



ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the three and nine month periods ended March 31, 2023 and 2022

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at May 30, 2023. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three and nine month periods ended March 31, 2023 compared to the three and nine month periods ended March 31, 2022. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2022, and the interim consolidated financial statements and the related notes for the three and nine months ended March 31, 2023 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

Advantex is an aggregator of independent merchants, and currently provides merchant cash advance ("MCA") and loyalty marketing services to its community of merchants. MCA program meets working capital needs of merchants. It is the core business of the company. Loyalty marketing provides merchants an economic way to market their establishments to about 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.

Financial performance for three and nine months ended March 31, 2023 ("Q3 Fiscal 2023" and "YTD Fiscal 2023") reflected encouraging improvement in operational metrics compared to corresponding periods in the previous year ("Q2 Fiscal 2022" and "YTD Fiscal 2022").

The key operational metrics are tabulated:

	<u>Q3 Fiscal 2023</u>	<u>Change vs Q3 Fiscal 2022</u>		<u>YTD Fiscal 2023</u>	<u>Change vs YTD Fiscal 2022</u>	
MCA program - core activity - Revenues	\$ 372,415	\$ 35,265	10.5%	\$ 1,024,330	\$ 235,754	29.9%
Aeroplan reseller program	\$ 157,794	\$ 42,841	37.3%	\$ 528,267	\$ 124,247	30.8%
Company Revenues	\$ 530,209	\$ 78,106	17.3%	\$ 1,552,597	\$ 360,001	30.2%
Gross Profit	\$ 409,818	\$ 41,653	11.3%	\$ 1,165,823	\$ 276,204	31.0%
(Loss) from operations before depreciation, amortization and interest, and prior to Federal pandemic subsidies	\$ (28,768)	\$ (22,620)	-44.0%	\$ (135,703)	\$ (305,002)	-69.2%

The company commenced gradual re-build of the MCA program during YTD Fiscal 2022 following raise of \$1.0 million in September 2021 and \$150,000 in March 2022. This process continued following capital raise of \$600,000 in January 2023. This is reflected in improvement in MCA program revenues in Q3 Fiscal 2023 and YTD Fiscal 2023. Aeroplan program revenues continued to improve reflecting gradual return of consumer spending and travel post pandemic.

The operational improvement of Q3 Fiscal 2023 and YTD Fiscal 2023 is not reflected at the level of loss before non-cash expenses due to end of Federal pandemic subsidies and increase in interest costs. Corresponding periods in the previous Fiscal year reflect significant Federal pandemic subsidies. The stated interest costs on 1) loan payable is higher primarily due to the increase of 300 bps in prime rate during YTD Fiscal 2023, and 2) 9% non-convertible debentures payable ("9% 2025 debentures") reflects higher outstanding principal post issuance of \$600,000 in January 2023, \$150,000 in March 2022, \$1.0 million in September 2021, and interest on accrued and unpaid interest. Non-cash expenses which are to do with 9% 2025 debentures saw an increase primarily in accretion charges which also reflect outcome of prescribed accounting connected to the January 2023 capital raise by way of 9% 2025 debentures. The below tabulation illustrates the impact on the bottom line.

	<u>Q3 Fiscal 2023</u>	<u>Q2 Fiscal 2022</u>	<u>Inc./Dec</u>	<u>YTD Fiscal 2023</u>	<u>YTD Fiscal 2022</u>	<u>Inc./Dec</u>
(Loss) from operations before depreciation, amortization and interest, and prior to Federal pandemic subsidies	\$ (28,768)	\$ (51,388)	\$ (22,620)	\$ (135,703)	\$ (440,705)	\$ (305,002)
Federal pandemic wage & rent subsidies	\$ -	\$ 29,632	\$ (29,632)	\$ 1,888	\$ 139,753	\$ (137,865)
(Loss) from operations before depreciation, amortization and interest	\$ (28,768)	\$ (21,756)	\$ 7,012	\$ (133,815)	\$ (300,952)	\$ (167,137)
Stated interest expense - Loan payable used exclusively for MCA program	\$ (185,330)	\$ (139,600)	\$ 45,730	\$ (405,153)	\$ (334,687)	\$ 70,466
Stated Interest expense - 9% non-convertible debentures payable - general working capital	\$ (243,138)	\$ (199,029)	\$ 44,109	\$ (647,423)	\$ (571,590)	\$ 75,833
	\$ (457,236)	\$ (360,385)	\$ 96,851	\$ (1,186,391)	\$ (1,207,229)	\$ (20,838)
Non-cash interest expense related to 9% non-convertible debentures payable						
Accretion charges	\$ (211,501)	\$ (177,944)	\$ 33,557	\$ (592,469)	\$ (524,215)	\$ 68,254
Performance bonus and amortization of transaction costs	\$ (35,043)	\$ (21,976)	\$ 13,067	\$ (83,675)	\$ (64,190)	\$ 19,485
Non-cash Interest - Lease	\$ -	\$ (1,201)	\$ (1,201)	\$ (180)	\$ (5,065)	\$ (4,885)
Net (loss) and comprehensive (loss)	\$ (703,780)	\$ (561,506)	\$ 142,274	\$ (1,862,715)	\$ (1,800,699)	\$ 62,016

While the effect of pandemic was less pronounced during YTD Fiscal 2023 on the company's customers and its operational environment, the current inflationary and high interest environment has had a negative impact during YTD Fiscal 2023. The capital raises during YTD Fiscal 2023 and YTD Fiscal 2022 were purchases by related parties (section Related Party Transactions) of 9% 2025 debentures. The proceeds were used to stabilize the company's financial position, fund its MCA business and for general corporate purposes.

Outlook

The company believes its core business - MCA program - is a growth industry because institutional lenders are not focused on meeting working capital needs of independent merchants, even more so because of impact of pandemic and the currently prevailing economic uncertainties. 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.

The loyalty marketing program the company provides is dependent on its agreement with Aeroplan. Operating this program gives the company a significant secondary business line and an advantage over competition in the MCA space. The current agreement expires end May 31, 2023. The company expects to sign a multi-year renewal.

The company believes it has the support of the primary holder of 9% 2025 debentures, evidenced, as of date hereof, by their additive investment of \$1.9 million – of which \$600,000 was completed in January 2023 - since March 2021. The company believes it has the support of Accord Financial Inc. ("Accord"), the provider of line of credit used for MCA program. The company's agreement with Accord is to July 31, 2024.

Primarily due to pandemic, the company's MCA portfolio had declined significantly. The utilization of capital raised is to stabilize the company's financial position, fund re-build of its MCA business and for general corporate purposes. The company is re-building its MCA portfolio by using available capital 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 pandemic level of about 250 merchants and expand beyond significantly thereafter. The company needs access to capital to maintain its MCA portfolio at current level and from there to expand its MCA portfolio. In addition to capital the growth of MCA portfolio depends, given the prevailing economic environment, on the merchant business and consumer confidence. The maintenance and growth of company's MCA portfolio is essential to bring financial stability.

The company continues to engage with primary holder of 9% 2025 debentures and potential investors to raise capital necessary to maintain and expand its MCA program and continue operations.

There is reason to be cautiously optimistic about Advantex's future. The optimism comes from market size for the company's products and its experience of working in the market. Caution comes from uncertainty in the company's ability to raise capital to maintain and expand its business which is the path to financial stability. Additional risk factor is the current inflationary and high interest environment and its fallout on the economy which in turn could adversely impact business and consumer confidence and the company.

Summary – Three and nine months ended March 31, 2023

The financial highlights for Q3 Fiscal 2023 and YTD Fiscal 2023 compared to Q3 Fiscal 2022 and YTD Fiscal 2022 are summarized in the tabulation:

	Q3 Fiscal 2023	Q3 Fiscal 2022	YTD Fiscal 2023	YTD Fiscal 2022
	\$	\$	\$	\$
Revenues				
MCA program	\$ 372,415	\$ 337,150	\$ 1,024,330	788,576
Aeroplan program	157,794	114,953	528,267	404,020
	\$ 530,209	\$ 452,103	\$ 1,552,597	\$ 1,192,596
(Loss) from operations before depreciation, amortization and interest	\$ (28,768)	\$ (21,756)	\$ (133,815)	\$ (300,952)
Net (loss) and Comprehensive (loss)	\$ (703,780)	\$ (561,506)	\$ (1,862,715)	\$ (1,800,699)

Income Statement – Q3 Fiscal 2023 compared to Q3 Fiscal 2022

Q3 Fiscal 2023 MCA program revenues at \$372,415 were \$35,265 (10.5%) higher compared to Q3 Fiscal 2022. The increase reflects continuing re-build of the MCA portfolio using the proceeds of the \$600,000 capital raise in January 2023. Aeroplan program revenues during Q3 Fiscal 2023 at \$157,794 were \$42,841 (37.3%) higher compared to Q2 Fiscal 2022, reflecting gradual return of consumer spending and travel post pandemic. Thus, Q3 Fiscal 2023 company revenues at \$530,209 were \$78,106 (17.3%) compared to Q3 Fiscal 2022 at \$452,103.

The company's Q3 Fiscal 2023 gross profit at \$409,818 was higher by \$41,653 (11.3%) compared to Q3 Fiscal 2022 at \$368,135. The gross margin for Q3 Fiscal 2023 at 77.3% was lower compared to Q3 Fiscal 2022 at 81.4%. The MCA program gross profit at \$369,101 was \$32,603 (9.7%) higher compared to Q3 Fiscal 2022 at \$336,498 and primarily reflected higher revenues on flat gross margins. Aeroplan program gross profit for Q3 Fiscal 2023 at \$40,717 improved \$9,050 (28.6%) compared to Q3 Fiscal 2022 at \$31,667. The gross margin at 25.8% was lower compared to Q3 Fiscal 2022 at 27.5%. The improvement in Aeroplan program gross profit reflected the growth in Aeroplan revenues offset by lower gross margin. The gross margin reflects mix of participating merchants.

Selling expenses for Q3 Fiscal 2023 at \$149,943 were flat compared to Q3 Fiscal 2022 at \$148,113.

Save for pandemic subsidy of \$29,632 received in Q3 Fiscal 2022 (\$nil in Q3 Fiscal 2023), General & Administrative expenses ("G&A") at \$288,643 for Q3 Fiscal 2023 were \$17,203 (6.3%) higher compared to \$271,440 for Q3 Fiscal 2022. Comprising higher staff compensation costs (\$33,443) offset by lower overheads of \$16,240.

Together, save for above noted pandemic subsidy, Selling, General & Administrative expenses in Q3 Fiscal 2023 at \$438,586 were \$19,033 (4.5%) higher compared to Q3 Fiscal 2022 at \$419,553, reflecting company's continuing efforts at cost control.

The above revenues less costs are reflected in flat loss from operations before depreciation, amortization and interest. Q3 Fiscal 2023 \$28,768 compared to Q3 Fiscal 2022 \$21,756.

Stated interest cost was higher. Q3 Fiscal 2023 at \$428,468 compared to \$338,629 for Q3 Fiscal 2022, an increase of \$89,839.

- Interest paid on loan payable. Q3 Fiscal 2023 \$185,330 compared to \$139,600 for Q3 Fiscal 2022, an increase of \$45,730. The interest rate charged on the loan payable is 8.8% + prime rate of a certain Canadian bank. The increase in cost is due to the increase of 300 bps in prime rate during YTD Fiscal 2023 offset by lower utilization of loan payable (\$3,644,000 during Q3 Fiscal 2023 compared to \$3,877,000 during Q3 Fiscal 2022); and

- Interest on 9% 2025 debentures. Q3 Fiscal 2023 \$243,138 compared to \$199,029 for Q3 Fiscal 2022, an increase of \$44,109. The increase in Q3 Fiscal 2023 reflects higher outstanding principal post issuance of \$600,000 in January 2023, \$150,000 in March 2022, and interest on accrued and unpaid interest.

Q3 Fiscal 2023 non-cash interest at \$246,544 is higher by \$45,423 compared to Q3 Fiscal 2022 at \$201,121. The increase was primarily from accretion charges - \$211,501 in Q3 Fiscal 2023 compared to \$177,944 in Q3 Fiscal 2022 – partially to do with issuance of additional 9% 2025 debentures in January 2023.

The above factors are reflected in a higher net loss. Q3 Fiscal 2023 \$703,780 compared to Q3 Fiscal 2022 \$561,506.

Income Statement – YTD Fiscal 2023 compared to YTD Fiscal 2022

YTD Fiscal 2023 MCA program revenues at \$1,024,330 were \$235,754 (29.9%) higher compared to YTD Fiscal 2022. The increase reflects continuing re-build of the MCA portfolio using the proceeds of the capital raise of \$1.0 million in September 2021, \$150,000 in March 2022 and \$600,000 in January 2023. Aeroplan program revenues during YTD Fiscal 2023 at \$528,267 were \$124,247 (30.8%) higher compared to YTD Fiscal 2022, reflecting gradual return of consumer spending and travel post pandemic. Thus, YTD Fiscal 2023 company revenues at \$1,552,597 were \$360,001 (30.2%) compared to YTD Fiscal 2022 at \$1,192,596.

The company's YTD Fiscal 2023 gross profit at \$1,165,823 was higher by \$276,204 (31.0%) compared to YTD Fiscal 2022 at \$889,619. The gross margin for YTD Fiscal 2023 at 75.1% was flat compared to YTD Fiscal 2022 at 74.6%. The MCA program gross profit at \$1,013,741 was \$231,740 (29.6%) higher compared to YTD Fiscal 2022 at \$782,001 and reflected higher revenues on flat gross margins. Aeroplan program gross profit for YTD Fiscal 2023 at \$152,082 improved \$44,464 (41.3%) compared to YTD Fiscal 2022 at \$107,618. The gross margin at 28.8% was higher compared to YTD Fiscal 2022 at 26.6%. The improvement in Aeroplan program gross profit reflected the growth in Aeroplan revenues and higher gross margin. The gross margin reflects mix of participating merchants.

Selling expenses for YTD Fiscal 2023 at \$425,079 were \$58,391 lower compared to YTD Fiscal 2022 at \$483,470. The reduction primarily reflects discontinuation of web marketing (YTD Fiscal 2023 \$nil compared to YTD Fiscal 2022 \$31,275).

Save for pandemic subsidy of \$139,753 received in YTD Fiscal 2022 (\$1,888 in YTD Fiscal 2023) and extinguishment of a part of vacation pay of CEO and CFO in the amount of \$35,063 in YTD Fiscal 2022 (\$nil in YTD Fiscal 2023), General & Administrative expenses ("G&A") at \$876,447 for YTD Fiscal 2023 were flat compared to \$881,917 for YTD Fiscal 2022.

Together, save for above noted pandemic subsidy and extinguishment of part of vacation pay, Selling, General & Administrative expenses in YTD Fiscal 2023 at \$1,301,526 were flat compared to YTD Fiscal 2022 at \$1,295,261, reflecting company's continuing efforts at cost control.

The above revenues less costs are reflected in lower loss from operations before depreciation, amortization and interest. YTD Fiscal 2023 \$133,815 compared to YTD Fiscal 2022 \$300,952.

Stated interest cost was higher. YTD Fiscal 2023 at \$1,052,576 compared to \$906,277 for YTD Fiscal 2022, an increase of \$146,299.

- Interest paid on loan payable. YTD Fiscal 2023 \$405,153 compared to \$334,687 for YTD Fiscal 2022, an increase of \$70,466. The interest rate charged on the loan payable is 8.8% + prime rate of a certain Canadian bank. The increase in cost is due to the increase of 300 bps in prime rate during YTD Fiscal 2023 offset by lower utilization of loan payable (\$4,387,000 during YTD Fiscal 2023 compared to \$5,049,000 during YTD Fiscal 2022); and
- Interest on 9% 2025 debentures. YTD Fiscal 2023 \$647,423 compared to \$571,590 for YTD Fiscal 2022, an increase of \$75,833. The increase in YTD Fiscal 2023 reflects higher outstanding principal post issuance of \$600,000 in January 2023, \$150,000 in March 2022, September 2021 and interest on accrued and unpaid interest.

YTD Fiscal 2023 non-cash interest at \$676,324 is higher by \$82,854 compared to YTD Fiscal 2022 at \$593,470. The increase was primarily from accretion charges - \$592,469 in YTD Fiscal 2023 compared to \$524,215 in YTD Fiscal 2022 – to do with issuance of additional 9% 2025 debentures in January 2023, March 2022 and September 2021.

The above factors are reflected in a higher net loss. YTD Fiscal 2023 \$1,862,715 compared to YTD Fiscal 2022 \$1,800,699.

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

	March 31, 2023	March 31, 2022	Change
	\$	\$	\$
Current assets			
Transaction credits (net of provision for delinquent accounts)	\$ 4,575,496	\$ 4,492,442	\$ 83,054
Cash	35,507	93,593	(58,086)
All others	40,631	91,545	(50,914)
	<u>\$ 4,651,634</u>	<u>\$ 4,677,580</u>	<u>\$ (25,946)</u>
Transaction credits as % of Current assets	98.4%	96.0%	
Total assets	\$ 4,651,634	\$ 4,677,580	\$ (25,946)
Current liabilities			
Loan payable	\$ 4,977,375	\$ 4,833,893	\$ 143,482
Accounts payable and accrued liabilities	2,962,125	2,645,760	316,365
All others	60,000	91,489	(31,489)
9% non-convertible debentures payable	-	6,472,274	(6,472,274)
	<u>\$ 7,999,500</u>	<u>\$ 14,043,416</u>	<u>\$ (6,043,916)</u>
Non-current liabilities			
9% non-convertible debentures payable	\$ 8,697,917	\$ -	\$ 8,697,917
Principal amount at March 31, 2023 \$7,759,000 vs. \$7,159,000 at March 31, 2022			
Shareholders' deficiency	\$ (12,045,783)	\$ (9,365,836)	\$ (2,679,947)
Total liabilities and deficiency	\$ 4,651,634	\$ 4,677,580	\$ (25,946)

Transaction credits. Post gradual easing of pandemic health restrictions commencing June 2021 and their end during Q3 Fiscal 2023, the balances at March 31, 2023 and 2022 reflect the gradual build-up of the MCA portfolio following availability of capital upon raise of \$1.0 million in September 2021, \$150,000 in March 2022 and \$600,000 in January 2023. The balances at March 31, 2023 and 2022 are after provision for delinquent accounts; \$1,379,853 at March 31, 2023 compared to \$1,061,852 at March 31, 2022.

Cash. Balances at March 31, 2023 and 2022 reflect funds from the capital raises and their utilization in operations.

Loan payable. Loan payable is provided by Accord and is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. To support the company during the pandemic Accord provided the company with a working capital overdraft. The loan payable balance at March 31, 2023 and 2022 includes amounts payable under the working capital overdraft provided by Accord (2023 \$359,900 vs 2022 \$438,000).

The loan payable balance at March 31, 2023 and 2022 (net of working capital overdraft) reflects the change in transaction credits.

The 9% 2025 debentures balances at March 31, 2023 and 2022 reflect debt portion – fair value of debentures plus primarily the accretion charges - of 9% 2025 debentures and accrued and unpaid interest. Accrued and unpaid interest at March 31, 2023 was \$1,610,047 compared \$760,481 at March 31, 2022.

Results of Operations

	<u>Q3 Fiscal 2023</u>	<u>Q3 Fiscal 2022</u>	<u>YTD Fiscal 2023</u>	<u>YTD Fiscal 2022</u>
	\$	\$	\$	\$
Revenues	\$ 530,209	\$ 452,103	\$ 1,552,597	\$ 1,192,596
Costs of loyalty rewards, and marketing in connection as Reseller of Aeroplan program	117,077	83,286	376,185	296,402
Expense for provision against delinquent accounts, credit/collection expense - MCA program	3,314	652	10,589	6,575
Gross profit	\$ 409,818	\$ 368,165	\$ 1,165,823	\$ 889,619
Selling and General & Administrative	438,586	419,553	1,301,526	1,330,324
Federal pandemic wage and rent subsidies	-	(29,632)	(1,888)	(139,753)
(Loss) from operations before depreciation, amortization, interest	\$ (28,768)	\$ (21,756)	\$ (133,815)	\$ (300,952)
Cash interest on loan payable and debentures	428,468	338,629	1,052,576	906,277
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	\$ (457,236)	\$ (360,385)	\$ (1,186,391)	\$ (1,207,229)
Interest - Lease	-	1,201	180	5,065
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures	246,544	199,920	676,144	588,405
Net (loss) and comprehensive (loss)	\$ (703,780)	\$ (561,506)	\$ (1,862,715)	\$ (1,800,699)
Basic and Diluted (loss) per share *	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

* The company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The company's board of directors set May 29, 2022 as the effective date of the consolidation. To enable a comparison the average number of issued common shares, in above tabulation, are stated as if the share consolidation had taken place on July 1, 2021. As additional information, the pre-consolidation average number of issued common shares during 3 and 9 month periods ended March 31, 2022 was 6,992,382,118 and 5,449,920,004 and based on this the reported basic EPS for both periods in 2022 was \$0.00

Extract from the Statement of Financial Position

	At March 31, 2023	At June 30, 2022	Change
	\$	\$	\$
Current assets			
Transaction credits (net of provision for delinquent accounts)	\$ 4,575,496	\$ 3,312,268	\$ 1,263,228
All others	76,138	218,094	(141,956)
	<u>\$ 4,651,634</u>	<u>\$ 3,530,362</u>	<u>\$ 1,121,272</u>
Total assets	\$ 4,651,634	\$ 3,530,362	\$ 1,121,272
Current liabilities			
Loan payable	\$ 4,977,375	\$ 4,019,685	\$ 957,690
Accounts payable and accrued liabilities	2,962,125	2,825,914	136,211
All others	60,000	72,768	(12,768)
	<u>\$ 7,999,500</u>	<u>\$ 6,918,367</u>	<u>\$ 1,081,133</u>
Non-current liabilities			
9% non-convertible debentures payable	\$ 8,697,917	\$ 6,953,878	\$ 1,744,039
Principal amount at March 31, 2023 \$7,759,000 and June 30, 2022 \$7,159,00			
Shareholders' deficiency	\$ (12,045,783)	\$ (10,341,883)	\$ (1,703,900)
Total liabilities and deficiency	\$ 4,651,634	\$ 3,530,362	\$ 1,121,272

The change in current assets primarily reflects increase in transaction credits, net of provision for delinquent accounts. The company continued the re-build of its MCA portfolio post capital raise of \$600,000 in January 2023 and this is reflected in higher transaction credits.

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

On the current liabilities side, the main change is on account of loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance at March 31, 2023 also includes amounts payable under the working capital overdraft provided by Accord (March 31, 2023 \$359,900 vs. June 30, 2022 \$493,000). The loan payable balance at March 31, 2023 and June 30, 2022 (net of working capital overdraft) reflects the change in transaction credits at the end of the two periods.

Non-current liabilities reflect 9% 2025 debentures. The balances reflect debt portion – fair value of debentures plus primarily the accretion charges - of 9% 2025 debentures and accrued and unpaid interest. Accrued and unpaid interest at March 31, 2023 was \$1,610,047 compared to \$962,624 at June 30, 2022. (Section 9% Non-Convertible Debentures Payable).

The movement in the shareholders' deficit reflects net loss of \$1,862,715 during YTD Fiscal 2023.

Extracts from the Statement of Cash Flow

	YTD Fiscal 2023	YTD Fiscal 2022	Change
	\$	\$	\$
Net (loss)	\$ (1,862,715)	\$ (1,800,699)	\$ (62,015)
Adjustments for non cash expenses	1,323,747	1,165,060	158,687
(Loss) after adjustments for non cash expenses	\$ (538,968)	\$ (635,639)	\$ 96,672
Changes in working capital	(1,042,739)	(2,805,957)	1,763,218
Net cash generated from financing activities	1,524,029	3,452,583	(1,928,554)
Increase/(Decrease) in cash during the period	\$ (57,678)	\$ 10,987	\$ (68,664)
Cash at start of year	\$ 93,185	\$ 82,606	\$ 10,579
Cash at end of year	\$ 35,507	\$ 93,593	\$ (58,085)

Adjustments for non-cash expenses. A significant item for both periods was accrued and unpaid 9% 2025 debentures interest, for YTD Fiscal 2023 \$647,423 compared to YTD Fiscal 2022 \$571,590. Furthermore, charges for Accretion and Restructuring bonus respecting 9% 2025 debentures were \$659,381 for YTD Fiscal 2023 compared to \$577,974 for YTD Fiscal 2022.

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

During YTD Fiscal 2023 the primary item was increase in transaction credits, net of \$1,379,853 provision for delinquent accounts, of \$1,263,228. This increase reflects deployment of advances of working capital to merchants post capital raise of \$600,000 in January 2023. During YTD Fiscal 2022 the primary item was increase of \$2,765,779 in transaction credits, net of \$1,061,852 provision for delinquent accounts. Following the gradual easing of 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 – a result of pandemic health restrictions and their economic fall-out on the company and the company’s merchant base - in the MCA portfolio since the start of the pandemic. This is reflected in the increase in transaction credits during YTD Fiscal 2022.

From time to time the company enters into payment plans to settle its dues. As at March 31, 2023 the critical payment plan is with Accord (section Loan Payable) and as of date hereof the company is in compliance with its obligations. As at March 31, 2022 the critical payment plans were with Accord and Aeroplan. The company was in arrears with respect to amounts due to Aeroplan. The company primarily fell into arrears on account of the pandemic. A payment plan was established in April 2021 and to end in December 2022. The company met its obligations and arrears to Aeroplan are fully cleared.

Financing activities.

9% 2025 debentures. YTD Fiscal 2023 reflects raise of gross proceeds of \$600,000 in January 2023 (net of transaction costs \$579,287). YTD Fiscal 2022 reflects raise of gross proceeds of \$1,150,000 (net of transaction costs \$1,064,384) comprising \$1.0 million gross proceeds in September 2021 and \$150,000 gross proceeds in March 2022.

Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord. During YTD Fiscal 2023 the increase of \$957,690 is primarily due to above movement on transaction credits. During YTD Fiscal 2022 the increase of \$2,446,454 is primarily due to above noted movement on transaction credits.

Investing activities. \$nil in both periods. The company is frugal with capital expenditures given its financial situation. During YTD Fiscal 2023 the company continued gradual move of its entire IT infrastructure into the

cloud. The company expects to complete the migration to the cloud by end of its fiscal year ending June 30, 2023. The company does not expect significant capital expenditures in the next twelve months.

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards (“IFRS”). The presentations are extracts from the interim consolidated financial statement for the three and nine months ended March 31, 2023, and have been included to provide additional analysis for the reader.

Revenue

The company’s revenues were derived from merchants participating in the MCA program, and the Aeroplan program which the company has been operating for 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, the discount at which future cash flows are purchased from merchants, followed by number of participating merchants.

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

The revenue trends are provided in the tabulation.

	Q3 Fiscal 2023	Q3 Fiscal 2022	Inc./Dec)	YTD Fiscal 2023	YTD Fiscal 2022	Inc./Dec)
	\$	\$	%	\$	\$	%
Revenues						
MCA program	\$ 372,415	\$ 337,150	10.5%	\$ 1,024,330	\$ 788,576	29.9%
Aeroplan program	157,794	114,953	37.3%	528,267	404,020	30.8%
	\$ 530,209	\$ 452,103	17.3%	\$ 1,552,597	\$ 1,192,596	30.2%

Q3

Q3 Fiscal 2023 revenues growth reflects the continued gradual re-build of MCA portfolio following the raise of \$600,000 capital in January 2023. Q3 Fiscal 2022 revenues reflect the gradual re-build of MCA portfolio following the raise of \$1.0 million capital in September 2021.

Aeroplan program revenues during Q3 Fiscal 2023 compared to Q3 Fiscal 2022 show growth reflecting gradual return post pandemic of consumer spending and travel.

YTD

YTD Fiscal 2023 reflects revenues growth from the gradual re-build of MCA portfolio post capital raise of \$1.0 million in September 2021, \$150,000 in March 2022 and \$600,000 in January 2023. YTD Fiscal 2022 revenues reflect the gradual commencement of re-build of MCA portfolio after capital raise of \$1.0 million in September 2021.

Aeroplan program revenues during YTD Fiscal 2023 compared to YTD Fiscal 2022 show growth reflecting gradual return post pandemic of consumer spending and travel.

Direct Expenses

MCA direct expenses are expense for provision for delinquencies against transaction credits (\$nil for Q3 Fiscal 2023-YTD Fiscal 2023 and Q3 Fiscal 2022-YTD Fiscal 2022), and credit /collection expense.

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

	Q3 Fiscal 2023	Q3 Fiscal 2022	Inc./Dec)	YTD Fiscal 2023	YTD Fiscal 2022	Inc./Dec)
	\$	\$	%	\$	\$	%
Revenues						
MCA program	\$ 372,415	\$ 337,150	10.5%	\$ 1,024,330	\$ 788,576	29.9%
Aeroplan program	157,794	114,953	37.3%	528,267	404,020	30.8%
	\$ 530,209	\$ 452,103	17.3%	\$ 1,552,597	\$ 1,192,596	30.2%
Direct expenses						
MCA program	\$ 3,314	\$ 652	408.3%	\$ 10,589	\$ 6,575	61.1%
Aeroplan program	117,077	83,286	40.6%	376,185	296,402	26.9%
	\$ 120,391	\$ 83,938	43.4%	\$ 386,774	\$ 302,977	27.7%

MCA program.

While the company believes it has adequate provision for delinquencies as at March 31, 2023, the after effects of the pandemic and the prevailing inflationary and high interest environment are a significant risk factor when assessing the collectability of transaction credits.

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

The company monitored credit risk along above methodology during Q3 Fiscal 2023-YTD Fiscal 2023 and Q3 Fiscal 2022-YTD Fiscal 2022.

Aeroplan program

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

The movement in direct expenses is tracking movement in revenues.

YTD Fiscal 2023 reflects write-back of certain cost provisions (\$12,500) in 3 months ended December 31, 2022.

Gross Profit

The gross profit is tabulated:

	<u>Q3 Fiscal 2023</u>	<u>Q3 Fiscal 2022</u>	<u>Inc./Dec</u>	<u>YTD Fiscal 2023</u>	<u>YTD Fiscal 2022</u>	<u>Inc./Dec</u>
	\$	\$	%	\$	\$	%
MCA program	\$ 369,101	\$ 336,498	9.7%	\$ 1,013,741	\$ 782,001	29.6%
Aeroplan program	<u>40,717</u>	<u>31,667</u>	28.6%	<u>152,082</u>	<u>107,618</u>	41.3%
	<u>\$ 409,818</u>	<u>\$ 368,165</u>	11.3%	<u>\$ 1,165,823</u>	<u>\$ 889,619</u>	31.0%
Company gross margin	77.3%	81.4%		75.1%	74.6%	

Q3

The MCA program gross profit was \$32,603 (9.7%) higher compared to Q3 Fiscal 2022 and primarily reflects higher revenues on flat gross margins.

The improvement in Aeroplan program gross profit of \$9,050 (28.6%) reflects the growth in Aeroplan revenues offset by lower gross margin (2023 25.8% compared to 2022 27.5%). The gross margin reflects mix of participating merchants.

YTD

The MCA program gross profit was \$231,740 (29.6%) higher compared to YTD Fiscal 2022 and primarily reflects higher revenues on flat gross margins.

The improvement in Aeroplan program gross profit of \$44,464 (41.3%) reflects the growth in Aeroplan revenues and higher gross margin (2023 28.8% compared to 2022 26.6%). The gross margin reflects mix of participating merchants.

Selling Expenses

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

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

	<u>Q3 Fiscal 2023</u>	<u>Q3 Fiscal 2022</u>	<u>Inc./ (Dec)</u>	<u>YTD Fiscal 2023</u>	<u>YTD Fiscal 2022</u>	<u>Inc./ (Dec)</u>
	<u>\$</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
Revenues						
MCA program	\$ 372,415	\$ 337,150	10.5%	\$ 1,024,330	\$ 788,576	29.9%
Aeroplan program	157,794	114,953	37.3%	528,267	404,020	30.8%
	<u>530,209</u>	<u>452,103</u>	17.3%	<u>1,552,597</u>	<u>1,192,596</u>	30.2%
Selling expenses						
MCA Remuneration/expenses of sales staff	\$ 127,390	\$ 128,101		\$ 365,096	\$ 393,624	
Aeroplan Remuneration/expenses - staff	16,185	50,468		48,555	50,468	
Web marketing for MCA program	-	-		-	31,275	
All other	<u>6,368</u>	<u>3,827</u>		<u>11,428</u>	<u>8,103</u>	
Reported in Q3 Fiscal 2022		182,396			483,470	
Adjustment to reflect expense Q3 Fiscal 2022 vs YTD Fiscal 2022 - Aeroplan Remuneration/expenses - staff	<u>-</u>	<u>(34,283)</u>		<u>-</u>	<u>-</u>	
	<u>\$ 149,943</u>	<u>\$ 148,113</u>	1.2%	<u>\$ 425,079</u>	<u>\$ 483,470</u>	-12.1%
Remuneration/expenses as % of selling expenses	95.8%	97.4%		97.3%	91.9%	

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

Due to primary nature of Aeroplan staff changing to sales the cost is transferred from G&A and included in selling expenses.

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).

	Q3 Fiscal 2023	Q3 Fiscal 2022	Inc./Dec)	YTD Fiscal 2023	YTD Fiscal 2022	Inc./Dec)
	\$	\$	%	\$	\$	%
Revenues	\$ 530,209	\$ 452,103	17.3%	\$ 1,552,597	\$ 1,192,596	30.2%
G&A						
Compensation for non-sales staff including staff travel	\$ 199,830	\$ 182,572		\$ 602,718	\$ 629,299	
Compensation for Aeroplan staff - Reflect in Selling expenses	-	(50,468)		-	(50,468)	
Extinguishment of part of vacation pay dues of CEO and CFO	-	-		-	(35,063)	
Federal wage subsidy - for sales and non-sales staff	-	(26,926)		-	(114,639)	
Federal rent subsidy	-	(2,706)		(1,888)	(25,114)	
All other G&A expenses	88,813	105,053		273,729	303,086	
Reported in Q3 Fiscal 2022	288,643	207,525		874,559	707,101	
Adjustment to reflect expense Q3 Fiscal 2022 vs YTD Fiscal 2022 - Aeroplan Remuneration/expenses - staff	-	34,283		-	-	
	\$ 288,643	\$ 241,808	19.4%	\$ 874,559	\$ 707,101	23.7%

Controlling for the following significant exceptional items the G&A for the two periods was lower vs growth in revenues.

- 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; and
- Subsidy from Canada Emergency Wage Subsidy (“CEWS”), Canada Emergency Rent Subsidy (“CERS”), and Hardest-Hit Business Recovery Program (“HHBRP”). CEWS was for sales and non-sales/administrative staff.

	Q3 Fiscal 2023	Q3 Fiscal 2022	Inc./Dec)	YTD Fiscal 2023	YTD Fiscal 2022	Inc./Dec)
	\$	\$	%	\$	\$	%
G&A prior to subsidies (CEWS, CERS, HHBRP), extinguishment of part of vacation pay	\$ 288,643	\$ 271,440	6.3%	\$ 876,447	\$ 881,917	-0.6%
Subsidies	-	(29,632)		(1,888)	(139,753)	
Extinguishment of part of vacation pay	-	-		-	(35,063)	
	\$ 288,643	\$ 241,808		\$ 874,559	707,101	

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

Interest Expense

The interest expense is tabulated:

	<u>Q3 Fiscal 2023</u>	<u>Q3 Fiscal 2022</u>	<u>Inc./Dec</u>	<u>YTD Fiscal 2023</u>	<u>YTD Fiscal 2022</u>	<u>Inc./Dec</u>
	<u>\$</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
Stated ("Cash") interest expense						
Loan payable	\$ 185,330	\$ 139,600		\$ 405,153	\$ 334,687	
9% non-convertible debentures payable	243,138	199,029		647,423	571,590	
	<u>\$ 428,468</u>	<u>\$ 338,629</u>	26.5%	<u>\$ 1,052,576</u>	<u>\$ 906,277</u>	16.1%
Non-cash interest expense						
Interest - Lease	\$ -	\$ 1,201		\$ 180	\$ 5,065	
Accretion charge on 9% non-convertible debentures payable	211,501	177,944		592,469	524,215	
Restructuring bonus on 9% non-convertible debentures payable	28,304	17,505		66,912	53,759	
Amortization of transaction costs on 9% non-convertible debentures payable	6,739	4,471		16,763	10,431	
	<u>\$ 246,544</u>	<u>\$ 201,121</u>	22.6%	<u>\$ 676,324</u>	<u>\$ 593,470</u>	14.0%
Total interest expense	\$ 675,012	\$ 539,750	25.1%	\$ 1,728,900	\$ 1,499,747	15.3%

Q3

Stated interest cost was higher. An increase of \$89,839.

- Interest paid on loan payable. An increase of \$45,720. The interest rate charged on the loan payable is 8.8% + prime rate of a certain Canadian bank. The increase in cost is due to the increase of 300 bps in prime rate during YTD Fiscal 2023 offset by lower utilization of loan payable (\$3,644,000 during Q3 Fiscal 2023 compared to \$3,877,000 during Q3 Fiscal 2022); and
- Interest on 9% 2025 debentures. An increase of \$44,109. The increase in Q3 Fiscal 2023 reflects higher outstanding principal post issuance of \$600,000 in January 2023, \$150,000 in March 2022, and interest on accrued and unpaid interest.

Non-cash interest is higher by \$45,423. The increase was primarily from accretion charges - \$211,501 in Q3 Fiscal 2023 compared to \$177,944 in Q3 Fiscal 2022 – partially to do with issuance of additional 9% 2025 debentures in January 2023.

YTD

Stated interest cost was higher. An increase of \$146,299.

- Interest paid on loan payable. An increase of \$70,466. The interest rate charged on the loan payable is 8.8% + prime rate of a certain Canadian bank. The increase in cost is due to the increase of 300 bps in prime rate during YTD Fiscal 2023 offset by lower utilization of loan payable (\$4,387,000 during YTD Fiscal 2023 compared to \$5,049,000 during YTD Fiscal 2022); and
- Interest on 9% 2025 debentures. An increase of \$75,833. The increase in YTD Fiscal 2023 reflects higher outstanding principal post issuance of \$600,000 in January 2023, \$150,000 in March 2022, September 2021 and interest on accrued and unpaid interest.

Non-cash interest is higher by \$82,854. The increase was primarily from accretion charges - \$592,469 in YTD Fiscal 2023 compared to \$524,215 in YTD Fiscal 2022 – to do with issuance of additional 9% 2025 debentures in January 2023, March 2022 and September 2021.

Net Loss

Highlights are tabulated:

	<u>Q3 Fiscal 2023</u>	<u>Q3 Fiscal 2022</u>	<u>Inc./Dec</u>	<u>YTD Fiscal 2023</u>	<u>YTD Fiscal 2022</u>	<u>Inc./Dec</u>
	\$	\$	%	\$	\$	%
Revenues	\$ 530,209	\$ 452,103	17.3%	\$ 1,552,597	\$ 1,192,596	30.2%
Gross profit	\$ 409,818	\$ 368,165	11.3%	\$ 1,165,823	\$ 889,619	31.0%
Selling and General & administrative expenses prior to Federal pandemic subsidies	\$ 438,586	\$ 419,553	4.5%	\$ 1,301,526	\$ 1,330,324	-2.2%
Pandemic subsidies	\$ -	\$ (29,632)	-100.0%	\$ (1,888)	\$ (139,753)	-98.6%
(Loss) from operations before depreciation, amortization and interest	\$ (28,768)	\$ (21,756)	32.2%	\$ (133,815)	\$ (300,952)	-55.5%
Stated interest - loan payable	\$ 185,330	\$ 139,600	32.8%	\$ 405,153	\$ 334,687	21.1%
Stated interest - 9% 2025 debentures	\$ 243,138	\$ 199,029	22.2%	\$ 647,423	\$ 571,590	13.3%
(Loss) from operations before depreciation, amortization, non cash interest and non cash items	\$ (457,236)	\$ (360,385)	26.9%	\$ (1,186,391)	\$ (1,207,229)	-1.7%
Non cash interest	\$ 246,544	\$ 201,121	22.6%	\$ 676,324	\$ 593,470	14.0%
Net (loss) and Comprehensive (loss)	\$ (703,780)	\$ (561,506)	25.3%	\$ (1,862,715)	\$ (1,800,699)	3.4%
Basic and Diluted loss per share *	\$ (0.00)	\$ (0.00)		\$ (0.01)	\$ (0.01)	

* The company completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The company's board of directors set May 29, 2022 as the effective date of the consolidation. To enable a comparison the average number of issued common shares, in above tabulation, are stated as if the share consolidation had taken place on July 1, 2021. As additional information, the pre-consolidation average number of issued common shares during 3 and 9 month periods ended March 31, 2022 was 6,992,382,118 and 5,449,920,004 and based on this the reported basic EPS for both periods in 2022 was \$0.00

The detailed analysis of the above tabulated items is provided in Sections - Income Statement – Q3 Fiscal 2023- YTD Fiscal 2023 compared to Q3 Fiscal 2022- YTD Fiscal 2022, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Working Capital and Liquidity Management

	Q3 Fiscal 2023	Q3 Fiscal 2022	YTD Fiscal 2023	YTD Fiscal 2022
	\$	\$	\$	\$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs				
Net (loss)	\$ (703,780)	\$ (561,506)	\$ (1,862,715)	\$ (1,800,699)
Adjustments for non cash expenses	489,682	400,150	1,323,747	1,165,060
(Loss) after adjustment for non cash expenses	(214,098)	(161,356)	(538,968)	(635,639)
Cash balances at start of the period	35,063	148,148	93,185	82,606
Change in loan payable	2,482,867	(416,536)	957,690	2,446,454
Net proceeds from raise of 9% non convertible debentures payable	579,287	141,885	579,287	1,064,384
Change in accounts receivable	56,682	3,254	44,106	43,135
	\$ 2,939,801	\$ (284,605)	\$ 1,135,300	\$ 3,000,940
Utilization of funds				
Cash balances at end of periods	\$ 35,507	\$ 93,593	\$ 35,507	\$ 93,593
Change in transaction credits	2,796,119	(377,044)	1,263,228	2,765,779
Change in accounts payable & accrued liabilities	108,175	(17,904)	(136,211)	85,398
Change in all other working capital items	-	(2,668)	(40,172)	(2,085)
Change in other financing items	-	19,418	12,948	58,255
	\$ 2,939,801	\$ (284,605)	\$ 1,135,300	\$ 3,000,940

Working Capital and Liquidity Management

Q3

Adjustments for non-cash expenses. A significant item for both periods was accrued and unpaid 9% 2025 debentures interest, for Q3 Fiscal 2023 \$243,138 compared to Q3 Fiscal 2022 \$199,029. Furthermore, charges for Accretion and Restructuring bonus respecting 9% 2025 debentures were \$239,805 for Q3 Fiscal 2023 compared to \$195,449 for Q3 Fiscal 2022.

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

During Q3 Fiscal 2023 the primary item was increase in transaction credits, net of \$1,379,853 provision for delinquent accounts, of \$2,796,119. This increase reflects deployment of advances of working capital to merchants post capital raise of \$600,000 in January 2023. During Q3 Fiscal 2022 the primary item was decrease of \$377,044 in transaction credits, net of \$1,061,852 provision for delinquent accounts. Following the gradual easing of 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 – a result of pandemic health restrictions and their economic fall-out on the company and the company’s merchant base - in the MCA portfolio since the start of the pandemic. Until the company completed a \$150,000 capital raise in March 2022 the company could not deploy all advances falling due in Q3 Fiscal 2022, leading to decline in MCA portfolio.

From time to time the company enters into payment plans to settle its dues. As at March 31, 2023 the critical payment plan is with Accord (section Loan Payable) and as of date hereof the company is in compliance with its obligations. As at March 31, 2022 the critical payment plans were with Accord and Aeroplan. The company was in arrears with respect to amounts due to Aeroplan. The company primarily fell into arrears on account of

the pandemic. A payment plan was established in April 2021 and to end in December 2022. The company met its obligations and arrears to Aeroplan are fully cleared.

Financing activities.

9% 2025 debentures. Q3 Fiscal 2023 reflects raise of gross proceeds of \$600,000 in January 2023 (net of transaction costs \$579,287). Q3 Fiscal 2022 reflects raise of gross proceeds of \$150,000 (net of transaction costs \$141,885) in March 2022.

Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord. During Q3 Fiscal 2023 the increase of \$2,482,867 is primarily due to above movement on transaction credits. During Q3 Fiscal 2022 the decrease of \$416,536 is primarily due to above noted movement on transaction credits.

Investing activities. \$nil in both periods. The company is frugal with capital expenditures given its financial situation. During Q3 Fiscal 2023 the company continued gradual move of its entire IT infrastructure into the cloud. The company expects to complete the migration to the cloud by end of its fiscal year ending June 30, 2023. The company does not expect significant capital expenditures in the next twelve months.

YTD

Adjustments for non-cash expenses. A significant item for both periods was accrued and unpaid 9% 2025 debentures interest, for YTD Fiscal 2023 \$647,423 compared to YTD Fiscal 2022 \$571,590. Furthermore, charges for Accretion and Restructuring bonus respecting 9% 2025 debentures were \$659,381 for YTD Fiscal 2023 compared to \$577,974 for YTD Fiscal 2022.

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

During YTD Fiscal 2023 the primary item was increase in transaction credits, net of \$1,379,853 provision for delinquent accounts, of \$1,263,228. This increase reflects deployment of advances of working capital to merchants post capital raise of \$600,000 in January 2023. During YTD Fiscal 2022 the primary item was increase of \$2,765,779 in transaction credits, net of \$1,061,852 provision for delinquent accounts. Following the gradual easing of 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 – a result of pandemic health restrictions and their economic fall-out on the company and the company's merchant base - in the MCA portfolio since the start of the pandemic. This is reflected in the increase in transaction credits during YTD Fiscal 2022.

From time to time the company enters into payment plans to settle its dues. As at March 31, 2023 the critical payment plan is with Accord (section Loan Payable) and as of date hereof the company is in compliance with its obligations. As at March 31, 2022 the critical payment plans were with Accord and Aeroplan. The company was in arrears with respect to amounts due to Aeroplan. The company primarily fell into arrears on account of the pandemic. A payment plan was established in April 2021 and to end in December 2022. The company met its obligations and arrears to Aeroplan are fully cleared.

Financing activities.

9% 2025 debentures. YTD Fiscal 2023 reflects raise of gross proceeds of \$600,000 in January 2023 (net of transaction costs \$579,287). YTD Fiscal 2022 reflects raise of gross proceeds of \$1,150,000 (net of transaction costs \$1,064,384) comprising \$1.0 million gross proceeds in September 2021 and \$150,000 gross proceeds in March 2022.

Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord. During YTD Fiscal 2023 the increase of \$957,690 is primarily due to above movement on transaction credits. During YTD Fiscal 2022 the increase of \$2,446,454 is primarily due to above noted movement on transaction credits.

Investing activities. \$nil in both periods. The company is frugal with capital expenditures given its financial situation. During YTD Fiscal 2023 the company continued gradual move of its entire IT infrastructure into the

cloud. The company expects to complete the migration to the cloud by end of its fiscal year ending June 30, 2023. 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 (in this section see *Changes in working capital*).

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, \$150,000 in March 2022 and \$600,000 in January 2023 by issuance of 9% 2025 debentures, and usage for 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, \$150,000 in March 2022 and \$600,000 in January 2023 was used to stabilize the company's financial position, fund its MCA business and for general corporate purposes. However, the pace at which it was able to expand its MCA portfolio was dependent on the return of merchant business confidence and the availability of funds – after use to stabilize its financial position and for general corporate purposes - from the capital raised. The return of merchant business confidence and the company's ability to raise growth capital are matters of uncertainty given the prevailing economic environment. The growth of company's MCA portfolio is essential to bring financial stability.

At the end of March 2023, the company was in urgent need of capital to maintain its current MCA program activity level, to continue to re-build its MCA program, and continue operations.

On April 21, 2023, the company closed a private placement of 12% non-convertible debentures ("12% 2025 debentures") for gross proceeds of \$400,000. The 12% 2025 debentures bear interest at 12% per annum payable semi annually, mature October 10, 2025, and rank pari passu on security with the 9% 2025 debentures. There was no issuance of common shares of the company to the purchaser of the 12% 2025 debentures. This transaction is with a non-related party which is at arm's length with the company. The company secured the requisite approval of 9% 2025 debentures to issue 12% 2025 debentures. This capital shall be used to stabilize the company's financial position, funds its MCA business and for general corporate purposes.

The company requires additional working capital in the form of debt and equity to continue to re-build and grow its MCA business and therefore stabilize its financial position.

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

Going Concern

The consolidated financial statements for three and nine months ended March 31, 2023 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 \$12,045,783 and negative working capital of \$3,347,866 as at March 31, 2023. During the year ended June 30, 2022 the company closed two financings, \$1.0 million in September 2021 and \$150,000 in March 2022. In January 2023 the company closed a financing of \$600,000. The continuing negative effects of the pandemic, and the prevailing inflationary and increasing interest rate environment have created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on

due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to a) loan payable (section Loan Payable) which supports the company's merchant cash advance program, and b) 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 the consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

Contractual Obligations

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

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>4 to 5 years</u>
	\$	\$	\$	\$
Loan payable	\$ 4,977,375	\$ 4,977,375	\$ -	\$ -
9% 2025 debentures	7,759,000	-	7,759,000	-
Canada Emergency Business Account	60,000	-	60,000	-
	<u>\$ 12,796,375</u>	<u>\$ 4,977,375</u>	<u>\$ 7,819,000</u>	<u>\$ -</u>

In addition, there are contractual obligations to holders of 9% 2025 debenture payable on maturity date December 31, 2025: interest of \$1,150,383 payable for the period December 16, 2018 to March 14, 2021, restructuring bonus of \$1,396,620, and interest on unpaid interest of \$692,161. During the term of the 9% 2025 debentures the company has a contractual obligation to pay stated interest at 9% of \$3,197,014.

Loan Payable

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

Due to pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of \$460,000. This overdraft facility was increased by \$75,000 in June 2022, to be paid back by middle of September 2022 and the company repaid the \$75,000 by due date. The overdraft facility is a general working capital facility and is a carve-out from the loan payable limit of \$8.5 million. The interest rate is similar to the loan payable. As of March 31, 2023, the company has utilized \$359,900 from this overdraft facility (at June 30, 2022 \$493,000 and at March 31, 2022 \$438,000).

In September 2021 the company and Accord agreed to: 1) extend the term of their agreement, which was due to end in December 2021, to June 30, 2022, 2) amend, effective September 1, 2021, the interest rate to the prime rate of a certain Canadian bank plus 8.80% from prime rate of a certain Canadian bank plus 9.05%, and 3) the overdraft facility would be repayable by the company in equal monthly instalments between January 2022 and June 2022.

In December 2021 Accord deferred the start of the re-payment of the overdraft facility to April 1, 2022.

In March 2022 the company and Accord agreed to: 1) extend the term of their agreement, which was due to end June 30, 2022, to July 31, 2024, and 2) a payment plan for Advantex to re-pay the overdraft facility by July 31, 2024. The agreement is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term.

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.

As at March 31, 2023 the company has utilized \$5.0 million of loan payable (June 30, 2022 \$4.0 million).

The loan payable is repayable on demand to Accord.

9% Non-Convertible Debentures Payable

The company received agreement of the 9% debentures holders to extend their maturity date from December 31, 2021 to December 31, 2025. The 9% debentures were issued as 5,759 units (5,559 units in December 2017 and 200 units in October 2019) consisting of principal amount of \$5,759,000 and 623,377,196 common shares of the company. Effective March 15, 2021 the 9% debentures were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures.

The company closed a \$250,000 financing on March 15, 2021 by way of senior secured non-convertible debentures ("9% 2025 debentures"). The 9% 2025 debentures were issued on the same terms and rank pari passu with existing 9% Non-convertible debentures payable ("9% debentures") bearing interest at 9% per annum and maturing on December 31, 2025. The financing was a related party transaction (section Related Party Transactions).

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

On September 7, 2021 the company issued 9% 2025 debentures for gross proceeds of \$1.0 million. The financing was a related party transaction. 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.

On March 24, 2022 the company issued 9% 2025 debentures for gross proceeds of \$150,000. The financing was a related party transaction. In March 2022, the purchasers of 9% 2025 debenture received common shares. The common shares were determined to have nil value.

On January 5, 2023, the company issued 9% 2025 debentures for gross proceeds of \$600,000. The financing was a related party transaction. In January 2023, the purchasers of 9% 2025 debenture 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 September 30, 2021, September 30, 2022, June 30, 2022, December 31, 2022, and March 31, 2023. On June 26, 2022 the company received waiver of the events of default with respect to financial covenants at December 31, 2021 and March 31, 2022. In addition, the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2022, and re-set financial covenants for quarters ended June 30, 2022 until June 30, 2023. On March 14, 2023, the company received agreement of the debenture holders to defer the payment of interest payable March 15, 2023, and for it to be payable in six equal instalments, with each instalment being added to the interest payments due on September 15, 2023, March 15, 2024, September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025.

If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025

debentures in the event that the debenture holders demand immediate payment, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them.

The fair value of the \$1.0 million 9% 2025 debentures issued in September 2021 was initially determined to be \$597,275 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result, \$402,725 was recognized in the contributed surplus. At June 30, 2022 the fair value was amended to \$666,183 and the recognition in the contributed surplus was amended to \$333,817 (consolidated statements of changes in shareholder deficiency for year ended June 30, 2022, and for period ended March 31, 2022 disclosed in these interim financial statements). In addition, the company incurred \$77,501 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the \$150,000 9% 2025 debentures issued in March 2022 was determined to be \$105,735 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result, \$44,265 was recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for period ended March 31, 2022, and for year ended June 30, 2022). In addition, the company incurred \$8,115 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the \$600,000 9% 2025 debentures issued in January 2023 was determined to be \$441,185 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result, \$158,815 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for period ended March 31, 2023). In addition, the company incurred \$20,713 of transaction costs related to the transaction and these are being amortized to maturity date.

The principal amount of the 9% 2025 debentures at March 31, 2023 and June 30, 2022 was \$7,759,000 and \$7,159,000 respectively.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
<u>12 month period ended March 31, 2023</u>						
	Q4	Q1	Q2	Q3	Total	
	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023		
	\$	\$	\$	\$	\$	
Revenues	0.5	0.6	0.4	0.5	2.0	
% of annual revenues	25.0%	30.0%	20.0%	25.0%	100.0%	
Net (loss)	(0.9)	(0.5)	(0.6)	(0.7)	(2.7)	
(Loss) per share - Basic and Diluted	-	-	-	-	(0.01)	
<u>12 month period ended March 31, 2022</u>						
	Q4	Q1	Q2	Q3	Total	
	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022		
	\$	\$	\$		\$	
Revenues	0.3	0.4	0.4	0.5	1.6	
% of annual revenues	18.8%	25.0%	25.0%	31.2%	100.0%	
Net (loss)	(0.6)	(0.6)	(0.7)	(0.6)	(2.5)	
(Loss) per share - Basic and Diluted	-	-	-	-	(0.01)	

From Q2 Fiscal 2022 the results reflect gradual re-build of MCA business following capital raises in September 2021 and March 2022. From Q2 Fiscal 2023 the results reflect diminished capital availability to deploy MCA advances falling due for renewal from September 2022. From Q3 Fiscal 2023 the results reflect continuation of re-build of MCA business following capital raise in January 2023.

Pandemic was the primary factor driving performance during Q1 Fiscal 2022.

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. During Q3 Fiscal 2023 and YTD Fiscal 2023 the company continued gradual move of its entire IT infrastructure into the cloud. The company expects to complete migration to the cloud by year ending June 30, 2023. 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, 2022.

Contingent liabilities

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

Going concern

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

The company's audited consolidated financial statements for year ended June 30, 2022, three months ended September 30, 2022, three and six months ended December 31, 2022 and three and nine months ended March 31, 2023 carry a going concern note (note 2a for year ended June 30, 2022 and note 2 for September 30, 2022, December 31, 2022 and March 31, 2023). 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% 2025 debentures. 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 product, the company acquires the rights to receive future cash flows, associated with future business activity, at a discount from participating establishments (“transaction credits”). Under the MCA program the transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants there is a credit risk.

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

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

Due to the uncertainties created by pandemic, for period ended June 30, 2022, for the unimpaired transaction credits the company estimated loss based on historical loss rate. Due to the uncertainties created by the inflationary and high interest environment, for period ended December 31, 2022, for the unimpaired transaction credits the company estimated loss based on historical loss rate supplemented by a forecast loss rate. With the economic situation being less uncertain during period ended March 31, 2023, for unimpaired transaction credits the company estimated loss based on historical loss rate.

The historical loss rate is based on the losses experienced over the seven-year period prior to start of the pandemic, during and post pandemic. The forecast loss rate is based on the company’s knowledge of its customers and its evaluation of the impact of the pandemic and economic environment on individual customers’ ability to operate. Location of the merchant business, past and current payment history, current economic activity levels, are the inputs into the forecast loss ratio.

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

During year ended June 30, 2021 and the first nine months of year ended June 30, 2022 the pandemic restrictions impacted economic activity. There was uncertainty related to the pace and extent of economic recovery in the business segments the company operates in and hence the evaluation of collectability of transaction credits. During periods ended March 31, 2023 the inflationary and increasing interest rate environment and its unknown impact on economic activity is a likely factor in evaluation of collectability in future periods.

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

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

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

	March 31, 2023	June 30, 2022
	\$	\$
Transaction credits	\$ 5,955,349	\$ 4,692,121
Accounts receivable	43,599	87,705
Allowance	<u>(1,384,238)</u>	<u>(1,384,238)</u>
Per Consolidated statement of financial position	\$ 4,614,710	\$ 3,395,588
Maximum exposure to credit risk	\$ 4,614,710	\$ 3,395,588

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

	March 31, 2023	June 30, 2022
	\$	\$
Impaired transaction credits	\$ 1,197,553	\$ 1,246,397
Allowance	<u>(1,197,553)</u>	<u>(1,246,397)</u>
Impaired transaction credits not allowed for	\$ -	\$ -
The company carries a general allowance towards transaction credits. The general allowance at March 31, 2023 and June 30, 2022 is based on the historical loss rate	\$ 182,300	\$ 133,456

Stock Options

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

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

There were no stock options outstanding during YTD Fiscal 2023 and YTD Fiscal 2022.

There was no stock based compensation expense during YTD Fiscal 2023 and YTD Fiscal 2022.

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 where 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 the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan.

Following the consolidation of common shares in May 2022 the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan is 13,733,333.

The company has not granted any RSUs under the RSU plan as at March 31, 2023 and 2022.

Outstanding Share Data

No change in the authorized share capital since June 30, 2022.

No change in issued and outstanding Class A preference shares since June 30, 2022. Issued and outstanding 461,887 Class A preference shares as at March 31, 2023.

Issued and outstanding common shares at June 30, 2022 – 253,392,507. The company issued 12 million common shares upon issuance of \$600,000 9% 2025 debentures in January 2023 (additional details Related Party Transactions). Issued and outstanding common shares at March 31, 2023 – 265,392,507.

Potentially Dilutive Securities

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

Related Party Transactions

9% 2025 debentures

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

On March 15, 2021, 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.

On March 24, 2022, the company closed a \$150,000 financing by way of 9% 2025 debentures. Related parties, principals of Generation IACP Inc. and Generation PMCA Corp. purchased \$150,000 of the 9% 2025 debentures.

On January 5, 2023, the company closed a \$600,000 financing by way of 9% 2025 debentures. Related parties, principals of Generation IACP Inc. and Generation PMCA Corp., purchased \$600,000 of the 9% 2025 debentures.

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

Common shares

On September 7, 2021 the company issued common shares. The common shares disclosed hereunder reflect conversion at consolidation ratio used in the share consolidation completed in June 2022.

- a. For purchase of \$200,000 and \$975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 175,270,833 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 11,187,500 common shares to Kelly Ambrose the company's President and Chief Executive Officer;

- b. Kelly Ambrose, the company's President and Chief Executive Officer was issued 10,833,333 common shares as a retention bonus and 219,621 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 4,166,667 common shares as a retention bonus and 114,312 common shares in lieu of a portion of vacation pay due to him.

On March 24, 2022 for purchase of \$150,000 9% 2025 debentures the company issued 22,375,000 common shares to the principals of Generation IACP Inc. and Generation PMCA Corp.

On January 5, 2023 for purchase of \$600,000 9% 2025 debentures the company issued 12,000,000 common shares to the principals of Generation IACP Inc. and Generation PMCA Corp.

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

	<u>March 31, 2023</u>		<u>June 30, 2022</u>	
	<u>9% 2025 debentures</u>	<u>Common shares</u>	<u>9% 2025 debentures</u>	<u>Common shares</u>
Director, Chief Executive Officer - K. Ambrose	\$ 575,000	25,424,582	\$ 575,000	25,424,582
Director - M. Lavine	500,000	2,450,494	500,000	2,450,494
Director - D. Moscovitz	9,000	38,966	9,000	38,966
Chief Financial Officer - M. Sabharwal	115,000	5,197,599	115,000	5,197,599
R. Abramson, GIACP, GPMCA (a)	3,478,650	156,997,057	3,543,650	158,137,414
Herbert Abramson (b)	731,000	54,864,527	431,000	48,864,527
	<u>\$ 5,408,650</u>	<u>244,973,225</u>	<u>\$ 5,173,650</u>	<u>240,113,582</u>
Total issued and outstanding 9% 2025 debentures and common shares	\$ 7,759,000	265,392,507	\$ 7,159,000	253,392,507
% held by parties in tabulation	69.7%	92.3%	72.3%	94.8%
(a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the above securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms				
(b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company				

Economic Dependence

The company has two business units. Its core business is MCA program, and the secondary business is operating as a re-seller of aeroplane points as part of 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. On June 26, 2022 the company received waiver of the events of default with respect to financial covenants at December 31, 2021 and March 31, 2022. In addition, the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2022 and re-set financial covenants for quarters ended June 30, 2022 until June 30, 2023. On March 14, 2023, the company received agreement of the debenture holders to defer the payment of interest payable March 15, 2023. The company is in compliance with financial covenants since the quarter ended June 30, 2022. The company has a 15 year + relationship with the principal holder – portfolio managers on behalf of managed accounts and the principals of portfolio managers – who invested \$1,925,000 through 9% 2025 debentures in the company since March 2021 - Section Related Party Transactions.

In March 2022 the company and Accord agreed to: 1) extend the term of their loan payable agreement, which was due to end June 30, 2022, to July 31, 2024, and 2) a payment plan for the company to re-pay the general working capital overdraft facility – provided to enable the company to cope with the adverse impacts of the pandemic - by July 31, 2024. The agreement is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term. The loan payable is repayable on demand to Accord. As of date hereof the company was in compliance with the payment plan which commenced October 31, 2022. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. The company and Aeroplan continue to work together under the terms of the original agreement as extended from time to time. The most recent extension is until May 31, 2023. The agreement can be terminated by Aeroplan under certain circumstances, one of which is if the company is in arrears on its payment obligations to Aeroplan. As of date hereof the company is current on its payment obligations. The company expects to secure a multi-year renewal of the agreement. 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 July 31, 2024. The 9% 2025 debentures mature December 31, 2025. The company's secondary business of re-seller of aeroplan points depends on its agreement with Aeroplan. The risks connected to the continuity of the two sources of debt and agreement with Aeroplan are explained in Section Economic Dependence.

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

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

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each \$ of merchant cash advance and a loan payable facility to fund the balance. However, for access to a loan payable facility in excess of the current \$8.5 million provided by Accord the company needs to put in higher % as co-fund. The company has limited ability to fund and consequently retain the MCA portfolio at March 31, 2023 levels using the current Accord loan payable facility. The retention of March 31, 2023 level of MCA portfolio and thereafter growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% 2025 debenture holders and other critical suppliers. General market conditions; the

financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet, general security interest held by 9% 2025 debentures over the assets of the company and its subsidiaries may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

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

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

The company's activities are funded by 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 and profitability are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 8.80%, effective September 1, 2021 on loan payable. The current inflationary and resulting interest rate environment has heightened this risk to the company's future cash flows and profitability. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During the nine months ended March 31, 2023 the company incurred interest expense of \$405,153 on utilization of loan payable. During the nine months ended March 31, 2023 the prime rate has increased 300 bps since July 1, 2022 and at March 31, 2023 is 6.70%. Had the interest rate been 10% higher during the nine months ended March 31, 2023 the interest cost would be approximately \$40,000 higher.

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

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

The Aeroplan program the company operates is its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The agreement expires May 31, 2023. The company expects to secure a multi-year renewal. 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 rising cost of travel and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying

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

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to maintain and grow its MCA program, in a competitive environment, upon availability of capital; ability to raise growth capital; expectation of growth capital required and the timing of its raise; expectation of financial stability from expansion of MCA program; expectation of timing of achieving financial stability; expectation of financial impact of pandemic and current uncertain economic environment on economic activity, company's customers and the company; expectation of being able to meet its payment plans including with respect to the working capital overdraft facility with Accord; expectation of securing a multi-year agreement with Aeroplan; expectation of capital expenditures required to operate the business in the next twelve months; expectation of timing on migration to cloud; expectation of adequacy of reserve created for delinquent transaction credits; belief it has the ability to manage delinquencies consequent to pandemic, current uncertain economic environment and during growth mode; belief drivers of revenues across all programs are those set out in the Revenue Section; belief it may be able to pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief it has support of its existing financial partners; 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; securing waiver to default from holders of 9% 2025 debentures; meeting payment plan with respect to the working capital overdraft facility advanced by 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 of capital to

continue operations and for growth; 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 the pandemic, inflationary and interest rate environment on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

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

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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