in Q2 Fiscal 2022 reflecting higher utilization of loan payable (average during Q2 Fiscal 2022 was $4.6 million compared to $3.1 million during Q2 Fiscal 2021) offset by savings from lower interest rate effective September 2021 (see section Loan Payable). YTD Fiscal 2022 was marginally lower compared to YTD Fiscal 2021 primarily reflecting lower interest rate effective September 2021. Movement in loan payable primarily reflects movement on transaction credits. Loan payable funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%.

- Interest on 9% non convertible debentures payable is higher due to two factors. Firstly, the principal amount during Q2 Fiscal 2022 was higher – $7,009,000 from September 7, 2021 compared to $5,759,000 during Q2 Fiscal 2021 (Interest Q2 Fiscal 2022 $157,991 vs Q2 Fiscal 2021 $130,285; YTD Fiscal 2022 $300,223 vs YTD Fiscal 2021 $260,571). Secondly, Q2 Fiscal 2022 reflects $41,064 of interest on unpaid 9% non convertible debentures payable interest (Q2 Fiscal 2021 $nil); YTD Fiscal 2022 $72,338 vs YTD Fiscal 2021 $nil. The company has not paid interest since December 16, 2018. Refer to section 9% Non Convertible Debentures Payable for details.

Q2 Fiscal 2022 and YTD Fiscal 2022 non cash interest was higher compared to corresponding periods in the previous year. Changes in accretion charges and restructuring bonus relating to 9% non convertible debentures payable for Q2 Fiscal 2022 and YTD Fiscal 2022 compared to corresponding periods in the previous year reflect amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable of $250,000 and $1.0 million in March 2021 and September 2021 respectively.

Net Profit/(Loss)

Highlights are tabulated:

	Q2 Fiscal 2022	Q2 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues	$ 367,196	$ 386,926	-5.1%	$ 740,493	$ 698,698	6.0%
Gross profit	$ 287,794	$ 220,778	30.4%	$ 521,454	$ 442,106	17.9%
(Loss) from operations before depreciation, amortization and interest	$ (163,350)	$ (109,570)	49.1%	$ (279,196)	$ (198,104)	40.9%
Net (loss) and Comprehensive (loss)	$ (682,785)	$ (509,138)	34.1%	$ (1,239,193)	$ (1,017,959)	21.7%
Basic and Diluted loss per share	$ (0.00)	$ (0.00)		$ (0.00)	$ (0.00)	

Covid-19 pandemic was the event driving financial performance in all periods under review. Covid-19 pandemic had an adverse economic impact on Advantex's customer base and consequently this negatively affected Advantex's revenues from MCA and Aeroplan programs and its earnings.

The detailed analysis of the above tabulated items is provided in Sections - *Income Statement – Q2 Fiscal 2022 compared to Q2 Fiscal 2021 and YTD Fiscal 2022 compared to YTD Fiscal 2021,* and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Working Capital and Liquidity Management

	Q2 Fiscal 2022	Q2 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs				
Net (loss)	$ (682,785)	$ (509,138)	$ (1,239,193)	$ (1,017,959)
Adjustments for non cash expenses	395,049	304,729	764,910	608,461
(Loss) after adjustment for non cash expenses	(287,736)	(204,410)	(474,283)	(409,499)
Cash balances at start of the period	635,402	56,799	82,606	166,601
Increase/(Decrease) in loan payable	1,851,356	(817,747)	2,862,990	(1,525,117)
Net proceeds from raise of 9% non convertible debentures payable	-	-	922,499	-
Proceeds from loan - Canada Emergency Business Account	-	20,000	-	20,000
(Decrease)/Increase in accounts receivable	48,267	(115,321)	39,881	(109,992)
	$ 2,247,289	**$ (1,060,679)**	**$ 3,433,693**	**$ (1,858,007)**
Utilization of funds				
Cash balances at end of periods	$ 148,148	$ 39,585	$ 148,148	$ 39,585
Increase/(Decrease) in transaction credits	1,988,530	(939,253)	3,142,823	(1,673,128)
Decrease/(Increase) in accounts payable & accrued liabilities	92,608	(185,125)	103,302	(261,902)
Changes in all other working capital items	(1,415)	4,696	583	(1,398)
Change in other financing items	19,418	19,418	38,837	38,836
	$ 2,247,289	**$ (1,060,679)**	**$ 3,433,693**	**$ (1,858,007)**

Working Capital and Liquidity Management

Adjustments for non cash expenses. A significant item for Q2 Fiscal 2022 and YTD Fiscal 2022 is accrued and unpaid 9% non convertible debentures payable interest; $199,055 and $372,561 respectively (Q1 Fiscal 2021 and YTD Fiscal 2021 $130,285 and $260,571 respectively). Furthermore, charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable for Q2 Fiscal 2022 and YTD Fiscal 2022 were $189,832 and $382,525 respectively compared to $154,843 and $308,259 respectively in corresponding periods in the previous year.

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

During Q2 Fiscal 2022 and YTD Fiscal 2022 the primary item was increase in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During Q2 Fiscal 2021 and YTD Fiscal 2021 the significant item was the decrease in transaction credits, net of provision in delinquent accounts. 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. This is the primary reason for the Q2 Fiscal 2021 and YTD Fiscal 2021 decline in transaction credits.

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.

YTD Fiscal 2022 reflects raise of $1.0 million gross proceeds via issuance of 9% 2025 debentures. Net of transaction costs $922,499.

Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord, see section Loan Payable. The change in all periods under review reflect change in transaction credits.

Investing activities. $nil in both periods. 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 providing services connected to CIBC/TD program which ended in fiscal year ended June 30, 2019 and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company either has or is negotiating payment plans in place with suppliers critical to ongoing operations.

Cash balances at the end of periods reflect cash (used) by operations [(loss) after adjustment for non cash expenses – see above tabulation], payments of accounts payable, collection of transaction credits, deployment of advances with merchants, raise of $1.0 million in September 2021 by issuance of 9% 2025 debentures and general corporate purposes.

The company's operations are funded by debt – loan payable and 9% 2025 debentures (sections Loan Payable, 9% Non-Convertible Debentures Payable). 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 (section Economic Dependence), and access to additional working capital in the form of debt and or equity.

The $1.0 million the company raised in September 2021 was be used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it was able to expand its MCA portfolio depends on the return of merchant business confidence and the availability of funds – after use to stabilize its financial position and for general corporate purposes - from the 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.

As of December 31, 2021 the company does not have any off balance sheet financing arrangements.

<u>Going Concern</u>

The consolidated financial statements for three and six months ended December 31, 2021 have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the company will be able to realize its assets and settle its liabilities as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $8,848,595 and negative working capital of $8,848,595 as at December 30, 2021. In September 2021 the company closed a $1.0 million financing (notes 7 and 10). The pandemic has created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to: loan payable (section Loan Payable)) which supports the company's merchant cash advance program, and general working capital provided by 9%

2025 debentures (Section 9% Non convertible Debentures Payable); 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 December 31, 2021 were due as follow:

	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 5,250,429	$ 5,250,429	$ -	$ -
9% 2025 debentures *	7,009,000	-	-	7,009,000
Canada Emergency Business Account	60,000	-	60,000	-
Head office lease	51,780	51,780	-	-
	$ 12,371,209	**$ 5,302,209**	**$ 60,000**	**$ 7,009,000**

* Maturity December 31, 2025. Because off-side a financial covenant at December 31, 2021, disclosed as current liability in consolidated financial statements

In addition, there are contractual obligations to holders of 9% 2025 debenture payable on maturity date December 31, 2025: interest of $1,150,382 payable for the period December 16, 2018 to March 14, 2021, restructuring bonus of $1,261,620, interest on 1) unpaid interest to March 14, 2021 and 2) deferred 9% 2025 first year interest, of $742,148. During the term of the 9% 2025 debentures maturing December 31, 2025 the company has a contractual obligation to pay stated interest at 9% of $2,983,009.

The company's head office lease is for a five year term ending August 31, 2022.

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. 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. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of December 31, 2021 the company has utilized $443,000 from this facility ($454,000 at June 30, 2021). The September 2021 agreement gave Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022.

In December 2021 Accord informed the company it would not exercise the conversion option. Accord deferred the start of the re-payment to April 1, 2022. The company and Accord are in discussions on a new re-payment plan.

Either non-payment of interest on due dates, if not cured within time period stipulated in the agreement, or non-payment of overdraft facility 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 had utilized $5.2 million of the facility at December 31, 2021 (at June 30, 2021 $2.4 million and at December 31, 2020 $2.8 million).

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.

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

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

The fair value of the $1.0 million 9% 2025 debentures issued in September 2021 was determined to be $597,275 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures and as a result, a gain of $402,725 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency in the consolidated financial statements for three and six months ended December 31, 2021).

Summary of Quarterly Results

In millions of dollars, except per share amounts						
12 month period ended December 31, 2021						
		Q3	Q4	Q1	Q2	Total
		Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	
		$	$	$	$	$
Revenues		0.2	0.3	0.4	0.4	1.3
% of annual revenues		15.4%	23.0%	30.8%	30.8%	100.0%
Net (loss)		(0.5)	(0.6)	(0.6)	(0.7)	(1.7)
(Loss) per share - Basic and Diluted		-	-	-		-
12 month period ended December 31, 2020						
		Q3	Q4	Q1	Q2	Total
		Mar 21, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	
		$	$	$	$	$
Revenues		0.7	0.2	0.3	0.4	1.6
% of annual revenues		43.7%	12.5%	18.8%	25.0%	100.0%
Net (loss)		(1.0)	(0.9)	(0.5)	(0.5)	(2.9)
(Loss) per share - Basic and Diluted		-	-	-	-	-

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the 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, expectation to secure waivers to defaults, 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, three months ended September 30, 2021, and three and six months ended December 31, 2021 carry a going concern note (note 2a, note 2, and note 2 respectively). The note is also carried in the Section Working Capital and Liquidity Management in this document.

Financial instruments – fair value

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

A significant amount of estimation was applied in evaluation of the 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:

	December 31, 2021	June 30, 2021
	$	$
Transaction credits	$ 5,931,338	$ 2,787,958
Accounts receivable	57,594	97,475
Allowance	(1,066,237)	(1,065,680)
Per Consolidated statement of financial position	**$ 4,922,695**	**$ 1,819,753**
Maximum exposure to credit risk	**$ 4,922,695**	**$ 1,819,753**

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

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

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.

There was nil outstanding employee stock options at December 31, 2021 and December 31, 2020.

16,688,546 stock options were available for future issuance at December 31, 2021 and December 31, 2020.

There was no stock based compensation expense during Q2 Fiscal 2022 and YTD Fiscal 2022 and in corresponding periods in the previous year.

Restricted Share Unit Plan

The company has a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

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

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

Outstanding Share Data

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

No change in issued Class A preference shares since June 30, 2021. Issued and outstanding 461,887 Class A preference shares.

Common shares:

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

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

Potentially Dilutive Securities

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

Related party transactions

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

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

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

9% debentures and 9% 2025 debentures are described in section 9% Non Convertible Debentures Payable.

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

1. 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;
2. 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
3. Mukesh Sabharwal, the company's Vice President and Chief Financial Officer was issued 125,000,000 common shares as a retention bonus and 3,429,384 common shares in lieu of a portion of vacation pay due to him.

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

	December 31, 2021		June 30, 2021	
	9% 2025 debentures	Common shares	9% 2025 debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 575,000	762,737,471	$ 550,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz	9,000	1,168,971	9,000	1,168,971
Chief Financial Officer - M. Sabharwal	115,000	155,927,960	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	3,543,650	4,452,455,589	2,815,229	321,629,458
Herbert Abramson (b)	356,000	1,130,310,814	159,891	11,560,814
	$ 5,098,650	6,576,115,623	$ 4,149,120	530,896,455
Total issued and outstanding 9% 2025 debentures and common shares	$ 7,009,000	6,932,716,451	$ 6,009,000	878,948,414
% held by parties in tabulation	72.7%	94.9%	69.0%	60.4%

(a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the above securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms

(b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company

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. As at December 31, 2021 the company was offside a financial covenant and shall be seeking a waiver. 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) - 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 December 31, 2021 the company has utilized $443,000 of this facility. The September 2021 agreement gave Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord did not exercise this option, the overdraft would be repayable by the company in equal monthly instalments between January 2022 and June 2022. 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. In December 2021 Accord informed the company it would not exercise the conversion option. Accord deferred the start of the re-payment to April 1, 2022. The company and Accord are in discussions on a new re-payment plan. 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 (sections Loan Payable and 9% Non Convertible Debentures Payable). 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 created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration and quantum of the after effects of the pandemic 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% and use fully the current facility. 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 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 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 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 six months December 31, 2021, the company incurred interest expense of $195,087 on utilization of loan payable. Had the interest rate, for the six months ended December 31, 2021 been 10% higher the interest expense on loan payable would have been $214,596, an increase of $19,509.

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, and 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 currency used in this program could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to grow its MCA program in a competitive environment upon availability of capital; ability to raise growth capital; expectation of growth capital required and the timing of its raise; expectation of financial stability from expansion of MCA program; expectation of timing of achieving financial stability; expectation of revenues if Covid-19 was not a factor and impact of Covid-19 on economic activity, company's customers and the company; expectation of securing a waiver, to December 2021 default, from holders of 9% 2025 debentures; expectation of securing a financially reasonable payment plan, with respect to the working capital overdraft, with Accord; 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; expectation of securing approval to share consolidation from shareholders at the March 2022 meeting; expectation of completing, including its timing, the share consolidation process and commencement of trading of its common shares on CSE; expectation of uses of funds raised in the September 2021 financing; 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; securing a waiver to default from holders of 9% 2025 debentures;

securing a financially reasonable payment plan with respect to the working capital advance with Accord; 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.

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