LISTING STATEMENT

ADVANTEX MARKETING INTERNATIONAL INC.

October 20, 2022

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2. Corporate Structure

2.1 Advantex Marketing International Inc. (the "**Company**"), 600 Alden Road, Suite 606, Markham, Ontario, L3R 0E7 (until August 31, 2022) and from September 1, 2022 is 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5

2.2 The Company is incorporated under the *Business Corporation Act* (Ontario). For material amendments to the articles and other constating documents see the

- "CORPORATE STRUCTURE – Name and Incorporation" section of the Company's Annual Information Form for the year ended June 30, 2010 and dated October 27, 2010 (the "**AIF**") which is attached as Schedule "A" to the Listing Statement dated February 7, 2011 as amended by addition of Advantex SmartAdvance Inc. a 100% subsidiary of the Company; and

- "CONFIRMATION OF BY-LAW A-2" section of the Information Circular dated November 17, 2013 attached as Schedule "D" to the Annual Listing Statement dated October 28, 2014.

2.3 Corporate Structure – The inter-corporate relationships among the Company and the Company's subsidiaries are disclosed in the "CORPORATE STRUCTURE – Inter-corporate relationship" section of the AIF as amended by incorporation of Advantex SmartAdvance Inc. – a wholly owned subsidiary of the Company – in fiscal year ended June 30, 2015.

2.4 The Company is not re-qualifying following a fundamental change and is not proposing an acquisition, amalgamation, merger, reorganization or arrangement.

2.5 The Company is neither a non-corporate Issuer nor an Issuer incorporated outside of Canada.

3. General Development of the Business

3.1 The general development of the Company's business for the fiscal year ended June 30, 2022 compared with the corresponding period in the previous year is disclosed in the Management Discussion and Analysis for the fiscal years ended June 30, 2022 and 2021 (the "**MD&A**"), which is attached hereto as Schedule "A".

3.2 There have been no significant acquisitions completed by the Company nor is any significant probable acquisition proposed by the Company for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements*, if this Listing Statement were a prospectus; and

There have been no significant dispositions completed by the Company during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under National Instrument 41-101 *General Prospectus Requirements*, if this Listing Statement were a prospectus.

3.3 As at June 30, 2022, the Company is committed to minimum payments with respect to existing leases for equipment and premises. Notes 12 and 17 to the Consolidated Financial Statements for the year ended June 30, 2022 (the "**FS**"), which is attached hereto as Schedule "B", discloses Commitments and Contingencies of the Company, and Lease respectively.

For a fuller discussion of trends known to management please see the "Overall Performance" Section in the MD&A, in particular, and the MD&A, generally.

For a discussion on uncertainty, please see the "Working Capital and Liquidity Management", "Economic Dependence", "General Risks and Uncertainties" and "Forward Looking Information" Sections of the MD&A.

The FS for year ended June 30, 2022 carry a Going Concern note.

4. Narrative Description of the Business

4.1 The Narrative Description of the Business can be found in the "NARRATIVE DESCRIPTION OF THE BUSINESS" section of the AIF, updated by the MD&A and by the monthly Form 7 filed by the Company with the CSE (together the "**Disclosure**"). The Disclosure includes a discussion on the method of distribution of the Company's principle services (all of which are at the commercial production stage), the method of producing services, the number of employees (at June 30, 2022 10 employees), a description of contracts and partnerships on which the Company is substantially dependent and a description of the competitive conditions (which is further described in the "Economic Dependence" and "General Risks and Uncertainties" Sections of the MD&A).

There have been no bankruptcy, receivership or similar proceedings against the Company or its subsidiaries. The Company has no social or environmental policies that are fundamental to its operations.

The MD&A provides commentary on the Company's financial performance for the fiscal year ended June 30, 2022 compared with corresponding period in the previous year, covering over performance, revenues, direct expenses, gross profit, selling expenses, general & administrative expenses, interest expense, and net income. The MD&A provides commentary on the Company's capital and liquidity management. The MD&A also provide information on the capital raises in September 2021 and March 2022 – Sections Loan Payable and 9% Non-Convertible Debentures Payable.

The Company's share and loan capital is described in Notes 5 ("Loan payable"), 6 ("9% Non-convertible debentures payable), and 7 ("Share capital") in the FS.

In May 2021 the Company applied for revocation of the failure to file cease trade order ("FFCTO") and on June 24, 2021 the Ontario Securities Commission ("OSC") issued the revocation order. The FFCTO was issued by the OSC on November 1, 2019. The Company completed a share consolidation in May 2022 and the trading in the Company's common shares recommenced in June 2022. Share consolidation was a condition of the Canadian Securities Exchange ("CSE") to permit re-commencement of trading.

4.2 The Company does not have any outstanding asset-backed securities.

4.3 The Company is not an Issuer with mineral projects.

4.4 The Company does not have Oil and Gas Operations.

5. Selected Consolidated Financial Information

5.1 The FS provides the financial position of the Company as at June 30, 2022 and June 30, 2021, and the financial performance and cash flows for the years ended June 30, 2022 and June 30, 2021, in accordance with International Financial Reporting Standards ("IFRS"). Note 2b ("Basis of preparation"), and Note 3 ("Summary of significant accounting policies") to the FS detail the basis of preparation of the FS. The Company's auditors, BDO Canada LLP, report is attached to the FS.

5.2 The "Summary of Quarterly Results" Section of the MD&A provides highlights of selected financial information for the four quarters ended June 30, 2022, compared with corresponding periods in the previous year. The MD&A provides a narrative on the fourth quarter of the fiscal year ended June 30, 2022 in the Section "Fourth Quarter of Fiscal 2022 (Q4 F2022) vs. Fourth Quarter of Fiscal 2021 (Q4 F2021)". The interim financial statements for the three month period ended September 30, 2021, three and six month periods ended December 31, 2021, and three and nine month periods ended March 31, 2022, which are attached hereto as Schedule "C", provide narrative on the Company's performance for the first nine months of the fiscal year ended June 30, 2022.

5.3 A discussion of the Company's dividend policy can be found in the "DIVIDENDS" section of the AIF. The Company did not declare dividends for the fiscal year ended June 30, 2022 and fiscal year ended June 30, 2021.

6. Management's Discussion and Analysis

Annual MD&A

6.1 The MD&A is for the fiscal years ended June 30, 2022 and June 30, 2021 and is prepared based on information available to the Company as at October 20, 2022. The MD&A is for the most recently completed fiscal year ended June 30, 2022.

6.2 Please refer to the Company's MD&A regarding the overall performance.

Selected Annual Financial Information

6.3 Please see Section 5.1 for selected annual financial information.

6.4 Variations – Please see the MD&A for a discussion on the factors that have caused period to period variations.

6.5 Results of Operations – Please see the MD&A for management's analysis of the Company's operations for the most recently completed fiscal year.

6.6 Summary of Quarterly Results – Refer to Section 5.2 for a summary of quarterly results. The "Summary of Quarterly Results" Section of the MD&A addresses quarterly results.

6.7 Liquidity - Refer to the "Working Capital and Liquidity Management", "Contractual Obligations", "Loan Payable", and " 9% Non-Convertible Debentures Payable" Sections of the MD&A for a complete discussion of the Company's liquidity requirements.

6.8 Capital Resources – The Company's capital expenditures are described in the "Capital Resources" Section of the MD&A.

6.9 Off-Balance Sheet Arrangements – Except for the leases for IT equipment noted under Contractual Obligations Section of the MD&A the Company does not participate in off-balance sheet financing arrangements.

6.10 Transactions with Related Parties – Please refer to the "Transactions with Related Parties" Section in the MD&A for a discussion of transactions with related parties.

6.11 Fourth Quarter - A discussion of the fourth quarter events or items that affected the Company's financial condition can be found in the M&DA under the section "Fourth Quarter of Fiscal 2022 (Q4 F2022) vs. Fourth Quarter of Fiscal 2021 (Q4 F2021)".

6.12 Proposed Transactions – The Company is seeking capital to stabilize and expand its business.

6.13 Changes in Accounting Policies - Please refer to section 5.1.

6.14 Financial Instruments and Other Instruments

As at June 30, 2022 the Company has two sources of debt capital, which are described in the MD&A under sections "Loan Payable", and 9% Non-Convertible Debentures Payable". The narrative in these sections and Notes 5, and 6 to the FS, covers the terms, the usage of the funds provided by these instruments, and the debt and equity components.

Accounting policy connected to measurement of financial instruments is described under Note 3 "Summary of significant accounting policies" in FS.

The risk factors connected to the financial instruments are discussed in the "Loan Payable", "9% Non-Convertible Debentures Payable", "Working Capital and Liquidity Management", and "General Risks and Uncertainties" sections of the MD&A.

Interim MD&A

6.15 Date – The latest interim MD&A of the Company is for the three and nine month periods ended March 31, 2022 and 2021, and was prepared based on information available to the Company as at May 19, 2022.

6.16 Updated Disclosure – The updated disclosure is provided in the MD&A and FS.

6.17 Additional Disclosure for Issuers without Significant Revenue - The Company has had significant revenue from operations in each of its last two fiscal years.

6.18 Description of Securities - Note 7 ("Share capital") to the FS describes the Company's securities.

6.19 The Company has had significant revenue from operations in each of its last two fiscal years.

6.20 Negative cash-flow –

Consolidated statement of cash flow in the FS, for year ended June 30, 2022 provides the movements on the cash during year ended June 30, 2022 and June 30, 2021. The Company has no significant equity investee. See Section 12, Principal Shareholders

7. Market for Securities

The Company's common shares are currently traded under the symbol ADX on the CSE. In May 2021 the Company applied for revocation of the FFCTO and on June 24, 2021 the OSC issued the revocation order. The FFCTO was issued by the OSC on November 1, 2019. The Company completed a share consolidation in May 2022 and the trading in the Company's common shares recommenced in June 2022. Share consolidation was a condition of CSE to permit re-commencement of trading.

8. Consolidated Capitalization

8.1 The Company's share and loan capital is described in Notes 5 ("Loan payable"), 6 ("9% Non-convertible debentures payable"), and 7 ("Share Capital") in the FS.

The Company issued 6,725,018,037 common shares during year ended June 30, 2022. Details are available in Notes 7b and 9 to FS.

9. Options to Purchase Securities

9.1 Information concerning options to purchase securities of the Company as at June 30, 2022, is tabulated in the FS under Note 8a, 8b and 8c ("Share-based payments"). Since the Listing Statement dated October 28, 2021 and up to date hereof:

(i) Employee stock options, Restricted share units. Nil issued, cancelled, forfeited.

No employee stock options and restricted share units were exercised during the fiscal year ended June 30, 2022 and as of date hereof.

10. Description of the Securities

10.1 General

Common Shares

I. The holders of the common shares shall be entitled to receive notice of and to attend at all meetings of shareholders of the Company and shall be entitled to one vote for each common share held at all meetings of the shareholders of the Company except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series.

II. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or other distribution of assets or property of the Company, among shareholders for the purpose of winding up its affairs subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company all the remaining assets and property of the Company shall be distributed to the holders of the common shares.

Class A Preference Shares

I. The holders of the Class A preference shares shall in each year, in the discretion of the directors, but always in preference and priority to any payment of dividends on the common shares and any preference shares ranking junior to the Class A preference shares, for such year, be entitled out of any or all profits or surplus available for dividends to non-cumulative dividends at the annual rate per share equal to eight per cent (8%) of the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares. The holders of the Class A preference shares shall not be entitled to any dividends other than or in excess of the non-cumulative dividends at the rate of eight per cent (8%) per annum hereinbefore provided for.

II. The Class A preference shares shall rank as regards to repayment of capital in priority to all other shares of the Company but shall not confer any further right to participate in assets.

III. In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Class A preference shares shall be entitled to receive, before any distributions of any part of the assets of the Company among the holders of any other shares, an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares together with all dividends declared thereon and unpaid and no more.

IV. The Company may, at any time and from time to time, purchase for cancellation the whole or any part of the Class A preference shares at the lowest price at which, in the opinion of the directors, such shares are obtainable but not exceeding an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares, together with all dividends declared thereon and unpaid.

V. The Company may, upon giving notice as hereinafter provided, redeem the whole or from time to time any part of the outstanding Class A preference shares on payment for each share to be redeemed for an amount per share equal to the result obtained when the amount in the stated capital account for the Class A preference shares is divided by the number of issued and outstanding Class A preference shares together with all dividends declared thereon, but unpaid. Not less than thirty (30) days notice in writing of such redemption shall be given by mailing such notice to the registered holders of the shares to be redeemed, specifying the date and place or places of redemption. If notice of any such redemption be given by the Company in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada as specified in the notice on or before the date fixed for redemption, dividends on the Class A preference shares to be redeemed shall cease after the date so fixed for redemption, and the holders thereof shall thereafter have no rights against the Company in respect thereof, except, upon the surrender of the certificates for such shares, to receive payment thereof out of the monies deposited.

VI. The holders of the Class A preference shares shall not be entitled except as hereinafter specifically provided to receive notice of or to attend any meetings of the shareholders of the Company and shall not be entitled to vote at any such meeting. The holders of the Class A preference shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

VII. Any amendment to the articles of the Company to delete or vary any preference, right, conditions, restriction, limitations or prohibition attaching to the Class A preference shares, to create preference shares ranking in priority to or on parity with the Class A preference shares, in addition to the authorization by special resolution, may be authorized by at least two-thirds (2/3) of the votes cast at meeting of the holders of the Class A preference shares duly called for that purpose.

Class B Preference Shares

I. The Class B preference shares may from time to time, be issued in one or more series and subject to the following provisions: the directors may fix from time to time, before any issue the number of shares that is to comprise each series and the designation of rights, privileges, restrictions and conditions attaching to each series of Class B preference shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption purchase and/or conversion, and any sinking fund or other provisions. Prior to the issue of the first shares of any series, the board of directors of the Company shall send to the Director under the *Business Corporations Act* (Ontario), articles of amendment containing a description of such series including the designations, rights, privileges, restrictions and conditions determined by the board of directors of the Company.

II The Class B preference shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets or property of the Company among its shareholders for the purpose of winding up its affairs, rank on parity with the Class B preference shares of every other series, shall be subject to the prior rights of the Class A preference shares and shares of any other class ranking senior to the Class B preference shares and shall be entitled to preference over the common shares and any other shares of the Company ranking junior to the Class B preference shares. The Class B preference shares of any series may also be given such other preferences not inconsistent with the Articles, over the common shares and any other shares of the Company ranking junior to the Class B preference shares as may be fixed as provided herein.

III. If any cumulative dividend or amounts payable on the return of capital in respect of series of Class B preference shares are not paid in full, all series of Class B preference shares shall participate rateably in respect of such dividends and return of capital.

IV. The Class B preference shares of any series may be made convertible into common shares or shares of any other class or classes at such rate and upon such basis as the directors in their discretion may determine.

V. Unless the directors otherwise determine in the Articles of Amendment designating the series, the holder of each share of series of Class B preference shares shall not be entitled to vote at meetings of shareholders of the Company except where specifically entitled by law.

Class C Preference Shares

I. Subject to the prior rights of the Class A preference shares, but in priority to the common shares and the Class B preference shares, the holders of Class C preference shares shall be entitled to annual, non-cumulative dividend equal to 8% of the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares. The holders of the Class C preference shares shall not be entitled to any dividends other than or in excess of the dividend hereinbefore provided.

II. A holder of Class C preference shares shall be entitled to require the Company to redeem at any time or times, all or part of the Class C preference shares registered in the name of such holder on the books of the Company by tendering to the Company at its registered office the share certificates representing the shares which the registered holder desires to have the Company redeem, together with a request in writing specifying the number of Class C preference shares that the registered holder desires to have redeemed. Upon receipt of share certificates representing the Class C preference shares which the registered holder desires to have the Company redeem, together with such request, the Company shall, within 30 days following the date of receipt thereof, redeem each such share by paying to such registered holder an amount equal to the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares together with all dividends declared thereon and unpaid up to the date of redemption. Such payment shall be made by cheque payable at par at any branch of the Company's bank at the time being, in Canada.

III. The Company may, upon giving notice as hereinafter provided, redeem the whole or any part of the Class C preference shares on payment for each share to be redeemed of an amount equal to the result obtained when the amount in the stated capital account for the Class C preference shares is divided by the number of issued and outstanding Class C preference shares together with all dividends declared thereon and unpaid. Not less than thirty (30) days notice in writing of such redemption shall be given by mailing such notice to the registered holders of such shares to be redeemed specifying the date and place or places of such redemption. If notice of any such redemption be given by the Company in the manner aforesaid, and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada as specified in the notice on or before the date fixed for redemption, dividends on the Class C preference shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall thereafter have no rights against the Company in respect thereof, except upon the surrender of the certificate for such shares to receive payment thereof out of the monies deposited.

IV. The Company may, at any time and from time to time, purchase for cancellation in whole or any part of the Class C preference shares at the lowest price at which, in the opinion of the directors, such shares are obtainable, but not exceeding the redemption price calculated pursuant to paragraph III, above, and except where the purchase is made on the open market or all the holders of the Class C preference shares consent to the purchase, the Company may purchase the shares only pursuant to tenders received by the Company upon request for tenders addressed to all the holders of the Class C preference shares and the Company shall accept only the lowest tenders.

V. The holders of the Class C preference shares shall not be entitled to receive notice of or to attend any meetings of the shareholders of the Company or to vote at any such meeting except where specifically entitled by law.

VI. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, or any other return of capital or other distribution of assets or property of the Company among shareholders for the purpose of winding up its affairs subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company the holders of the Class C preference shares shall be entitled to receive from the assets and property of the Company a sum equivalent to the aggregate stated capital account of the Class C preference shares as a class plus all dividends declared thereon and unpaid before any amount shall be paid or any property or assets of the Company are distributed to holders of any Class B preference shares, common shares, or shares of any class ranking junior to the Class C preference shares but subject to prior rights of the Class A preference shares, but shall not be entitled to participate in any other distribution of assets or property.

<u>Miscellaneous</u>

If the Company resolves to amend its Articles:

(a) to increase or decrease any maximum number of authorized shares of a class or series, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of class or series;

(b) to effect an exchange, reclassification or cancellation of the shares of class or series; or

(c) to create a new class of shares equal or superior to the shares of an existing class of shares,

then holders of any common shares, Class B preference shares, and/or Class C preference shares are not entitled to vote separately as a class and shall not be entitled to dissent.

10.2 Debt securities - Debt securities are not being listed.

10.3 *Intentionally left blank.*

10.4 Other securities – No other securities are being listed.

10.5 Modification of terms - The modification, amendment or variation of any rights attached to the securities being listed can be affected in accordance with the provisions attached to the securities (as set out in 10.1) or the provisions of the governing statute relating to the securities.

10.6 Other attributes:

(a) as more particularly set out in section 10.1 with respect to the securities being listed:

(i) the Class A preference shares have preference and priority in the payment of dividends;

(ii) Subject to rights of Class A preference shareholder, the Class B preference shares have preference with respect to the payment of dividends and the distribution of assets or return of capital (no Class B preference shares are outstanding); and

(iii) Subject to the prior rights of the Class A preference shares, but in priority to the common shares and the Class B preference shares, the Class C preference shares have priority in the payment of the annual dividend and in the event of liquidation, dissolution or winding up the Class C preference shares shall have priority (no Class C preference shares are outstanding).

(b) the securities being listed do not provide for partial redemption or repurchasing.

10.7 Prior Sales – During the fiscal year ended June 30, 2022 the Company did not issue securities which are not issued or quoted in any market place, as described in the FS under Note 9a “Employee Stock Options”.

10.8 Stock Exchange Price:

In May 2021 the Company applied for revocation of the FFCTO and on June 24, 2021 the OSC issued the revocation order. The FFCTO was issued by the OSC on November 1, 2019. The Company completed a share consolidation in May 2022 and the trading in the Company’s common shares recommenced in June 2022. Share consolidation was a condition of CSE to permit re-commencement of trading.

Period	Min Price	Max Price	Volume
Month June 2022	$0.010	$0.060	2,285,308
Month July 2022	$0.005	$0.015	912,982
Month August 2022	$0.005	$0.020	2,236,413
Month September 2022	$0.005	$0.015	952,582

Week October 7, 2022	$0.005	$0.005	599
Week October 15, 2022	$0.005	$0.010	151
Week October 21, 2022	$0.005	$0.005	No Volume

11. [1] Escrowed Securities

ESCROWED SECURITIES[1]

Designation of class held in escrow[2]	Number of securities held in escrow	Percentage of class
Common Shares	0	0
Class A preference share	0	0

[1]As of date of this Listing Statement [or no more than 30 days prior to the date of this Listing Statement]

[2]No other classes of shares are outstanding

12. Principal Shareholders

During year ended June 30, 2022 the Company closed a financing in September 2021 and March 2022. The Company issued common shares pursuant to this financing. The financing was a related party transaction. The financing is described in the FS and MD&A.

The principal shareholders of the Company are 1) 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, as at June 30, 2022, 158,137,414 common shares representing 62.4% of the issued and outstanding common shares. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms.

As at June 30, 2022 Herbert Abramson beneficially owns 48,864,527 common shares representing 19.3% of the issued and outstanding common shares. Herbert Abramson is Chairman and portfolio manager of both firms.

13. Directors and Officers

13.1 The following table sets out the directors and executive officers of the Company, including the date when they took their position. For the principal occupation of each director and their membership in the Committees of the Board of Directors please refer to the "ELECTION OF DIRECTORS" section of the Information Circular dated February 4, 2022 ("**IC**"). For the principal occupation of Chief Financial Officer please refer to the "DIRECTORS AND OFFICERS" section of the AIF. The information in the tabulation related to common shares is the pre consolidation common shares. Common share holdings as at June 30, 2022 – which represents the post consolidation common shares – is disclosed Section 13.3.

Name, Office and Jurisdiction of Residence(1)	Director Since	Number of Voting Securities Owned, Controlled or Directed as at February 4, 2022(2)
Kelly E. Ambrose *(3)(4)(5)* President, Chief Executive Officer, Secretary and Director, Chairman of the Board of Directors Ontario, Canada	January 26, 2006	762,737,471 Common Shares
Marc B. Lavine *(3)(4)(5)* Director, Chairman of the Audit Committee Paris, France	December 18, 2013	73,514,818 Common Shares*(6)*
David Moscovitz, LL.B *(3)(4)(5)* Director, Chairman of the Compensation and Governance Committee Ontario, Canada	December 24, 2020	1,168,971 Common Shares

13.2 The term of office of each director will be from the date of the annual meeting of shareholders at which he or she is elected, until the next annual meeting; or until his or her successor is elected or appointed.

13.3 As at June 30, 2022:

(a) Kelly E. Ambrose beneficially owns 25,424,582 common shares (10.0% of all issued common shares);

(b) Marc Lavine beneficially owns 2,450,494 common shares (1.0% of all issued common shares)

(c) David Moscovitz beneficially owns 38,966 (0.0% of all common shares)

(d) Mukesh Sabharwal beneficially owns 5,197,599 common shares (2.2% of all issued common shares);

No other executive officer or director beneficially owns, directly or indirectly, any voting security. As a group, the directors and executive officers of the corporation as of date hereof own 13.1% of the voting securities of the Company.

13.4 As of date hereof the directors' membership in:

Audit Committee – Marc Lavine (Chairman of the Committee), David Moscovitz, and Kelly Ambrose;

Compensation and Governance Committee – David Moscovitz (Chairman of the Committee), Marc Lavine, and Kelly Ambrose; and

Board of Directors – Kelly Ambrose (Chairman of the Board of Directors), Marc Lavine, and David Moscovitz.

13.5 Please refer to 13.1 for disclosure on the directors and officers principle occupation.

On November 1, 2019, the Ontario Securities Commission ("OSC") issued a failure to file cease trade order ("FFCTO") with respect to the Company for failure to file audited annual financial statements for year ended June 30, 2019, management's discussion and analysis relating to audited annual financial statements for year ended June 30, 2019, and certification of foregoing filings as required by National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filing ("NI 52-109"). The Company also failed to file by the due dates its interim financial statements, management's discussion and analysis, and certification of filings as required by NI 52-109 for the interim period three months ended September 30, 2019 and interim period three and six months ended December 31, 2019. The Company remedied the defaults and filed the required documents for year ended June 30, 2019, three months ended September 30, 2019, and three and six months ended December 31, 2019 on May 21, 2020. The Company failed to file audited annual financial statements for year ended June 30, 2020, management's discussion and analysis relating to audited annual financial statements for year ended June 30, 2020, and certification of foregoing filings as required by NI 52-109. The Company also failed to file by the due dates its interim financial statements, management's discussion and analysis, and certification of filings as required by NI 52-109 for the interim period three months ended September 30, 2020 and interim period three and six months ended December 31, 2020. The Company remedied the defaults and filed the required documents for year ended June 30, 2020, three months ended September 30, 2020, and three and six months ended December 31, 2020 on March 31, 2021. In May 2021 the company applied to the OSC for a revocation of the FFCTO. On June 24, 2021 the OSC issued an order revoking the FFCTO. Kelly E. Ambrose was a director and Chief Executive Officer of the Company and Marc B. Lavine was director of the Company when the OSC issued the FFCTO.

Marc B. Lavine, was a director and the Chief Executive Officer and Chief Financial Officer of Exclamation Investments Corporation on September 2, 2016, when the Ontario Securities Commission issued a cease trade order for failure to file financial statements, management's discussion and analysis and certification of filings as required by NI 52-109 for the interim period ended June 30, 2016.

Each of Kelly E. Ambrose and Marc B. Lavine is, as at the date of this Management Information Circular, or has been, within 10 years before the date of this Management Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Company) that,

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Furthermore, on April 27, 2012, the Ontario Securities Commission issued a news release announcing a settlement reached between the Staff and Trapeze Asset Management Inc.

Generation PMCA Corp. and Generation IACP Inc. (together "Generation") [Ex- Trapeze Capital Corp and Trapeze Asset Management Inc. (together "Trapeze")] is a Portfolio Manager. The position as at June 30, 2022 of Generation with respect to the Company's common shares is disclosed in Section 12 of this document.

13.6
Corporate Bankruptcies

No proposed director of the Company is, as at the date of this Management Information Circular, or has been within 10 years before the date of this Management Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

No proposed director of the Company or any personal holding company of such person has, within the 10 years before the date of this Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

No proposed director of the Company or any personal holding company of such person has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

13.7 There are no material conflicts of interest between the Company (or a subsidiary of the Company) and a director or officer of the Company or a subsidiary of the Company.

13.8 Named Executive Officers (as that term is defined in applicable securities legislation, “**NEOs**”) and Directors compensation information is covered under Section 15 in this document.

14. Capitalization

14.1 As at June 30, 2022

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	%of Issued (non-diluted)	% of Issued (fully diluted)
Public Float	253,392,507	253,392,507	100.0%	100.0%
Total outstanding (A)				
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	240,113,582	240,113,582	94.8%	94.8%
Total Public Float (A-B)	240,113,582	240,113,582	94.8%	94.8%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	nil	nil		
Total Tradeable Float (A-C)	13,278,925	13,2778,925	100.0%	100.0%

Note: Disclosure per Notes 7 and 9 of the FS.

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Public Securityholders (Registered)

For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

Size of Holding	Number of accounts	Total number of securities
1 – 99 securities		8,479
100 – 499 securities		112,718
500 – 999 securities		162,465
1,000 – 1,999 securities	See 1,000 – 4,999 securities	
2,000 – 2,999 securities	See 1,000 – 4,999 securities	
3,000 – 3,999 securities	See 1,000 – 4,999 securities	
1,000 – 4,999 securities		379,372

5,000 or more securities	216,203,314
Unable to confirm	36,526,339
Less - (A) per 14.1 Public Float	240,113,582
	13,278,925

Note:

The above tabulation is compiled based on range report as of June 30, 2022 provided by the Company's transfer agent at the Company's request adjusted by data in 14.1 Public Float.

Public Securityholders (Beneficial)

This report includes (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	373	8,479
100 – 499 securities	457	112,718
500 – 999 securities	297	162,465
1,000 – 1,999 securities	see 1,000 – 4,999	
2,000 – 2,999 securities	see 1,000 – 4,999	
3,000 – 3,999 securities	see 1,000 – 4,999	
1,000 – 4,999 securities	253	379,372
5,000 or more securities	150	216,203,134

Unable to confirm		36,526,339
		253,392,507

Note:

1. The above information is based on range report as of June 30, 2022 provided by the Company's transfer agent at the Company's request.

Non-Public Securityholders (Registered)

For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	6 individuals, and 2 organizations in their capacity as portfolio managers – see Note 9 to FS	240,113,582 (section 14.1)
	8	240,113,582

14.2 The details for any securities convertible or exchangeable into any class of listed securities, as at June 30, 2022, is provided in Note 8 Share-based payments in the FS.

14.3 The movement on common shares of the Company during year ended June 30, 2022 and the information on common share consolidation is provided is provided in Note 7 to the FS.

15. Executive Compensation

The information for this section is available in the IC which is attached herewith as Schedule D.

16. Indebtedness of Directors and Executive Officers

Neither the Directors nor the Executive Officers of the Company were indebted to the Company as at June 30, 2022 or as of the date of this document.

17. Risk Factors

Refer to the “General Risks and Uncertainties”, “Economic Dependence”, “Contractual Obligations”, “Working Capital and Liquidity Management” and “Critical Accounting Estimates” “General Risks and Uncertainties” Sections of the MD&A, and Going concern (Note 2a), Commitments and contingencies (Note 12) to the Consolidated Financial Statements for year ended June 30, 2022.

18. Promoters

Within the two years immediately preceding the date of this Listing Statement, there have been no promoters, including any person performing Investor Relations Activities (as defined in the CSE Policies), of the Company or of a subsidiary of the Company.

19. Legal Proceedings

19.1 The information is provided in Note 12 Commitments and contingencies to FS.

19.2

Except for the Failure to File Cease Trade Order issued against the Company on November 1, 2019 by the Ontario Securities ("OSC") which was revoked by the OSC on June 24, 2021 there are no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof, there are no penalties or sanctions imposed by a court or regulatory body against the Company and the Company has not entered any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

20. Interest of Management and Others in Material Transactions

Except as noted in the "Transactions with Related Parties" Section in the MD&A, Section 12 Principal Shareholders and Section 13.3 under Directors and Officers in this document, none of the directors or executive officers of the Company, or any person or company that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the common shares, or any associates or affiliates of those persons or companies referred to above has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction during the Company's last three fiscal years or during the Company's current fiscal year or, in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

21. Auditors, Transfer Agents and Registrars

21.1 The Company's auditor is BDO Canada LLP, Chartered Accountants, 60 Columbia Way, Suite 300, Markham, Ontario, L3R 0C9, Canada.

21.2 The Company's transfer agent and registrar is TSX Trust Company. Effective November 7, 2022 301 – 100 Adelaide Street West, Toronto, Ontario, M5H 4H1

22. Material Contracts

22.1 The Company’s material contacts, as of date hereof, are in the form of agreements which are tabulated hereunder. Details are available in the FS and MD&A. Agreements with:

9% Non-convertible debentures payable
Accord Financial Inc. (providers of loan payable)
Aeroplan Loyalty Program agreement with Aeroplan Inc. (owned by Air-Canada)

22.2 There are no material co-tenancy, unitholders' or limited partnership agreement.

23. Interest of Experts

23.1 Other than as disclosed in section 20, there are no direct or indirect interests in the property of the Company or of a Related Person of the Company received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement.

23.2 The following table summarizes the beneficial ownership, direct or indirect, by the person or company referred to in section 23.1 of any securities of the Company or any Related person of the Company.

Name	**Beneficial ownership of securities of the Company’s or related Person – as at June 30, 2022**
Kelly E. Ambrose	25,424,582 common shares in the capital of the Company. $575,000 9% Non-convertible Debentures Payable of the Company

	("Transactions with Related Parties" Section in MD&A)
Marc Lavine	2,450,5482 common shares in the capital of the Company $500,000 9% Non-convertible Debentures Payable of the Company ("Transactions with Related Parties" Section in MD&A)
David Moscovitz	38,966 common shares in the capital of the Company. $9,000 9% Non-convertible Debentures Payable of the Company ("Transactions with Related Parties" Section in MD&A)
Mukesh Sabharwal	5,197,599 common shares in the capital of the Company $115,000 9% Non-convertible Debentures Payable of the Company ("Transactions with Related Parties" Section in MD&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 securities of the company. R. Abramson indirectly controls both	158,137,414 common shares in the capital of the Company $3,543,650 9% Non-convertible Debentures Payable of the Company ("Transactions with Related Parties" Section in MD&A)

GIACP and GPMCA and is a portfolio manager of both firms	
Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company	48,864,527 common shares in the capital of the Company $431,000 9% Non-convertible Debentures Payable of the Company (“Transactions with Related Parties” Section in MD&A)

23.3 For the purposes of the above table all directors and officers of the Company are listed. The directors and officers hold securities of the Company.

23.4 Except for individuals who are already directors, officers or employed by the Company, none of the persons or directors, officers or employees of the persons listed in this section 23 is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

24. Other Material Facts

24.1 All material facts about the Company and its securities that are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its securities are contained in this Listing Statement and the attached Schedules.

25. Financial Statements

25.1 The MD&A for the fiscal years ended June 30, 2022 and 2021 is attached as Schedule “A”, the Consolidated Financial Statements for the years ended June 30, 2022 and June 30, 2021 is attached as Schedule “B“, the interim MD&A for the three month period ended September 30, 2021 and 2020; the interim MD&A for the three and six month periods ended December 31, 2021 and 2020; the interim MD&A for the three and nine month periods ended March 31, 2022 and 2021 are attached as Schedule “C”, the Information Circular dated February 4, 2022 is attached as Schedule “D”.

CERTIFICATE OF THE ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to Advantex Marketing International Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Markham, Ontario

this 20th day of October, 2022.

"Kelly E. Ambrose"	*"Mukesh Sabharwal"*
Kelly E. Ambrose Chief Executive Officer	Mukesh Sabharwal Chief Financial Officer

On behalf of the Board of Directors

"Kelly E. Ambrose"	*"Marc Lavine"*
Kelly E. Ambrose Director	Marc Lavine Director

Schedule A - Management’s Discussion and Analysis of Operating Results for the fiscal years ended June 30, 2022 and 2021

Schedule B - Consolidated Financial Statements for the years ended June 30, 2022, and June 30, 2021

Schedule C - Management`s Discussion and Analysis of Operating Results for the three months ended September 30, 2021 and 2020, three and six months ended December 31, 2021, three and nine months ended March 31, 2022

Schedule D - Notice of Annual and Special Meeting of Shareholders to be held on March 19, 2022 and Management Information Circular dated February 4, 2022

The above documents are available under the Company`s Profile on www.sedar.com

Schedule A

Management's Discussion and Analysis of Operating Results for the fiscal years ended June 30, 2022 and 2021

ADVANTEX

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the fiscal years ended June 30, 2022 and 2021

This management's discussion and analysis has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at October 20, 2022. Management's Discussion and Analysis ("MD&A") is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the twelve months ended June 30, 2022, compared to the twelve months ended June 30, 2021. 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 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Some dollar amounts have been rounded and may not tie directly to the audited consolidated financial statements.

Overall Performance

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

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

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased receivables. The amount collected against the pre-purchased receivables less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

In the loyalty marketing program the company is a re-seller of aeroplan points. Participating merchants are able to leverage a powerful currency – aeroplan points - to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan points. Advantex earns its revenue from selling aeroplan points, at an agreed price per aeroplan point.

While year ended June 30, 2021 ("Fiscal 2021") was shaped by the devastating adverse impact of the Covid-19 pandemic on both programs - MCA and loyalty marketing, coinciding with the gradual end of public health restrictions and infusion of capital, year ended June 30, 2022 ("Fiscal 2022") was the year of gradual re-build of the two programs.

The key events of Fiscal 2022 and Fiscal 2021 and their outcomes on the financial performance are discussed in this Section.

Capital raise

The company raised capital to address the erosion of working capital and its continuity.

In March 2021 it raised $250,000 by issuing 9% non-convertible debentures payable (Section 9% Non-Convertible Debentures Payable). This was followed by raise of $1.0 m and $150,000 in September 2021 and March 2022 respectively by way of 9% non-convertible debentures payable ("9% 2025 debentures"). The three funds raises were related party transactions (Section Related Party Transactions) where the purchasers were led by the existing primary shareholder and primary holder of 9% 2025 debentures.

The net proceeds of the March 2021 raise were used to bring the company back into regulatory compliance, for general corporate purposes and the residual towards the start of a re-build of MCA business. The net proceeds of raises in September 2021 and March 2022 were used to stabilize Advantex's financial position, fund re-build of its MCA business and for general corporate purposes.

The re-build of the MCA program – a process which is partially complete at end of Fiscal 2022 – is evident in the MCA program revenues, Fiscal 2022 in $1,167,998 vs $745,781 in Fiscal 2021.

Support of shareholders and holders of 9% 2025 debentures

At the August 2021 special meeting the shareholders approved resolutions that enabled close of the September 2021 capital raise.

In addition to an aggregate of $1.4 m invested between March 2021 and March 2022, in March 2021, the holders of 9% non-convertible debentures payable extended term of the maturity of the 9% non-convertible debentures payable from December 31, 2021 to December 31, 2025 and gave easier terms respecting schedule of interest payments whereby their debentures were replaced by 9% 2025 debentures (Section 9% Non-Convertible Debentures Payable). In June 2022 further support was extended to the company by way of waiver of financial covenant defaults, re-set of certain financial covenants and deferral of interest payment falling due in September 2022 (additional detail in Section 9% Non-Convertible Debentures Payable).

These steps enabled the company to maximize the capital raise towards re-build of its MCA business.

Agreements with other partners

In September 2021 the company and Accord Financial Inc. ("Accord") agreed to extend the term of their agreement to June 30, 2022 and amongst other amendments lower interest rate payable by the company. In March 2022 the company and Accord agreed 1) to extend the term of their agreement to July 31, 2024, and 2) a payment plan for Advantex to re-pay the overdraft facility by July 31, 2024. Accord provides a line of credit facility that is available to the company only for acquisition of transaction credits under its MCA program and Aeroplan programs (additional details available in Section Loan Payable). This relationship enabled the company to re-build its MCA program.

During Fiscal 2022 the company and Aeroplan Inc. ("Aeroplan") continued to work together under the terms of the original agreement which ended April 30, 2021. In August 2022 the two parties signed an extension until December 31, 2022 while discussing future terms and direction (Section Economic Dependence). Under this agreement the company operated as a reseller of aeroplan points.

Re-commencement of trading of common shares

Since the company was not in a financial position to timely file its year ended June 30, 2019 annual financial statements and related financial documents the Ontario Securities Commission ("OSC") issued a failure to file cease trade order ("FFCTO") on November 1, 2019. In May 2021 the company applied to the OSC for a revocation of the FFCTO and in June 2021 the OSC issued an order revoking the FFCTO. The company's common shares re-commenced trading in June 2022 on Canadian Securities Exchange ("CSE"). This followed completion of a share consolidation on the basis of one post consolidation common share for every 30 pre consolidation common shares. Share consolidation was a pre-condition of the CSE to commencement of trading following completion of capital raise in September 2021.

Financial Outcome

The gradual re-build of MCA and Aeroplan programs is reflected in higher Fiscal 2022 revenues of $509,817 (Fiscal 2022 $1,739,697 vs Fiscal $1,229,880) and higher Fiscal 2022 gross profit of $136,658 (Fiscal 2022 $997,888 vs Fiscal 2021 $861,230).

The company qualified for lower ($395,990) federal wage and rent subsidies in Fiscal 2022 vs Fiscal 2021 and this is reflected in higher general and general & administrative expenses of $364,570 in Fiscal 2022 (Fiscal 2022 $1,650,314 vs Fiscal 2021 $1,285,744). Controlling for federal wage and rent subsidies and certain one-time adjustments the company continued its cost control and Fiscal 2022 selling and general & administrative expenses were flat vs Fiscal 2021 (Fiscal 2022 $1,837,409 vs $1,833,766).

Consequently the loss from operations before depreciation, amortization and interest in Fiscal 2022 is $227,912 higher (Fiscal 2022 $652,426 vs Fiscal 2021 $424,514).

The stated interest cost comprised:

a. interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022 (Fiscal 2022 $476,961 vs Fiscal 2021 $355,986). The interest rate from September 2021 is 8.80% (9.05% until August 2021) + prime rate of a certain Canadian Bank. The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit with the lower interest rate from September 2021 offset by the increase in prime rates since March 2022
b. interest payable to 9% 2025 debentures. The increase in Fiscal 2022 cost of $218,845 (Fiscal 2022 $773,733 vs Fiscal 2021 $554,888) reflects the higher principal outstanding during Fiscal 2022 consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and interest payable on unpaid interest and deferred interest. Fiscal 2021 reflects increase in principal outstanding from capital raise in March 2021 and interest payable on unpaid interest. The interest in Fiscal 2022 and Fiscal 2021 was not paid. The holders of 9% 2025 debentures agreed to defer the interest payments.

The balance of costs are non-cash and are $48,139 higher in Fiscal 2022 (Fiscal 2022 $804,718 vs Fiscal 2021 $756,579). The non-cash interest on 9% 2025 debentures – comprising accretion charges arising on the attribution of fair value to debentures between debt and equity, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 (Fiscal $798,958 vs Fiscal 2021 $644,798) reflecting the amendment of terms in March 2021 and capital raises of March 2021, September 2021 and March 2022. Other non-cash expenses, an outcome of accounting for the head office lease, were $106,021 lower in Fiscal 2022 (Fiscal 2022 $5,760 vs Fiscal 2021 $111,781) primarily reflecting complete write-off of right of use asset in Fiscal 2021.

Despite strides made to re-build the business post Covid-19 pandemic, from above it is evident the company used cash in operations exceeding its revenues during Fiscal 2022 and Fiscal 2021. In addition, the company continued to pay back arrears due to Aeroplan.

The company could have made greater progress in re-building its MCA program but for want of capital.

At the end of June 2022 the company is in need of capital to maintain its current MCA program activity level, to continue to re-build its MCA program, and continue operations.

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 Covid-19 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 December 2022. 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 by their additive investment of $1.3 million since March 2021. The company believes it has the support of Accord. The company and Accord extended the term of the agreement to July 31, 2024.

Primarily due to Covid-19 pandemic, the company's MCA portfolio had declined significantly. Since the raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and as of June 30, 2022 it had about 125 merchants up from about 80 at start of September 2021. The company believes with adequate capital it has the ability to initially go back to pre Covid-19 pandemic level of about 250 merchants and expand beyond significantly thereafter. The $1.0 million and $150,000 the company raised in September 2021 and March 2022 was used to stabilize its financial position, fund re-build of its MCA business and for general corporate purposes. However, the company needs access to capital to maintain its MCA portfolio at June 30, 2022 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 return of merchant business confidence. The maintenance and growth of company's MCA portfolio is essential to bring financial stability.

The company is engaging 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.

Twelve months ended June 30, 2022

Both Fiscal 2022 and Fiscal 2021 reflect the impact of Covid-19 pandemic partially offset by federal wage and rent subsidies – which were tapering down during Fiscal 2022 - to assist organizations impacted by Covid-19. In addition, Fiscal 2022 reflects gradual re-build of the MCA program after capital raise in September 2021 and March 2022, and gradual re-development of the Aeroplan program.

The financial highlights for Fiscal 2022 compared to Fiscal 2021 are summarized in the tabulation.

	Fiscal 2022	Fiscal 2021
	$	$
Revenues		
MCA program	1,167,998	745,781
Aeroplan program	571,699	484,099
	$ 1,739,697	**$ 1,229,880**
(Loss) from operations before depreciation, amortization and interest	**$ (652,426)**	**$ (424,514)**
Net (loss) and Comprehensive (loss)	**$ (2,707,838)**	**$ (2,091,967)**

Income Statement – Fiscal 2022 compared to Fiscal 2021

Revenues. Both Fiscal 2022 and Fiscal 2021 reflect impact of Covid-19. In addition, Fiscal 2022 reflects gradual re-build of the MCA program after capital raise in September 2021 and March 2022, and gradual re-development of the Aeroplan program. The 41.5% increase of $509,817 in revenues to $1,739,697 reflects improvement of 56.6% in MCA program revenues of $422,217 and the 18.1% increase of $87,600 in Aeroplan program revenues.

Gross profit. Fiscal 2022 reflects a higher expense for provision for delinquencies against MCA program transaction credits (Fiscal 2022 $318,000 vs Fiscal 2021 $67,500). An outcome of Covid-19. This was the primary reason for compression of company's gross margin (Fiscal 2022 57.4% vs Fiscal 2021 70.0%) and consequently the 15.9% increase of $136,658 in Fiscal 2022 gross profit to $997,888. Increase of 25.7% in Fiscal 2022 MCA program gross profit of $172,374 to $842,672 reflects increase in revenues partially offset by increase in direct costs. Aeroplan program gross profit was lower 18.7% lower ($35,716) at $155,216 reflecting the increase in revenues offset by decline in gross margin (Fiscal 2022 27.1% vs Fiscal 2021 39.4%).

Selling expenses were $72,974 higher, an increase of 14.7% to $569,827 compared to Fiscal 2021. In both Fiscal years to offset some of the financial impact of Covid-19, since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration. Web marketing of website promoting MCA program cost the company $31,275 in Fiscal 2022 (Fiscal 2021 $nil), and Fiscal 2021 reflects more temporary lay-offs of sales staff.

General & Administrative ("G&A"). In both periods the administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration. G&A reflects federal wage and rent subsidies for Fiscal 2022 of $152,033 vs Fiscal 2021 $548,021. In addition, the company in partnership with its landlord availed federal rent relief since the start of the program until its termination in September 30, 2020. Controlling for the federal subsidies and other one-time adjustments, the underlying G&A was $69,329 lower in Fiscal 2022 (Fiscal 2022 $1,267,583 vs Fiscal 2021 $1,336,912). The reported G&A, which reflects federal subsidies and other one-time adjustments, for Fiscal 2022 was $1,080,487 vs Fiscal 2021 $788,891, and increase of $291,596.

Loss from operations before depreciation, amortization and interest. The above are reflected in Fiscal 2022 loss from operations before depreciation, amortization and interest of $652,426 vs $424,514 for Fiscal 2021.

The stated interest cost comprised:

c. interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022 (Fiscal 2022 $476,961 vs Fiscal 2021 $355,986). The interest rate from September 2021 is 8.80% (9.05% until August 2021) + prime rate of a certain Canadian Bank. The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit with the lower interest rate from September 2021 offset by the increase in prime rates since March 2022
d. interest payable to 9% 2025 debentures. The increase in Fiscal 2022 cost of $218,845 (Fiscal 2022 $773,733 vs Fiscal 2021 $554,888) reflects the higher principal outstanding during Fiscal 2022 consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and interest payable on unpaid interest and deferred interest. Fiscal 2021 reflects increase in principal outstanding from capital raise in March 2021 and interest payable on unpaid interest. The interest in Fiscal 2022 and Fiscal 2021 was not paid. The holders of 9% 2025 debentures agreed to defer the interest payments.

The non-cash interest on 9% 2025 debentures – comprising accretion charges arising on the attribution of fair value to debentures between debt and equity, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 (Fiscal $798,958 vs Fiscal 2021 $644,798) reflecting the amendment of terms in March 2021 and capital raises of March 2021, September 2021 and March 2022. Other non-cash expenses, an outcome of accounting for the head office lease, were $106,021 lower in Fiscal 2022 (Fiscal 2022 $5,760 vs Fiscal 2021 $111,781) primarily reflecting complete write-off of right of use asset ($53,072) in Fiscal 2021.

The above factors are reflected in a higher net loss. Fiscal 2022 $2,707,838 vs Fiscal 2021 $2,091,967.

Balance Sheet – Fiscal 2022 compared to Fiscal 2021

Transaction credits, which represent balance due of working capital advanced to merchants, net of provision for delinquent accounts, are about 93.8% of total assets at June 30, 2022 compared to 88.7% at June 30, 2021. Transaction credits, net of provision for delinquent accounts, at June 30, 2022 is $1,585,605 higher vs June 30, 2021. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022. Coinciding with the commencement of Covid-19 driven public health restrictions in March 2020 the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. While the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies. These factors led to decline in transaction credits, net of provision for delinquent accounts, standing at $1,726,663 at June 30, 2021. The provision for delinquent transaction credits at June 30, 2022 amounts to $1,379,853 vs $1,061,295 at June 30, 2021.

Loan payable of $4,019,685 at June 30, 2022 was $1,632,246 higher compared to $2,387,439 at June 30, 2021. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. To support the company during Covid-19 pandemic Accord provided company with a working capital overdraft. The loan payable balance at June 30, 2022 and June 30, 2021 includes amounts payable under the working capital overdraft provided by Accord (Fiscal 2022 $493,000 vs Fiscal 2021 $454,000). The loan payable balance at June 30, 2022 and June 30, 2021 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods. Section Loan Payable.

The 9% debenture at June 30, 2022 reflects the additional $1.0 million and $150,000 issued in September 2021 and March 2022 and the attribution of fair value to debt and equity arising from the two issuances. Principal balance of 9% 2025 debentures payable at June 30, 2022 $7,159,000, debt portion on statement of financial position $6,953,878. The 9% debenture at June 30, 2021 reflects the additional $250,000 issued in March 2021 and the attribution of fair value to debt and equity arising from this issuance and extension in March 2021 of maturity date of 9% non-convertible debentures payable from December 31, 2021 to December 31, 2025. Principal balance of 9% 2025 debentures payable at June 30, 2021 $6,009,000, debt portion on statement of financial position $4,694,885. The debt portion at the end of the two fiscal periods reflects accrued and unpaid interest. The company does not have the ability to pay the interest. Section 9% non-convertible debentures payable.

Results of Operations

	Fiscal 2022	Fiscal 2021
	$	$
Revenue	**$ 1,739,697**	**$ 1,229,880**
Cost of loyalty rewards and marketing on connection with merchant based loyalty program	416,483	293,167
Expense for provision against delinquent accounts, credit/collection expense	325,326	75,483
Gross profit	**$ 997,888**	**$ 861,230**
Selling and General & Administrative	1,650,314	1,285,744
(Loss) from operations before depreciation, amortization, interest	**$ (652,426)**	**$ (424,514)**
Cash interest on loan payable and debentures	1,250,694	910,874
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (1,903,120)**	**$ (1,335,388)**
Non cash interest expense on 9% debentures - accretion, performance bonus, amortization of transaction costs	798,958	644,798
Interest - Lease	5,760	13,219
Depreciation of right of use asset	-	45,490
Impairment of right of use asset	-	53,072
Net (loss) and comprehensive (loss)	**$ (2,707,838)**	**$ (2,091,967)**
Basic and Diluted (loss) per share	**$ (0.01)**	**$ (0.07)**

Extract from the Statement of Financial Position

	At June 30, 2022	At June 30, 2021	Increase/ (Decrease)
	$	$	$
Current assets	$ 3,530,362	$ 1,946,034	$ 1,584,328
Total assets	$ 3,530,362	$ 1,946,034	$ 1,584,328
Shareholders' deficiency	$ (10,341,883)	$ (8,012,127)	$ 2,329,756

The change in current assets primarily reflects increase in transaction credits, net of provision for delinquent accounts, of $1,585,605.

Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits. During Fiscal 2021 – a period of heightened public health restrictions - while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment leading to reduction, net of provision for delinquent accounts, in transaction credits.

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

On the current liabilities side, the main change is on account of loan payable. Loan payable of $4,019,685 at June 30, 2022 was $1,632,246 higher compared to $2,387,439 at June 30, 2021. Loan payable supports 90% investment in transaction credits. The loan payable balance at June 30, 2022 and June 30, 2021 includes amounts payable under the working capital overdraft provided by Accord (Fiscal 2022 $493,000 vs Fiscal 2021 $454,000). The loan payable balance at June 30, 2022 and June 30, 2021 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods. Section Loan Payable.

The 9% debenture at June 30, 2022 reflects the additional $1.0 million and $150,000 issued in September 2021 and March 2022 and the attribution of fair value to debt and equity arising from the two issuances. Principal balance of 9% 2025 debentures payable at June 30, 2022 $7,159,000, debt portion on statement of financial position $6,953,878. The 9% debenture at June 30, 2021 reflects the additional $250,000 issued in March 2021 and the attribution of fair value to debt and equity arising from this issuance and extension in March 2021 of maturity date of 9% debenture from December 31, 2021 to December 31, 2025. Principal balance of 9% 2025 debentures payable at June 30, 2021 $6,009,000, debt portion on statement of financial position $4,694,885. The debt portion at the end of the two fiscal periods reflects accrued and unpaid interest. The company does not have the ability to pay the interest. Section 9% Non-Convertible Debentures Payable.

The movement in the shareholders' deficit reflects net loss during Fiscal 2022 and recording of contributed surplus-upon the issuance of 9% 2025 debentures (see Section 9% Non-Convertible Debentures Payable).

Extracts from the Statement of Cash Flow

	Fiscal 2022	Fiscal 2021	Change
	$	$	$
Net (loss)	$ (2,707,838)	$ (2,091,967)	$ (615,871)
Adjustments for non cash expenses	1,578,451	1,311,467	266,984
(Loss) after adjustments for non cash expenses	$ (1,129,387)	$ (780,500)	$ (348,887)
Changes in working capital	(1,478,993)	2,604,570	(4,083,563)
Net cash generated from/(used in) financing activities	2,618,959	(1,908,065)	4,527,024
Net cash generated from/(used in) operations	$ 10,579	$ (83,995)	$ 94,574
Increase/(Decrease) in cash	10,579	(83,995)	$ 94,574
Cash at start of year	$ 82,606	$ 166,601	$ (83,995)
Cash at end of year	$ 93,185	$ 82,606	$ 10,579

Adjustments for non-cash expenses. A significant item for Fiscal 2022 and Fiscal 2021 is accrued and unpaid interest on 9% 2025 debentures (Fiscal 2022 $773,733 vs. Fiscal 2021 $554,888). Furthermore, Fiscal 2022 charges for Accretion and Restructuring bonus respecting 9% 2025 debentures are $783,515 (Fiscal 2021 $631,491).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The significant items during both fiscal periods is transaction credits – Fiscal 2022 increase of $1,585,605 vs Fiscal 2021 decrease of $2,197,254. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits. During Fiscal 2021 – a period of heightened public health restrictions - while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment leading to reduction, net of provision for delinquent accounts, in transaction credits.

The provision for delinquent transaction credits at June 30, 2022 amounts to $1,379,853 vs $1,061,295 at June 30, 2021.

From time to time the company enters into payment plans to settle its dues. The company has arrears with respect to amounts due to Aeroplan. The company primarily fell into arrears on account of Covid-19. A payment plan was established in April 2021 and it ends in December 2022. As of date hereof the company is current with the payment plan obligations.

Financing activities. During Fiscal 2022 the primary change was: a) the increase of $1,632,246 in loan payable which is primarily due to above noted increase in transaction credits, and b) raise of gross proceeds of $1,150,000 through issuance of 9% 2025 debentures in September 2021 and March 2022. Furthermore, the loan payable balance during Fiscal 2022 also includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2022 $493,000). During Fiscal 2021 the primary change was: a) the decrease of $1,981,567 in loan payable which is primarily due to above noted decrease in transaction credits, and b) raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures in March 2021. Furthermore, the loan payable balance during Fiscal 2021 includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2021 $454,000).

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

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the audited consolidated financial statements for the fiscal year ended June 30, 2022, 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 significant factor adversely impacting revenues of both periods was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

	Fiscal 2022	Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	1,167,998	745,781	422,217	56.6%
Aeroplan program	571,699	484,099	87,600	18.1%
	$ 1,739,697	**$ 1,229,880**	**$ 509,817**	**41.5%**

MCA program

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

Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio.

The slowdown in contracted collections, primarily during Fiscal 2021, in addition to below tabulated change in transaction credits and participating merchants are reflected in the higher Fiscal 2022 revenues vs Fiscal 2021.

	Fiscal 2022	Fiscal 2021
Average Transaction credits (net of provision for delinquent accounts) during the period	$ 3,537,881	$ 2,546,164
Average # of merchants during the period	111	109
# of merchants at end of year	124	78

Aeroplan program

Covid-19 was the primary factor depressing revenues in both periods. It had an economic impact on participating merchants and diminished their requirement and ability to carry on with loyalty marketing using this program. With easing of public health restrictions during Fiscal 2022 the company was re-developing this business and the timing coincided with merchants initiating marketing activities post Covid-19, and hence the improvement in revenues of $88,700 for Fiscal 2022

Both periods reflect revenue from a wholesale account (Fiscal 2022 $88,000 vs Fiscal 2021 $74,000).

Average number of merchants about 100 during Fiscal 2022 and Fiscal 2021.

Direct Expenses

The MCA direct expenses are provision for delinquencies (Fiscal 2022 $318,000 vs Fiscal 2021 $67,500), and credit and collection expense (Fiscal 2022 $7,326 vs Fiscal 2021 $7,983) against transaction credits.

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

	Fiscal 2022	Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	1,167,998	745,781	422,217	56.6%
Aeroplan program	571,699	484,099	87,600	18.1%
	$ 1,739,697	**$ 1,229,880**	**$ 509,817**	**41.5%**
Direct expenses				
MCA program	325,326	75,483	249,843	76.8%
Aeroplan program	416,483	293,167	123,316	42.1%
	$ 741,809	**$ 368,650**	**$ 373,159**	**101.2%**

MCA program

While the company believes it has adequate provision for delinquencies as at June 30, 2022, the after effects of Covid-19 pandemic are a 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 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 revenue activity for Fiscal 2022 is proportionality more from the larger accounts which enjoy better rates and have had relatively more aeroplan transaction vs. smaller merchants compared to Fiscal 2021.

	Fiscal 2022	Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenue - Re-seller program	$ 571,699	$ 484,099	$ 87,600	18.1%
	$ 571,699	$ 484,099	$ 87,600	18.1%
Direct expenses				
Consumer rewards	$ 416,483	$ 293,167	$ 123,316	42.1%
	$ 416,483	$ 293,167	$ 123,316	42.1%

Gross Profit

Fiscal 2022 gross profit reflects increase in revenues offset by decline in gross margin in revenues. Revenues and direct costs are discussed above in respective Sections.

Gross profit tabulation:

	Fiscal 2022	Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
MCA program	842,672	670,298	172,374	25.7%
Aeroplan program	155,216	190,932	(35,716)	-18.7%
	$ **997,888**	$ **861,230**	$ **136,658**	15.9%
Company gross margin	57.4%	70.0%		
MCA program gross margin	72.1%	89.9%		
Aeroplan gross margin	27.1%	39.4%		

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 Fiscal 2022 and Fiscal 2021 the company's sales force is common to MCA and Aeroplan programs.

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

Both fiscal years reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of Covid-19 pandemic on the company. The cost assistance in both fiscal years from federal wage subsidy programs for sales and administration staff is reflected in G&A (Section G&A). But for lay-offs of some sales staff during Fiscal 2021 the remuneration for both fiscal years are comparable.

	Fiscal 2022	Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	1,167,998	745,781	422,217	56.6%
Aeroplan program	571,699	484,099	87,600	18.1%
	$ **1,739,697**	$ **1,229,880**	$ **509,817**	**41.5%**
Selling expenses				
Remuneration/expenses of sales staff	528,669	488,141	$ 40,529	
Web marketing for MCA program	31,275	-	31,275	
All other	9,883	8,712	1,170	
	$ **569,827**	$ **496,853**	$ **72,974**	**14.7%**
Remuneration/expenses as % of selling expenses	92.8%	98.2%		

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).

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 Covid-19 pandemic on the company.

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

The cost assistance in Fiscal 2022 and Fiscal 2021 from Canada Emergency Wage Subsidy ("CEWS") and in Fiscal 2022 the Hardest Hit Business Recovery Program ("HHBRP") Wage Subsidy for sales and administration staff is reflected in G&A.

Federal pandemic related rent subsidy is reflected in G&A. The company in partnership with its landlord availed relief under Canada Emergency Commercial Rent Assistance ("CECRA") since the start of the program until its termination September 30, 2020. Fiscal 2022 and Fiscal 2021 reflect receipt of Canada Emergency Rent Subsidy ("CERS"), successor to CECRA program. Fiscal 2022 also reflects rent subsidy from HHBRP.

The company sub-let effective November 1, 2021 a part of its head office for a monthly rent of $6,000. The sub-let was on a month to month basis and ended June 30, 2022. The company's lease for head office expires August 31, 2022.

The G&A expenses are tabulated. Excluding government subsidies and the extinguishment of part of vacation dues, Fiscal 2022 G&A expenses are 5% below Fiscal 2021.

	Fiscal 2022	Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
G&A				
Compensation for non-sales staff (incl Aeroplan sales/admin), directors, and including staff travel	786,814	824,515	(37,701)	
Directors fees	65,002	48,750	16,252	
Extinguishment of part of vacation pay dues of CEO and CFO	(35,063)	-	(35,063)	
Wage subsidy - for sales and non-sales staff	(125,010)	(463,580)	338,570	
Rent subsidy	(27,024)	(84,442)	57,418	
All other G&A expenses	415,767	463,647	(47,880)	
	$ 1,080,487	**$ 788,891**	**$ 291,596**	**37.0%**
G&A Excluding wage and rent subsidies and Extinguishment of part of vacation pay	1,267,583	1,336,912	(69,329)	**-5.2%**

Interest Expense

Tabulation:

	Fiscal 2022	Fiscal 2021	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 476,961	$ 355,986	
9% debentures coupon	619,266	524,873	
9% debentures interest on unpaid interest	154,467	30,016	
	$ 1,250,694	$ 910,874	$ 339,820
Non-cash interest expense			
Accretion charge on 9% non convertible debentures payable	$ 710,452	$ 453,036	
Restructuring bonus on 9% non convertible debentures payable	73,063	178,455	
Amortization of transaction costs on 9% non convertible debentures payable	15,443	13,307	
	$ 798,958	$ 644,798	$ 154,160
Total interest expense	**$ 2,049,652**	**$ 1,555,672**	**$ 493,980**

Stated interest

Loan payable interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022. The interest rate from September 2021 is 8.80% (9.05% until August 2021) + prime rate of a certain Canadian Bank. The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit (average loan payable balance during Fiscal 2022 $4,025,443 vs Fiscal 2021 $3,111,104) with the lower interest rate from September 2021 offset by the increase in prime rates since March 2022.

9% 2025 debentures interest payable. The increase in Fiscal 2022 cost of $218,845 reflects 1) the higher principal outstanding during Fiscal 2022 consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and 2) interest payable on unpaid interest and deferred interest. Fiscal 2021 reflects increase in principal outstanding from capital raise in March 2021 and interest payable on unpaid interest. The interest in Fiscal 2022 and Fiscal 2021 was not paid. The company has not paid interest since December 16, 2018. The holders of 9% 2025 debentures agreed to defer the interest payments.

Non cash interest expense

The non-cash interest on 9% 2025 debentures – comprising accretion charges arising on the attribution of fair value to debentures between debt and equity, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 reflecting the amendment of terms of 9% 2025 debentures in March 2021 and capital raises of March 2021, September 2021 and March 2022.

Non-recurring Item

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

Net (Loss)

Highlights of Fiscal 2022 compared to Fiscal 2021 are tabulated:

	Fiscal 2022	Fiscal 2021	Inc./(Dec)
	$	$	$
Revenues	$ 1,739,697	$ 1,229,880	$ 509,817
Gross profit	$ 997,888	$ 861,230	$ 136,658
Earnings (loss) from operations before depreciation, amortization and interest	$ (652,426)	$ (424,514)	$ (227,912)
Net (loss) and Comprehensive (loss)	$ (2,707,838)	$ (2,091,967)	$ 615,871
Basic and Diluted loss per share *	$ (0.01)	$ (0.07)	
* 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, during the year 2022 and 2021 are stated as if the share consolidation had taken place on July 1, 2020. As additional information, the pre-consolidation average number of issued common shares during Fiscal 2021 was 878,948,414 and based on this the reported basic EPS for Fiscal 2021 was $0.00			

The detailed analysis of the above tabulated items is provided in Sections Twelve months ended June 30, 2020 - *Income Statement – Fiscal 2022 compared to Fiscal 2021*, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, Interest Expense, Non-recurring Item.

Highlights are provided here:

- The gradual re-build of MCA and Aeroplan programs is reflected in higher Fiscal 2022 revenues of $509,817 and higher Fiscal 2022 gross profit of $136,658 despite a compression in the Fiscal 2022 gross margin (Fiscal 2022 gross profit $997,888 vs Fiscal 2021 $861,230).

- The company qualified for lower ($395,990) federal wage and rent subsidies in Fiscal 2022 vs Fiscal 2021 and this is reflected in higher general and general & administrative expenses of $364,570 in Fiscal 2022 (Fiscal 2022 $1,650,314 vs Fiscal 2021 $1,285,744). Controlling for federal wage and rent subsidies and certain one-time adjustments the company continued its cost control and Fiscal 2022 selling and general & administrative expenses were flat vs Fiscal 2021 (Fiscal 2022 $1,837,409 vs $1,833,766).

- Consequently the loss from operations before depreciation, amortization and interest in Fiscal 2022 is $227,912 higher.

- The stated interest cost comprised:

  interest paid on the line of credit provided by Accord which was $120,975 higher in Fiscal 2022 (Fiscal 2022 $476,961 vs Fiscal 2021 $355,986). The increase in interest cost reflects higher activity level in Fiscal 2022 on the MCA program leading to higher utilization of the line of credit and changes in interest rates for this line of credit;
  interest payable to 9% 2025 debentures. The increase in Fiscal 2022 cost of $218,845 (Fiscal 2022 $773,733 vs Fiscal 2021 $554,888) reflects primarily the higher principal outstanding during Fiscal 2022 consequent to the capital raise in September 2021 and March 2022, full year impact of capital raise in March 2021, and also higher interest payable on unpaid interest and deferred interest.

- The balance of costs are non-cash and are $48,139 higher in Fiscal 2022 (Fiscal 2022 $804,718 vs Fiscal 2021 $756,579). The non-cash interest on 9% 2025 debentures – comprising accretion charges, restructuring bonus and amortization of transaction costs – are $154,160 higher in Fiscal 2022 (Fiscal $798,958 vs Fiscal 2021 $644,798) reflecting the amendment of terms in March 2021 and capital raises of March 2021, September 2021 and March 2022. Other non-cash expenses, an outcome of accounting for the head office lease, were $106,021 lower in Fiscal 2022 (Fiscal 2022 $5,760 vs Fiscal 2021 $111,781) primarily reflecting complete write-off of right of use asset in Fiscal 2021.

The above factors are reflected in the net loss of $2,707,838 in Fiscal 2022 vs $2,091,967 in Fiscal 2021, an increase of $615,871.

Working Capital and Liquidity Management

	Fiscal 2022	Fiscal 2021
	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	$ (2,707,838)	$ (2,091,967)
Adjustments for non cash expenses	1,578,451	1,311,467
(Loss) after adjustment for non cash expenses	(1,129,387)	(780,500)
Cash balances at start of the period	82,606	166,601
Increase/(Decrease) in loan payable	1,632,246	(1,981,567)
Net proceeds from raise of 9% debentures	1,064,384	131,173
Loan - Canada Emergency Bank Account	-	20,000
Increase/(Decrease) in accounts receivable	9,770	25,811
	$ 1,659,619	**$ (2,418,482)**
Utilization of funds		
Cash balances at end of periods	$ 93,185	$ 82,606
Increase/(Decrease) in transaction credits	1,585,605	(2,197,254)
(Increase)/Decrease in accounts payable and accrued liabilities	(94,756)	(366,399)
Changes in all other working capital items	(2,086)	(15,106)
Change in other financing items	77,671	77,671
	$ 1,659,619	**$ (2,418,482)**

Working Capital Movement during Fiscal 2022 and Fiscal 2021

Adjustments for non-cash expenses. A significant item for Fiscal 2022 and Fiscal 2021 is accrued and unpaid interest on 9% 2025 debentures (Fiscal 2022 $773,733 vs. Fiscal 2021 $554,888). Furthermore, Fiscal 2022 charges for Accretion and Restructuring bonus respecting 9% 2025 debentures are $783,515 (Fiscal 2021 $631,491).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The significant items during both fiscal periods is transaction credits – Fiscal 2022 increase of $1,585,605 vs Fiscal 2021 decrease of $2,197,254. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits. During Fiscal 2021 – a period of heightened public health restrictions -

while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment leading to reduction, net of provision for delinquent accounts, in transaction credits. The provision for delinquent transaction credits at June 30, 2022 amounts to $1,379,853 vs $1,061,295 at June 30, 2021.

From time to time the company enters into payment plans to settle its dues. The company has arrears with respect to amounts due to Aeroplan. The company primarily fell into arrears on account of Covid-19. A payment plan was established in April 2021 and it ends in December 2022. As of date hereof the company is current with the payment plan obligations.

Financing activities. During Fiscal 2022 the primary change was: a) the increase of $1,632,246 in loan payable which is primarily due to above noted increase in transaction credits, and b) raise of gross proceeds of $1,150,000 through issuance of 9% 2025 debentures in September 2021 and March 2022. Furthermore, the loan payable balance during Fiscal 2022 also includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2022 $493,000). During Fiscal 2021 the primary change was: a) the decrease of $1,981,567 in loan payable which is primarily due to above noted decrease in transaction credits, and b) raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures in March 2021. Furthermore, the loan payable balance during Fiscal 2021 includes amounts payable under the working capital overdraft provided by Accord to support the company during the Covid-19 pandemic (June 30, 2021 $454,000).

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

From time to time the company negotiates payment plans with suppliers. 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 MCA and Aeroplan re-seller business model. It will have to reach settlement accommodation with these suppliers. Of the critical suppliers the company has a payment plan with 1) Aeroplan with respect to arrears as at April 2021. The payment plan ends December 2022 and as of date hereof the company is current with its payment obligations, and 2) Accord to settle the overdraft facility portion of the loan payable by July 2024. This payment plan commences October 2021.

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

At the end of June 2022 the company is in need of capital to maintain its current MCA program activity level, to continue to re-build its MCA program, and continue operations.

As of June, 2022 the company does not have any off balance sheet financing arrangements.

Going Concern

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

The company has a shareholders' deficiency of $10,341,883 and negative working capital of $3,388,005 as at June 30, 2022. During the year ended June 30, 2022 the Company closed two financings, $1.0 million in September 2021 and $150,000 in March 2022. 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 which supports the Company's merchant cash advance program, and b) general working capital provided by 9% 2025 debentures; 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 June 30, 2022 were due as follow:

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 4,019,685	$ 4,019,685	$ -	$ -
9% debentures		7,159,000	-	-	7,159,000
Canada Emergency Business Account		60,000	-	60,000	-
Head office lease		12,945	12,945	-	-
		$ 11,251,630	**$ 4,032,630**	**$ 60,000**	**$ 7,159,000**

In addition, there is a contractual obligation to holders of 9% 2025 payable for interest of: a) $1,150,383 payable for the period December 16, 2018 to March 14, 2021, as holders of 9% 2025 debentures b) $3,033,976 for the period March 15, 2021 to December 31, 2025 as holders of 9% 2025 debentures, and c) interest on interest of $632,186. The company also has a liability of restructuring bonus for $1,288,620 to the holders of the 9% 2025 debentures payable on maturity. The features of 9% 2025 debentures are described in Section 9% Non-Convertible Debentures Payable.

The company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease. The lease ends August 31, 2022. The expense related to this lease is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

Loan Payable

The loan payable is a line of credit facility provided by Accord Financial Inc. ("Accord"), and was established in December 2007.

The loan payable has a limit of $8.5 million and is only available to the company for acquisition of transaction credits under its MCA and Aeroplan programs. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This 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. This 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 June 30, 2022, the company has utilized $492,750 from this overdraft facility (June 30, 2021 $454,000).

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 the company 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.

The loan payable is repayable on demand to Accord pursuant to an event of default defined in the agreement.

The company had utilized $4.0 million (which includes the amount due under the overdraft facility) of the loan payable at June 30, 2022 (at June 30, 2021 $2.4 m which includes the amount due under the overdraft facility).

9% Non-Convertible Debentures Payable

The company received agreement of the holders of senior secured 9% non-convertible debentures payable ("9% debentures") 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 way of senior secured non-convertible debentures payable ("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% 2025 debentures.

The company closed a $250,000 financing on March 15, 2021 by way of 9% 2025 debentures. The 9% 2025 debentures were issued on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2025. The financing was a related party transaction.

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.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at March 31, 2021, June 30, 2021, and September 30, 2021. 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. 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 issuance of 9% 2025 debentures in March 2021 was considered a transaction with holders of 9% 2025 debentures in their capacity as shareholders and accounted for as an exchange of the 9% 2025 debentures for 9% 2025 debentures. The value of the 9% 2025 debentures was determined as the amount required to extinguish the 9% 2025 debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,310,989 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,247,550 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2021). In addition, the company incurred $118,827 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the $1.0 million 9% 2025 debentures issued in September 2021 was determined to be $666.183 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result, $333,817 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2022). 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 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency 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 principal amount of the 9% 2025 debentures at June 30, 2022 is $7,159,000 (June 30, 2021 $6,009,000).

Selected Annual and Quarterly Information

The following financial data has been derived from the company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020 ("Fiscal 2020").

(In millions of dollars except per share amounts)			
	Fiscal 2022	Fiscal 2021	Fiscal 2020
	$	$	$
Revenues	1.7	1.2	2.6
Net (loss)	(2.7)	(2.1)	(2.9)
Loss per share - Basic and Diluted *	(0.01)	(0.07)	(0.10)
Total assets	3.5	1.9	4.3
Current liabilities	6.9	5.3	13.5
Long-term liabilities	7.0	4.7	0.1
No cash dividend declared per common share			
* Share consolidation in Fiscal 2022. To bring comparability assumed share consolidation completed July 1, 2019, start of Fiscal 2020			

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

	Fiscal 2022	Fiscal 2021	Fiscal 2020
	$	$	$
Working capital	(3,388,005)	(3,304,473)	(9,181,583)

Composition of total assets is tabulated:

	Fiscal 2022	Fiscal 2021	Fiscal 2020
	$	$	$
Cash and cash equivalents	93,000	83,000	167,000
Accounts receivable	83,000	93,000	119,000
Transaction credits	3,312,000	1,727,000	3,924,000
Prepaid expenses and sundry assets	42,000	44,000	59,000
Right of use asset	-	-	98,000
	3,530,000	1,947,000	4,367,000

Transaction credits are the significant asset – 93.8% Fiscal 2022; 88.7% Fiscal 2021; and 89.9% Fiscal 2020.

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

Fiscal 2022. Coinciding with the gradual easing of Covid-19 pandemic public health restrictions during Fiscal 2022 and the capital raise of $1.150 m ($1.0 m in September 2021 and $150 k in March 2022) the company started to re-build its MCA portfolio. This is reflected as transaction credits, net of provision for delinquent accounts, of $3,312,268 as at June 30, 2022 and is the reason for the increase in transaction credits.

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

Fiscal 2020. The decrease in transaction credits vs. Fiscal 2019 ($9,474,000) is an outcome of three factors - Covid-19 pandemic, reserve for delinquencies, and timing of MCA advances vs collection. During the April – June 2020 period, due to covid-19 pandemic, most of the participating merchants either were mandated by the law to close operations or operate with restrictions. The company did not give any additional working capital advances to merchants during this period although it reduced the collections from merchants so as not to stress the merchants' cash flows. In addition, the balance at June 30, 2020 reflects the additional reserve for transaction credits on account of Covid-19. Relevant to Fiscal 2020 was transition of merchants participating in the CIBC/TD program to the MCA program (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned to MCA program. Collection was the primary activity between completion of transition to MCA by end of first quarter (July to September 2019) of Fiscal 2020 until fourth quarter (January to March 2020) of Fiscal 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020.

The company's transaction credits are funded by its loan payable, and 9% 2025 debentures payable. Loan payable carries a first charge against the merchant transaction credits funded by its proceeds.

The 9% 2025 debentures payable have a general security agreement over the assets of the company and its subsidiaries.

Please refer to the Section Results of Operations in this document for an analysis of Fiscal 2022 and Fiscal 2021.

Fiscal 2021 compared to Fiscal 2020

The results for Fiscal 2021 and Fiscal 2020 were:

		Fiscal 2021	Fiscal 2020
Net (loss) and Comprehensive (loss)		$ (2,091,967)	$ (2,927,396)

Highlights of Fiscal 2021 compared to Fiscal 2020 (in millions of dollars):

Operational Highlights.

	Revenues	Gross profit	SG&A	(Loss) from operations before depreciation, amortization and interest	Stated and Non cash interest	Non-recurring item	Net profit/(loss)
Fiscal 2021	1.2	0.9	1.3	(0.4)	1.7	-	(2.1)
Fiscal 2020	2.6	1.2	2.1	(0.9)	1.3	-	(2.9)

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

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

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

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

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

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

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

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

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

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

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

Cash and Working capital movement during Fiscal 2021 vs 2020

➢ Extracts from the Statement of Cash Flow

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

Adjustments for non-cash expenses. A significant item for Fiscal 2021 and Fiscal 2020 is accrued and unpaid interest on 9% non-convertible debentures payable (Fiscal 2021 $554,888 vs. Fiscal 2020 $512,761).

Furthermore, Fiscal 2021 charges for Accretion and Restructuring bonus respecting 9% non-convertible debentures payable were $631,491 (Fiscal 2020 $586,209).

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

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

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

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

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the audited consolidated financial statements for the fiscal year ended June 30, 2021, and have been included to provide additional analysis for the reader.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
Fiscal 2022						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	
		$	$	$	$	$
Revenues		0.4	0.4	0.5	0.5	1.8
% of annual revenues		22.2%	22.2%	27.8%	27.8%	100.0%
Net (loss)		(0.5)	(0.7)	(0.6)	(0.9)	(2.7)
(Loss) per share - Basic and Diluted		(0.01)	-	-	-	(0.01)
Fiscal 2021						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	
		$	$	$	$	$
Revenues		0.3	0.4	0.2	0.3	1.2
% of annual revenues		25.0%	33.3%	16.7%	25.0%	100.0%
Net (loss)		(0.5)	(0.5)	(0.5)	(0.6)	(2.1)
(Loss) per share - Basic and Diluted		(0.02)	(0.02)	(0.01)	(0.02)	(0.07)

Fiscal 2022 reflects impact of Covid-19 pandemic and re-build of business following raise of $1.15 m. Fiscal 2021 primarily reflects impact of Covid-19 pandemic.

Fourth Quarter of Fiscal 2022 (Q4 F2022) vs. Fourth Quarter of Fiscal 2021 (Q4 F2021)

Overview

While year ended Fiscal 2021 was shaped by the devastating adverse impact of the Covid-19 pandemic on both programs - MCA and loyalty marketing, coinciding with the gradual end of public health restrictions and infusion of capital Fiscal 2022 was the year of gradual re-build of the two programs. These circumstances prevailed during fourth quarters of the two fiscal years.

The fourth quarter revenues during the two fiscal years tracked the revenues of the previous three quarters. The fourth quarter net loss during Fiscal 2021 tracked the net loss of the previous three quarters. Fourth quarter net loss of Fiscal 2022 was higher vs the net loss of the previous quarters primarily due to expense for reserve against delinquent transaction credits of $318,000 vs YTD 3 and 9 months ended March 31, 2022 $nil.

Tabulation of financial performance - Q4 F2022 vs. Q4 F2021

F2022					
		MCA program	Aeroplan program	Corporate	Total
		$	$	$	$
Revenues		379,422	167,679	-	547,101
Direct expenses		318,751	120,081	-	438,832
Gross profit		60,671	47,598	-	108,269
Gross margin		16.0%	28.4%		19.8%
Selling & marketing					86,357
General & administrative					373,386
(Loss) from operations before depreciation, amortization and interest					(351,474)
Stated interest					344,417
Interest - Lease					695
Accretion charges, restructuring bonus, amortization of transaction costs					210,553
Depreciation and amortization including right of use asset					-
Impairment of right of use asset				-	-
Net loss					(907,139)

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

Capital Resources

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

Critical Accounting Estimates

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

The company's significant accounting policies are disclosed in note 3 to the audited consolidated financial statements for year ended June 30, 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 Covid-19 and its interplay with uncertain economic environment in the foreseeable future, market for its programs, its ability to expand its existing MCA and Aeroplan programs, renewal of its agreement with Aeroplan, ability to reach and fulfil settlement accommodation with suppliers, continued access to existing sources of debt, ability to access additional sources of working capital in the form of either debt or equity to stabilize its financial situation and support growth of its core business, the MCA program.

The company's audited consolidated financial statements for year ended June 30, 2022 carry a going concern note (Note 2a). The note is also carried in the Section Working Capital and Liquidity Management in this document.

Financial instruments – fair value

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

A significant amount of estimation was applied in evaluation of the fair value of the 9% 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 program the company acquires the rights to receive future cash flows, associated with 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 is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The amount of the estimates is determined based on the status of the customer and the company's historical experience on recoveries.

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

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

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

The Covid-19 pandemic restrictions have impacted economic activity. There is uncertainty related to the pace and extent of economic recovery in the business segments the company operates in and hence the evaluation of collectability of transaction credits.

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

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

	June 30, 2022	June 30, 2021
	$	$
Transaction credits	$ 4,692,121	$ 2,787,958
Accounts receivable	87,705	97,475
Allowance	(1,384,238)	(1,065,680)
Per Consolidated statement of financial position	**$ 3,395,588**	**$ 1,819,753**
Maximum exposure to credit risk	**$ 3,395,588**	**$ 1,819,753**

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

	June 30, 2022	June 30, 2021
	$	$
Impaired transaction credits	$ 1,246,397	$ 896,059
Allowance	(1,246,397)	(896,059)
Impaired transaction credits not allowed for	**$** -	**$** -
The company carries a general allowance towards transaction credits. This allowance at June 30, 2022 is the historical loss ratio. At June 30, 2021 this allowance is the historical loss ratio and a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic	$ 133,456	$ 165,236

Stock Options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable, the stock option price is to be fixed by the Board of Directors, 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 (16,688,546 pre consolidation).

There were no stock options outstanding during the years ended June 30, 2022 and 2021.

There was no stock based compensation expense during Fiscal 2022 and 2021.

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 a) maximum number of common shares of the Company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares, and b) eligible persons are directors, officers, employees and consultants of the Company designated by the Board.

On August 26, 2021 at a special meeting of the shareholders the Company received approval from its shareholders to increase to 412,000,000 as 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 June 30, 2022 and 2021.

Outstanding Share Data

Issued and outstanding common shares

	Number of shares	$
No par value. At June 30, 2021	**878,948,414**	**$ 24,526,740**
No par value. Issuance in September 2021	6,053,768,037	-
No par value. Issuance in March 2022	671,250,000	-
	7,603,966,451	
Adjustment to reflect share consolidation of common shares in May 2022 - 30 to 1	(7,350,573,944)	
No par value. At June 30, 2022	**253,392,507**	**$ 24,526,740**

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

In March 2022 the company issued common shares to purchasers of 9% 2025 debentures. Details provided in Section Related Party Transactions.

Potentially Dilutive Securities

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

Related party transactions

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

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

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

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

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

1. For purchase of $200,000 and $975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 175,270,833 common shares (pre consolidation common shares 5,258,125,000) 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 (pre consolidation 335,625,000 common shares) to Kelly Ambrose the company's President and Chief Executive Officer;
2. Kelly Ambrose, the company's President and Chief Executive Officer was issued 10,833,333 common shares (pre consolidation 325,000,000 common shares) as a retention bonus and 219,621 common shares (pre consolidation 6,588,653 common shares) in lieu of a portion of vacation pay due to him; and

3. Mukesh Sabharwal, the company's Vice President and Chief Financial Officer was issued 4,166,666 common shares (pre consolidation 125,000,000 common shares) as a retention bonus and 114,312 (pre consolidation 3,429,384 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 (pre consolidation 671,250,000 common shares) to the principals of Generation IACP Inc. and Generation PMCA Corp.

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

The holdings of debentures by related parties are summarized below:

	June 30, 2022		June 30, 2021	
	9% 2025 debentures	Common shares *	9% 2025 debentures	Common shares *
Director, Chief Executive Officer - K. Ambrose	$ 575,000	25,424,582	$ 550,000	3,184,127
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	916,619
R. Abramson, GIACP, GPMCA (a)	3,543,650	158,137,414	2,815,229	10,720,982
Herbert Abramson (b)	431,000	48,864,527	159,891	385,360
	$ 5,173,650	240,113,582	$ 4,149,120	17,696,548
Total issued and outstanding 9% 2025 debentures and common shares	$ 7,159,000	253,392,507	$ 6,009,000	29,298,280
% held by parties in tabulation	72.3%	94.8%	69.0%	60.4%

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

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

* 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 common shares, in above tabulation, at June 30, 2022 and 2021 are stated as if the share consolidation had taken place on June 30, 2021. As additional information, the pre-consolidation average number of issued common shares at June 30, 2021 was 878,948,414

Economic Dependence

The company's has two business units. Its core business is MCA program and the secondary business is operating as a re-seller of aeroplan points as part of Aeroplan program.

While both programs are dependent on the continuity of the support of the 9% 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. The company has a 15 year + relationship with the principal holder of the 9% 2025 debentures and the principal holders invested $1,325,000 through 9% 2025 debentures in the company ($200,000 in March 2021, $975,000 in September 2021 and $150,000 in March 2022) - 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 Covid-19 - 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 pursuant to an event of default defined in the agreement. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. During Fiscal 2022 the company and Aeroplan continued to work together under the terms of the original agreement which ended April 30, 2021. In August 2022 the two parties signed an extension until December 31, 2022 while discussing future terms and direction. 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.

Covid-19 pandemic created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration and quantum of the after effects of the pandemic – which currently are manifesting in inflationary and rising interest rate environment - on the economy in general and the company's merchants' in particular. This may adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% 2025 debentures; renew agreement with Aeroplan; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern.

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 June 30, 2022 levels using the Accord loan payable facility. The retention of June 30, 2022 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 year ended June 30, 2022, the company incurred interest expense of $476,961 on utilization of loan payable. During the year ended June 30, 2022 the prime rate from July 1, 2021 until March 2, 2022 was 2.45 % increasing to 2.70% on March 3, 2022, 3.20% on April 14, 2022 and 3.70% on June 2, 2022. Since September 8, 2022 it is at 5.45%. Had the interest rate, during year ended June 30, 2022, been at 5.45% the interest expense on loan payable would have been about $590,000, an approximate increase of $124,000.

The company believes the MCA business is a growth industry because institutional lenders are not focused on independent merchants, the engines of significant economic activity. There are several competitors in the MCA space. Currently there is no legislation governing the MCA business. The company believes the transparency of its pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital. Competition, regulation, and the as yet undeterminable adverse impact of Covid-19 pandemic 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 December

31, 2022. 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 Covid-19 on economic activity, company's customers and the company; expectation of being able to meet its payment plans, with Aeroplan and 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 adequacy of reserve created for delinquent transaction credits; belief it has the ability to manage delinquencies consequent to Covid-19 pandemic and during growth mode; belief drivers of revenues across all programs are those set out in the Revenue Section; belief it may be able to pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable and holders of 9% 2025 debentures; 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 growth capital; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 , 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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® Aeroplan is a Registered Trademark of Aeroplan Inc.

Schedule B

Consolidated Financial Statements for the years ended June 30, 2022, and June 30, 2021

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2022, and June 30, 2021

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Advantex Marketing International Inc. (“company”). Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2022.

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

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

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

(Signed) – “Kelly Ambrose”

Kelly E. Ambrose
President and Chief Executive Officer

(Signed) - “Mukesh Sabharwal”

Mukesh Sabharwal
V.P. and Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of Advantex Marketing International Inc.

Opinion

We have audited the consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2022 and 2021, and the consolidated statements of (loss) comprehensive (loss), changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2a in the financial statements, which indicates that the Group has current liabilities in excess of current assets of $3,388,005 as at June 30, 2022 and, had an accumulated deficit of $42,567,857. As stated in Note 2a, these events or conditions, along with other matters as set forth in Note 2a, indicate that a material uncertainty exists that may cast significant doubt on the Groups's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
October 20, 2022

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

	Note	June 30, 2022	June 30, 2021
		$	$
Assets			
Current assets			
Cash		$ 93,185	$ 82,606
Accounts receivable	10 a	83,320	93,090
Transaction credits	10 a	3,312,268	1,726,663
Prepaid expenses and sundry assets		41,589	43,675
		$ 3,530,362	**$ 1,946,034**
Total assets		**$ 3,530,362**	**$ 1,946,034**
Liabilities			
Current liabilities			
Loan payable	5	$ 4,019,685	$ 2,387,439
Lease liability	17	12,768	71,910
Loan	18	60,000	60,000
Accounts payable and accrued liabilities		2,825,914	2,731,158
		$ 6,918,367	**$ 5,250,507**
Non-current liabilities			
9% non convertible debentures payable	6	$ 6,953,878	$ 4,694,885
Lease liability	17	-	12,769
		$ 6,953,878	**$ 4,707,654**
Total liabilities		**$ 13,872,245**	**$ 9,958,161**
Shareholders' deficiency			
Share capital	7	$ 24,530,555	$ 24,530,555
Contributed surplus		7,742,802	7,364,720
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(42,567,857)	(39,860,019)
Total deficiency		**$ (10,341,883)**	**$ (8,012,127)**
Total liabilities and deficiency		**$ 3,530,362**	**$ 1,946,034**

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

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

Approved by the Board

Director: Signed "Marc Lavine"
Marc Lavine

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of (Loss) and Comprehensive (Loss)
For the years ended June 30, 2022 and 2021
(expressed in Canadian dollars)

	Note	2022	2021
		$	$
Revenues	16		
Marketing activities		$ 571,699	$ 484,099
Interest income		1,167,998	745,781
		1,739,697	**1,229,880**
Direct expenses	15/16	741,809	368,650
		997,888	861,230
Operating expenses			
Selling and marketing	15/16	569,827	496,853
General and administrative	15/16	1,080,487	788,891
(Loss) from operations before depreciation, amortization and interest		**(652,426)**	**(424,514)**
Stated interest expense - loan payable, and 9% non convertible debentures payable	5/6	1,250,694	910,874
Interest - Lease	17	5,760	13,219
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures payable	6	798,958	644,798
Depreciation of right of use asset	17	-	45,490
Impairment of right of use asset	17	-	53,072
Net (loss) and comprehensive (loss)		**$ (2,707,838)**	**$ (2,091,967)**
(Loss) per share			
Basic and Diluted	14	**$ (0.01)**	**$ (0.07)**

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended June 30, 2022 and June 30, 2021
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (37,768,052)**	**$ (9,167,710)**
Issuance of 9% non convertible debentures payable (note 6)	-	-	3,247,550	-	-	3,247,550
Net (loss) and comprehensive (loss)	-	-	-	-	(2,091,967)	(2,091,967)
Balance - June 30, 2021	**$ 3,815**	**$ 24,526,740**	**$ 7,364,720**	**$ (47,383)**	**$ (39,860,019)**	**$ (8,012,127)**
Balance - July 1, 2021	**$ 3,815**	**$ 24,526,740**	**$ 7,364,720**	**$ (47,383)**	**$ (39,860,019)**	**$ (8,012,127)**
Issuance of 9% non convertible debentures payable (note 6)	-	-	378,082	-	-	378,082
Net (loss) and comprehensive (loss)	-	-	-	-	(2,707,838)	(2,707,838)
Balance - June 30, 2022	**$ 3,815**	**$ 24,526,740**	**$ 7,742,802**	**$ (47,383)**	**$ (42,567,857)**	**$ (10,341,883)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow
For the years ended June 30, 2022 and 2021
(expressed in Canadian dollars)

	Note	June 30, 2022	June 30, 2021
		$	$
Operational activities			
Net (loss) for the year		$ (2,707,838)	$ (2,091,967)
Adjustments for:			
Accrued and unpaid 9% non convertible debentures payable interest	6	773,733	554,888
Interest - Lease	17	5,760	13,219
Depreciation of right of use asset	17	-	45,490
Impairment of right of use asset	17	-	53,072
Accretion charge - 9% non convertible debentures payable	6	710,452	453,036
Restructuring bonus - 9% non convertible debentures payable	6	73,063	178,455
Amortization of transaction costs - 9% non convertible debentures payable	6	15,443	13,307
		(1,129,387)	(780,500)
Changes in items of working capital			
Accounts receivable		9,770	25,811
Transaction credits		(1,585,605)	2,197,254
Prepaid expenses and sundry assets		2,086	15,106
Accounts payable and accrued liabilities		94,756	366,399
		(1,478,993)	2,604,570
Net cash (used)/generated - operating activities		**$ (2,608,380)**	**$ 1,824,070**
Financing activities			
Gross proceeds - 9% non convertibles debentures payable	6	$ 1,150,000	$ 250,000
Transaction costs - 9% non convertible debentures payable	6	(85,616)	(118,827)
Loan - Canada Emergency Bank Account		-	20,000
Payment for lease		(77,671)	(77,671)
Proceeds of loan payable	5	8,868,861	2,389,750
(Repayment) of loan payable		(7,236,615)	(4,371,317)
Net cash generated/(used) - financing activities		**$ 2,618,959**	**$ (1,908,065)**
Increase/(Decrease) in cash during the year		**$ 10,579**	**$ (83,995)**
Cash at beginning of the year		82,606	166,601
Cash at end of the year		**$ 93,185**	**$ 82,606**
Additional information			
Interest paid		$ 476,961	$ 355,986

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

1 General information

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

During years ended June 30, 2022 and 2021 the company's core business was its merchant cash advance program. Under this program, the company provides merchants with working capital through the pre-purchase, at a discount, of merchants' future cash flows.

The company also has an agreement with Aeroplan Inc. owned by Air Canada ("AC") to operate as a re-seller of aeroplan points to merchants. Aeroplan members are eligible to earn aeroplan points on purchases at merchants who acquire aeroplan points from the company. The original five year term of the agreement ended April 30, 2019, was extended to April 2020, thereafter to April 2021 and current extension is to December 31, 2022. The agreement can be terminated by AC under certain conditions during its term.

The company's segment reporting is provided in note 16.

Advantex is incorporated and domiciled in Canada. Until August 31, 2022 the address of its registered office was Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7, and thereafter is 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5

2a Going concern

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

The company has a shareholders' deficiency of $10,341,883 and negative working capital of $3,388,005 as at June 30, 2022. During the year ended June 30, 2022 the company closed two financings (notes 6), $1.0 million in September 2021 and $150,000 in March 2022. 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 (note 5) which supports the company's merchant cash advance program, and b) general working capital provided by 9% 2025 debentures (note 6); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

2b Basis of preparation

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

These consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company Board of Directors on October 20, 2022.

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

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

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

Significant Accounting Judgements and Estimates
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These significant estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.
Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to the recoverability of transaction credits and determining the initial fair value of the 9% non-convertible debentures payable.

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

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

9% Non-convertible debentures payable ("9% debentures" and "9% 2025 debentures")
A significant amount of estimation was applied to the evaluation of the initial fair value of the $5,559,000 9% debentures in fiscal 2018, $200,000 9% debentures issued in fiscal 2020, 9% 2025 debentures issued in March 2021, and $1,000,000 and $150,000 in September 2021 and March 2022 respectively in current fiscal year. Estimates applied by management in the determination of fair value were reflective of the company's overall cost of equity capital.

3 Summary of significant accounting policies

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

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

Foreign currency translation
(i) Functional and presentation currency

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

(ii) Translation of transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the approximate exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of income in the current year. The foreign currency gain for year ended June 30, 2022 is $225 (June 30, 2021 gain of $965).

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

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

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

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

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

Impairment provisions for transaction credits is determined based on the company's assessment of the collectability of outstanding transaction credits using the simplified approach as prescribed by IFRS 9. The evaluation of collectability of transaction credits is done on an individual customer basis. For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. For year ended June 30, 2022 and June 30, 2021, due to the uncertainties created by covid-19 pandemic, for the unimpaired transaction credits the company estimated losses based on historical loss rate supplemented by a forecast loss rate. This forecast loss rate was based on the company's knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

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

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

Transaction credits
Under the merchant cash advance ("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"). These transaction credits are estimated to be fully extinguishable within 365 days. The company regularly reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

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

Non-convertible debentures
The non-convertible debentures described in note 6 as 9% debentures were issued as units which included debt and common shares. As described in note 6 the 9% debentures were replaced in March 2021 with 9% 2025 debentures. In addition, the company issued $250,000 of 9% 2025 debentures in March 2021, and $1,000,000 and $150,000 in September 2021 and March 2022 respectively.

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

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

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

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

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

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

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

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

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

Revenue
Merchant Cash Advance ("MCA") program

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

Aeroplan program

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

Step 1: Identifying the contract

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

Step 2: Identifying performance obligations

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

Step 3: Identifying the transaction price

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

Step 4: Allocating the transaction price to performance obligations

The company provides a single product.

Step 5: Recognizing revenue upon satisfaction of performance obligations

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

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

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

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

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

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, and similar instruments is computed using the treasury stock method. As at June 30, 2022 and 2021 the company did not have any outstanding stock options or restricted share grants.

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

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

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

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

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

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

Recent accounting pronouncements not in effect
The below standards have been issued but are not yet effective for the financial period ended June 30, 2022, and accordingly, have not been applied in preparing the consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
Amendments to IFRS 9	Interest Rate Benchmark Reform
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts –Cost of Fulfilling a Contract
Annual Improvements to IFRS	Amendments to IFRS 1 First-time Adoption of International Financial
Standards 2018-2020 Cycle	Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and is currently analyzing them to determine their impact on the consolidated financial statements.

4 Property, plant and equipment

	Computer equipment	Furniture & equipment	Total
	$	$	$
Year ended June 30, 2021 and June 30, 2022			
Opening & closing net book value	$ -	$ -	$ -
At June 30, 2021 and June 30, 2022			
Cost	**$ 417,405**	**$ 160,026**	**$ 577,431**
Accumulated amortization	**$ 417,405**	**$ 160,026**	**$ 577,431**

5 Loan payable

	June 30, 2022	June 30, 2021
	$	$
Balance at start of year	**$ 2,387,439**	**$ 4,369,006**
Increase/(Decrease) in borrowing	1,632,246	(1,981,567)
Balance at end of year	**$ 4,019,685**	**$ 2,387,439**

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

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This 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 June 30, 2022, the company has utilized $492,750 from this overdraft facility (June 30, 2021 $454,000).

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.

The loan payable is repayable on demand to Accord.

The interest cost during year ended June 30, 2022 was $476,961 (2021 $355,986).

Tabulation of re-payment of overdraft facility

12 months ended June 30, 2022	151,207
12 months ended June 30, 2023	124,086
12 months ended June 30, 2024 - Payment due July 2024	217,457
	492,750

6 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 (note 9).

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

On September 7, 2021 the company issued 9% 2025 debentures for gross proceeds of $1.0 million. The financing was a related party transaction (note 9). As described in Note 9, 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 (note 9). As described in Note 9, in March 2022, 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 March 31, 2021, June 30, 2021, and September 30, 2021. 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. 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 issuance of 9% 2025 debentures in March 2021 was considered a transaction with holders of 9% debentures in their capacity as shareholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures. The value of the 9% 2025 debentures was determined as the amount required to extinguish the 9% debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,310,989 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,247,550 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2021). In addition, the company incurred $118,827 of transaction costs related to the transaction and these are being amortized to maturity date.

The fair value of the $1.0 million 9% 2025 debentures issued in September 2021 was determined to be $666,183 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result $333,817 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency for year ended June 30, 2022). 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 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency 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.

Movement on 9% debentures and 9% 2025 debentures is tabulated hereunder:

Movement on 9% debentures			
	Debt portion	Accrued and Unpaid interest	Total
	$	$	$
Balance at June 30, 2020	**$ 5,827,191**	**$ 784,385**	**$ 6,611,576**
Accretion charge for the period	248,797	-	248,797
Restructuring bonus for the period	187,689	-	187,689
Amortization of transaction costs for the period	13,307	-	13,307
Interest for the period	-	365,997	365,997
Refinanced March 16, 2021 as 9% 2025 debentures	(6,276,984)	(1,150,382)	(7,427,366)
Balance at June 30, 2021	**$ -**	**$ -**	**$ -**

Movement on 9% 2025 debentures			
	Debt portion	Accrued and Unpaid interest	Total
	$	$	$
Fair value of 9% 2025 debentures in the principal amount of $6,009,000 on issuance March 16, 2021	**$ 4,310,989**	**$ -**	**$ 4,310,989**
Accretion charge for the period	204,239	-	204,239
Restructuring bonus for the period	(9,234)	-	(9,234)
Interest for the period	-	188,891	188,891
Balance at June 30, 2021	**$ 4,505,994**	**$ 188,891**	**$ 4,694,885**
Fair value of 9% 2025 debentures issued in September 2021	666,183	-	666,183
Transaction costs related to September 2021 raise	(77,501)	-	(77,501)
Fair value of 9% 2025 debentures issued in March 2022	105,735		105,735
Transaction costs related to March 2022 raise	(8,115)		(8,115)
Accretion charge for the period	710,452	-	710,452
Restructuring bonus for the period	73,063	-	73,063
Amortization of transaction costs for the period	15,443	-	15,443
Interest for the period	-	773,733	773,733
Balance at June 30, 2022	**$ 5,991,254**	**$ 962,624**	**$ 6,953,878**

The interest costs are tabulated hereunder:

	Year ended June 30, 2022			Year ended June 30, 2021		
	Stated interest	Accretion charge	Restructuring bonus	Stated interest	Accretion charge	Restructuring bonus
	$	$	$	$	$	$
9% debentures	$ -	$ -	$ -	$ 365,997	$ 248,797	$ 187,689
9% 2025 debentures	773,733	710,452	73,063	188,891	204,239	(9,234)
	$ 773,733	**$ 710,452**	**$ 73,063**	**$ 554,888**	**$ 453,036**	**$ 178,455**

In addition, year ended June 30, 2022 cost includes amortization of transaction costs ($15,443) compared to previous year ($13,307).

7 Share capital

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.

The number of common shares issuable under stock options plan, restricted share unit plan are adjusted on a pro rata basis, in accordance with the terms of such securities, based on the 30 to 1 share consolidation ratio.

(a) Authorized

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

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

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

Common – Unlimited number of shares without par value.

(b) Issued Class A preference shares

	Number of shares	$
No par value. At June 30, 2021 and 2022	461,887	$ 3,815

(c) Issued common shares

	Number of shares	$
No par value. At June 30, 2021	**878,948,414**	**$ 24,526,740**
No par value. Issuance in September 2021 (notes 6 and 9)	6,053,768,037	-
No par value. Issuance in March 2022 (notes 6 and 9)	671,250,000	-
	7,603,966,451	
Adjustment to reflect share consolidation of common shares in May 2022 - 30 to 1	(7,350,573,944)	
No par value. At June 30, 2022	**253,392,507**	**$ 24,526,740**

8 Share-based payments

a. Employee stock options

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

The number of employee stock options issuable per the company's stock option plan is 556,285 (16,688,546 pre consolidation).

There were no stock options outstanding during the years ended June 30, 2022 and 2021.

The company has recorded $nil of stock-based compensation expense during year ended June 30, 2022 and 2021.

b. Restricted Share Unit Plan

On December 18, 2017, the Board of Directors authorized the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board of Directors may grant restricted share units (the "RSUs") to eligible persons where the a) maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares, and b) eligible persons are directors, officers, employees and consultants of the company designated by the Board of Directors. On August 26, 2021 at a special meeting of the shareholders the company received approval from its shareholders to increase to 412,000,000 as the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan.

Following the consolidation of common shares in May 2022 (note 7) 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 June 30, 2022 and 2021.

c. Potentially Dilutive Securities

No potentially dilutive securities exist as at June 30, 2022 and 2021.

9 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.

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

Common shares

On September 7, 2021 the company issued common shares:

a. For purchase of $200,000 and $975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 175,270,833 (5,258,125,000 pre consolidation) 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 (335,625,000 pre consolidation) 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 (325,000,000 pre consolidation) common shares as a retention bonus and 219,621 (pre consolidation 6,588,653) common shares in lieu of a portion of vacation pay due to him; and

c. Mukesh Sabharwal, the company's Vice President and Chief Financial Officer was issued 4,166,667 (125,000,000 pre consolidation) common shares as a retention bonus and 114,312 (pre consolidation 3,429,384) 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 (671,250,000 pre consolidation) 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.

	June 30, 2022		June 30, 2021	
	9% 2025 debentures	Common shares *	9% 2025 debentures	Common shares *
Director, Chief Executive Officer - K. Ambrose	$ 575,000	25,424,582	$ 550,000	3,184,127
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	916,619
R. Abramson, GIACP, GPMCA (a)	3,543,650	158,137,414	2,815,229	10,720,982
Herbert Abramson (b)	431,000	48,864,527	159,891	385,360
	$ 5,173,650	240,113,582	$ 4,149,120	17,696,548
Total issued and outstanding 9% 2025 debentures and common shares	$ 7,159,000	253,392,507	$ 6,009,000	29,298,280
% held by parties in tabulation	72.3%	94.8%	69.0%	60.4%

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

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

* 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 common shares, in above tabulation, at June 30, 2022 and 2021 are stated as if the share consolidation had taken place on June 30, 2021. As additional information, the pre-consolidation average number of issued common shares at June 30, 2021 was 878,948,414

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

	Year ended June 30	
	2022	2021
Salaries, management bonuses and directors fees	$ 463,192	$ 448,650

10 Financial instruments

(a) Credit risk

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

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

Under the merchant cash advance ("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. These transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants there is a credit risk.

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

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

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

During year ended June 30, 2021 and the first nine months of year ended June 30, 2022 Covid-19 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. The current 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 net balance of the transaction credits and accounts receivable.

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

	June 30, 2022	June 30, 2021
	$	$
Transaction credits	$ 4,692,121	$ 2,787,958
Accounts receivable	87,705	97,475
Allowance	(1,384,238)	(1,065,680)
Per Consolidated Statement of Financial Position	**$ 3,395,588**	**$ 1,819,753**
Maximum exposure to credit risk	**$ 3,395,588**	**$ 1,819,753**

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

	June 30, 2022	June 30, 2021
	$	$
Impaired transaction credits	$ 1,246,397	$ 896,059
Allowance	(1,246,397)	(896,059)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This allowance at June 30, 2022 is the historical loss ratio. At June 30, 2021 this allowance is the historical loss ratio and a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic	$ 133,456	$ 165,236

Movement on allowance for impaired transaction credits:

	June 30, 2022	June 30, 2021
	$	$
Balance brought forward at start of year	**$ 1,061,295**	**$ 994,198**
Allowance created during the year	318,000	67,500
Impaired accounts adjusted against allowance	558	(403)
Balance carried forward at end of year	**$ 1,379,853**	**$ 1,061,295**

(b) Currency risk

Currency risk arises due to fluctuations in foreign currency rates.

The company carries nominal amounts of cash (USD $56 at June 30, 2022 and 2021) and accounts payables (USD 697 at June 30, 2022 and 2021).

(c) Liquidity risk

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

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

The contractual maturities of the company's financial liabilities at June 30, 2022 are as follows:

	Total	Payable within 1 year	Payable after 1 year – 3 years
	$	$	$
Loan payable – (note 5)	4,019,685	4,019,685	-
Accounts payable and accrued liabilities	2,825,914	2,825,914	-
9% 2025 debentures – face amount – maturing December 31, 2025 (note 6)	7,159,000	-	7,159,000
9% debentures interest for period December 16, 2018 to March 14, 2021	1,150,383	-	1,150,383
9% 2025 debentures cash interest (note 6)	3,033,976	-	3,033,976
9% 2025 debentures restructuring bonus (note 6)	1,288,620	-	1,288,620
Canada Emergency Business Account	60,000	-	60,000
Lease (note 17)	12,768	12,768	-
Total	$ 19,550,346	$ 6,858,367	$ 12,691,979
In addition, interest on interest of $632,186 - on above 9% debentures unpaid interest of $1,150,383 and on first year interest due March 14, 2022 of $540,810 but not paid on due date as the first year interest on 9% 2025 debentures is payable in instalments (note 6) - is due December 31, 2025 upon maturity of 9% 2025 debentures. The interest on interest of $632,186 is being expensed over the term of the 9% 2025 debentures and a corresponding liability created. The liability of such interest payable as at June 30, 2022 is $239,018.			

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

	Total	Payable within 1 year	Payable after 1 year – 3 years
	$	$	$
Loan payable – (note 5)	2,387,439	2,387,439	-
Accounts payable and accrued liabilities	2,731,158	2,731,158	-
9% 2025 debentures – face amount – maturing December 31, 2025 (note 6)	6,009,000	-	6,009,000
9% debentures interest for period December 16, 2018 to March 14, 2021	1,150,383	-	1,150,383
9% 2025 debentures cash interest (note 6)	2,594,406	-	2594406
9% 2025 debentures restructuring bonus (note 6)	1,081,620	-	1,081,620
Canada Emergency Business Account	60,000	-	60,000
Lease (note 17)	90,616	77,671	12,945
Total	$ 16,104,622	$ 5,196,268	$ 10,908,354
In addition, interest on interest of $617,784 - on above 9% debentures unpaid interest of $1,150,383 and on first year interest due March 14, 2022 of $540,810 but not paid on due date as the first year interest on 9% 2025 debentures is payable in instalments (note 6) - is due December 31, 2025 upon maturity of 9% 2025 debentures. The interest on interest of $617,784 is being expensed over the term of the 9% 2025 debentures and a corresponding liability created. The liability of such interest payable as at June 30, 2021 is $84,551.			

(d) Fair value

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

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

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

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

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

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

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

(e) Interest rate risk

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

Interest on loan payable is calculated daily on the amount outstanding on loan payable and charged monthly. The interest rate effective September 1, 2021 is the prime rate of a certain Canadian bank plus 8.80% (prime rate plus 9.05% up to August 31, 2021). During the year ended June 30, 2022 the prime rate from July 1, 2021 until March 2, 2022 was 2.45 % increasing to 2.70% on March 3, 3.20% on April 14, 2022 and 3.70% on June 2, 2022, and the company incurred interest expense of $476,961. Since September 8, 2022 prime rate is at 5.45%. Had the prime rate, during year ended June 30, 2022, been at 5.45% the interest expense on loan payable would have been about $590,000, an approximate increase of $124,000.

11 Capital management

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

Tabulation of capital base

	At June 30, 2022	At June 30, 2021
	$	$
Loan payable – note 5	4,019,685	2,387,439
9% Non-convertible debentures – Principal – note 6	7,159,000	6,009,000
Loan – note 18	60,000	60,000
Share capital – note 7	24,530,555	24,530,555
Contributed surplus and deficit	(34,803,530)	(32,542,682)
	$965,710	$444,312

12 Commitments and contingencies

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

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

13 Income taxes

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

	2022 $	2021 $
Current income taxes	-	-
Deferred income taxes	-	-
	$-	$-

The average combined federal and provincial statutory income rate applicable to the company in Canada for 2022 and 2021 was 26.5% and in the USA for 2022 and 2021 was 21.0%.

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

The effective tax rate was $nil or 0%.

In assessing the ability to realize deferred income tax assets, the company considers whether it is more likely or not that some portion or all of the deferred income tax assets will be utilized in the foreseeable future. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. As at June 30, 2022, there is no certainty that such deferred income tax assets will be utilized and, therefore, such assets have not been recognized on the consolidated statements of financial position. The components of deferred income tax are as follows:

	2022 $	2021 $
Non capital losses carried forward	4,818,000	4,592,000
Property, plant and equipment due to amortization	19,000	24,000
	$4,837,000	$4,616,000
Deferred income tax assets not recognized	$(4,837,000)	(4,616,000)
	$-	$-

As at June 30, 2022, the company has gross non-capital income tax losses of approximately $18,923,000 (2021 $18,036,000), which may be carried forward to reduce future income for income tax purposes. The benefit of these losses has not been recognized in these consolidated financial statements. These losses expire between 2023 and 2042, and are tabulated hereunder:

Year ending June 30, 2023	$ 715,000
Year ending June 30, 2024	$ 1,692,000
Year ending June 30, 2025 and thereafter	$16,516,000
	$18,923,000

14 Earnings (loss) per share

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

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

	2022	2021
	$	$
Net (loss) and comprehensive (loss)	$ (2,707,838)	$ (2,091,967)
Basic and Diluted EPS		
Average number of issued post consolidation common shares during the year *	199,545,395	29,298,280
Basic EPS	**$ (0.01)**	**$ (0.07)**
* 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, during the year 2022 and 2021 are stated as if the share consolidation had taken place on July 1, 2020. As additional information, the pre-consolidation average number of issued common shares during year 2021 was 878,948,414 and based on this the reported basic EPS for 2021 was $0.00		
There are no potentially dilutive common shares outstanding at June 30, 2022 and 2021. Hence Diluted EPS not computed		

15 Nature of Expenses

The company has availed Federal Covid-19 pandemic relief measures which are explained in note 17. Sales and wages including travel reflects receipt of Canada’s Federal wage subsidies of $125,009 during year ended June 30, 2022 (2021 - $463,580).

Facilities, processing, and office expenses reflect receipt of Canada’s Federal rent subsidies of $27,023 during year ended June 30, 2022 (2021 - $84,442). During year ended June 30, 2021 the company’s head office landlord applied for Canada Emergency Commercial Rent Assistance program whereby the company had to pay 25% of the rent.

16 Segment reporting

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

The above noted programs are described in Note 1.

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

Financial information by reportable segment for period ended June 30, 2022 and 2021 is tabulated.

Year ended June 30, 2022				
	MCA program	Aeroplan program	Corporate	Total
	$	$	$	$
Revenues	1,167,998	571,699	-	1,739,697
Direct expenses	325,326	416,483	-	741,809
	842,672	155,216	-	997,888
Selling & marketing	382,570	187,257	-	569,827
General & administrative	725,417	355,070	-	1,080,487
(Loss) from operations before depreciation, amortization and interest	(265,315)	(387,111)	-	(652,426)
Stated Interest - loan payable	476,961	-	-	476,961
Stated Interest - 9% non convertible debentures payable	519,468	254,265	-	773,733
Interest - Lease	3,866	1,894	-	5,760
Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	536,404	262,554	-	798,958
Segment (loss)	(1,802,014)	(905,824)	-	(2,707,838)

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

17 Lease

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

	Right of use asset	Lease liability
	$	$
Balances at June 30, 2020	**$ 98,562**	**$ 149,131**
Depreciation	(45,490)	-
Impairment of asset	(53,072)	-
Interest payments	-	13,219
Lease payments	-	(77,671)
Balances at June 30, 2021	**-**	**84,679**
Interest payments	-	5,760
Lease payments	-	(77,671)
Balances as at June 30, 2022	**-**	**12,768**
June 30, 2021		
Current		$ 71,910
Long term		12,769
		$ 84,679
June 30, 2022		
Current		$ 12,768

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

The undiscounted lease liability at June 30, 2022 is $12,945 with respect July and August 2022.

18 Government subsidies

The company has availed Covid-19 pandemic relief measures.

Amount of $125,009 received during year ended June 30, 2022 (2021 - $463,580) under the Canada's Federal wage subsidies (Canada Emergency Wage Subsidy and Hard Hit Business Recovery Program) is reflected as a reduction of the salaries and wages expense disclosed in note 15.

Amount of $27,023 received during year ended June 30, 2022 (2021 - $84,442) under the Canada's Federal rent subsidies (Canada Emergency Rent Subsidy and Hard Hit Business Recovery Program) is reflected as a reduction of the facilities expense disclosed in note 15.

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

The company received $60,000 under the Canada Emergency Business Account. $20,000 of this loan of $60,000 is forgivable provided the loan is re-paid by December 31, 2023. There is no interest on the $60,000 loan provided it is re-paid by December 31, 2023. Beginning on January 1, 2024, interest will accrue on the balance of the loan at the rate of 5% per annum.

Schedule C

Management`s Discussion and Analysis of Operating Results for the three months ended September 30, 2021 and 2020, three and six months ended December 31, 2021, three and nine months ended March 31, 2022

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three month periods ended September 30, 2021 and 2020

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at November 25, 2021. 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 month period ended September 30, 2021 compared to the three month period ended September 30, 2020. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2021, and the interim consolidated financial statements and the related notes for the three months ended September 30, 2021 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

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

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

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased cash flows. The amount collected against the pre-purchased cash flows less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

In the loyalty marketing program the company is a re-seller of aeroplan points. Participating merchants are able to leverage a powerful currency – aeroplan points - to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan points. Advantex earns its revenue from selling aeroplan points, at an agreed price per aeroplan point.

Covid-19 pandemic was the event driving three months ended September 30, 2021 ("Q1 Fiscal 2022") and September 30, 2020 ("Q1 Fiscal 2021") financial performance. Covid-19 pandemic had an adverse economic impact on Advantex's customer base and consequently this negatively affected Advantex's revenues from both programs, its earnings, and its financial position. During both periods the company's survival was dependent on its ability to adjust to the sharp decline in revenues and liquidity, support of its financial partners, and receipt of government subsidies.

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

The company has a decade old relationship with Aeroplan. The extension of the original multi-year agreement ended April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction (section Economic Dependence).

The company's common shares are listed on the Canadian Securities Exchange ("CSE"). By June 24, 2021 the company was back in compliance with Ontario Securities Commission ("OSC") regulatory requirements. The next step to commencement of trading of its common shares on CSE requires the completion of a share consolidation, a CSE requirement. The company secured approval of its shareholders at the August 26, 2021 special meeting of its shareholders to consolidate the issued and outstanding common shares of the company, on the basis of a consolidation ratio of not more than one hundred (100) pre-consolidation common shares for one (1) post-consolidation common share. The company expects to complete the share consolidation process in due course and apply to the CSE for commencement of trading.

Outlook

The company believes its core business - MCA - is a growth industry because institutional lenders are not focused on independent merchants, even more so because of impact of Covid-19 pandemic. Independent merchants are the engines of significant economic activity and although there are several competitors in the MCA space the company believes its strategy of transparent and competitive pricing give it an ability to grow its MCA portfolio if it has access to growth capital.

As of date hereof, primarily due to Covid-19 pandemic, the company's MCA portfolio has declined to about 115 merchants. The company believes with adequate capital it has the ability to initially go back to pre Covid pandemic level of about 250 merchants and expand beyond significantly thereafter. The $1.0 million the company raised in September 2021 will be used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it can expand its MCA portfolio depends on the return of merchant business confidence and the availability of funds from the recent money raise to expand MCA portfolio. Return of merchant business confidence depends on the pace of roll back of public health restrictions and belief a return of restrictions is a low probability. The growth of company's MCA portfolio is essential to bring financial stability.

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

The company believes it has the support of the primary holder of 9% non convertible debentures payable, evidenced by their investment in September 2021. The company believes it has the support of Accord, evidenced by extension of the term of the loan payable agreement - to June 30, 2022 - amongst other accommodations.

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

Summary – Three months ended September 30, 2021

The financial highlights for Q1 Fiscal 2022 compared to Q1 Fiscal 2021 are summarized in the tabulation:

	Q1 Fiscal 2022	Q1 Fiscal 2021
	$	$
Revenues		
MCA program	175,829	198,814
Aeroplan program	197,468	112,958
	$ 373,297	**$ 311,772**
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (115,846)**	**$ (88,534)**
Net (loss) and Comprehensive (loss)	**$ (556,408)**	**$ (508,821)**

Income Statement – Q1 Fiscal 2022 compared to Q1 Fiscal 2021

Covid-19 pandemic was the event driving Q1 Fiscal 2022 and Q1 Fiscal 2021 financial performance.

Q1 Fiscal 2022 MCA program revenues continued their decline ($22,985 lower - 11.6% lower compared to Q1 Fiscal 2021). Aeroplan program revenues saw an uptick from a wholesale merchant (Q1 Fiscal 2022 revenues of $88,000 compared to $8,000 for Q1 Fiscal 2021) and controlling for this the revenues were flat.

The company's gross profit was marginally higher – Q1 Fiscal 2022 $233,660 compared to Q1 Fiscal 2021 $221,328. The decline in MCA program revenues ($22,985 lower) was more than offset by lower direct costs ($27,261 lower) on account of expense for provision for delinquent accounts. Aeroplan program gross profit was $8,056 higher – Q1 Fiscal 2022 $59,297 compared to Q1 Fiscal 2021 $51,241. The pick-up in gross profit from the low margin wholesale business in Q1 Fiscal 2022 is partially offset by decline in gross profit from retail business.

Selling expenses were flat - Q1 Fiscal 2022 $147,898 compared to Q1 Fiscal 2021 $147,165. Both periods reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy ("CEWS"). The cost saving measure was implemented to address some of the financial impact of Covid -19 pandemic on the company. Remuneration/expenses of sales staff are the primary selling expenses (just over 94% in both periods). The CEWS received for sales and administration staff is reflected in G&A (Section G&A).

General & Administrative expenses ("G&A") were $38,911 higher, a 23.9% increase. To offset some of the financial impact of Covid-19 pandemic, administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. Staff remuneration, net of CEWS and extinguishment of part of vacation pay dues, was marginally higher (Q1 Fiscal 2022 $111,243 compared to Q1 Fiscal 2021 $103,662) and is the primary component of G&A (55% during Q1 Fiscal 2022 compared to 64% during Q1 Fiscal 2021). Cost of head office lease, net of rent subsidy, was higher (Q1 Fiscal 2022 $17,857 compared to Q1 Fiscal 2021 $10,376). Another factor for increase in Q1 Fiscal 2022 G&A is to do with cost of special meeting of shareholders held in August 2021 to seek shareholder approval to: issuance of common shares of the company in connection with a financing; a consolidation of the issued and outstanding common shares of the company; and increase the number of issuable units pursuant to the restricted share unit plan of the company. The requisite shareholder approval was received and the company closed the $1.0 million financing noted in section Overall Performance.

The above revenues less costs are reflected in higher loss from operations before depreciation, amortization and interest of $27,312. Q1 Fiscal 2022 $115,846 compared to Q1 Fiscal 2021 $88,534.

Stated interest cost was flat.

- Interest paid on loan payable was $45,854 lower (Q1 Fiscal 2022 $70,701 compared to Q1 Fiscal 2022 $116,555), a reflection of lower utilization of loan payable. Average loan payable balance during Q1 Fiscal 2021 was $2,486,917 compared to $4,018,357 during Q1 Fiscal 2021. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q1 Fiscal 2022 which in turn is a reflection of Covid-19 pandemic on the MCA portfolio. During both periods the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 but it also did not give significant additional advances – both on account of the diminished working capital availability and the credit environment leading to declining MCA portfolio.
- Interest on 9% non convertible debentures payable was $43,220 higher. Two factors. Firstly, the principal amount during Q1 Fiscal 2022 was higher – During July and August 2021 $6,009,000 and $7,009,000 from September 7, 2021 compared to $5,759,000 during Q1 Fiscal 2021. The higher principal is reflected in the stated interest – Q1 Fiscal 2022 $142,232 compared to Q1 Fiscal 2021 $130,286. Secondly, Q1 Fiscal 2022 reflects $31,274 of interest on unpaid 9% non convertible debentures payable interest (Q1 Fiscal 2021 $nil). The company has not paid interest since December 16, 2018.

Q1 Fiscal 2022 non cash interest at $196,355 is higher by $34,282 compared to Q1 Fiscal 2021. Accretion charges and restructuring bonus relating to 9% non convertible debentures payable for Q1 Fiscal 2022 was higher by $39,277 primarily reflecting amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable of $250,000 and $1.0 million in March 2021 and September 2021 respectively.

The depreciation for right of use asset was lower by $11,373 (Q1 Fiscal 2022 $nil compared to Q1 Fiscal 2021 $11,373) reflecting write-off due to its impairment at June 30, 2021.

The above factors are reflected in a higher net loss. Q1 Fiscal 2022 $556,408 compared to Q1 Fiscal 2021 $508,821.

Balance Sheet – Q1 Fiscal 2022 compared to Q1 Fiscal 2021

Transaction credits, which represent balance due of working capital advanced to merchants, are about 78.6% of total assets at September 30, 2021 compared to 91.1% at September 30, 2020. Transaction credits, net of provision for delinquent accounts, of $2,880,956 at September 30, 2021 compared to $3,190,042 at September 30, 2020. During both periods under review the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies (at end of Q1 Fiscal 2022 $1,061,369 compared to $1,021,698 at end of Q1 Fiscal 2021). The above factors are reflected in the balance of transaction credits at the end of Q1 Fiscal 2022 and Q1 Fiscal 2021.

Loan payable of $3,399,073 at September 30, 2021 compared to $3,661,636 at September 30, 2020. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. To support the company during Covid-19 pandemic Accord provided the company with a working capital overdraft. The loan payable balance at September 30, 2021 and September 30, 2020 includes amounts payable under the working capital overdraft provided by Accord (2021 $451,000 vs 2020 $460,000). The loan payable balance at September 30, 2021 and September 30, 2020 (net of working capital overdraft) primarily reflects the change in transaction credits (grossed up for general reserve) at the end of the two periods.

September 30, 2020 reflects 9% debentures (section 9% Non Convertible Debentures Payable) and the book value reflects accrued and unpaid interest of $914,671 for the period December 16, 2018 until September 30, 2020. The company did not have the ability to pay the interest. In March 2021 the 9% debentures were replaced with 9% 2025 debentures (section 9% Non Convertible Debentures Payable) with maturity date of December 31, 2025. The company issued $250,000 of additional 9% 2025 debentures in March 2021 and $1.0 million of additional 9% 2025 debentures in September 2021. September 30, 2021 reflects 9% 2025 debentures. Details are provided in section 9% Non Convertible Debentures Payable.

The balance sheet at September 30, 2021 reflects cash of $635,402 post raise of $1.0 million noted above compared to $56,799 at September 30, 2020.

Results of Operations

	Q1 Fiscal 2022	Q1 Fiscal 2021
	$	$
Revenue	**$ 373,297**	**$ 311,772**
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	138,171	61,717
Direct Expenses - Expense for provision against delinquent accounts	1,466	28,727
Gross profit	**$ 233,660**	**$ 221,328**
Selling and General & Administrative	349,506	309,862
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (115,846)**	**$ (88,534)**
Cash interest on loan payable and debentures	244,207	246,841
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (360,053)**	**$ (335,375)**
Interest - Lease	2,172	3,960
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	194,183	158,113
Depreciation of right of use asset	-	11,373
Net (loss) and comprehensive (loss)	**$ (556,408)**	**$ (508,821)**
Basic and Diluted (loss) per share	**$ -**	**$ -**

Extract from the Statement of Financial Position

	At September 30, 2021	At June 30, 2021	Increase/ (Decrease)
	$	$	$
Current assets	$ 3,663,507	$ 1,946,034	$ 1,717,473
Total assets	$ 3,663,507	$ 1,946,034	$ 1,717,473
Shareholders' deficiency	$ (8,165,810)	$ (8,012,127)	$ 153,683

The change in current assets primarily reflects:

- increase in transaction credits, net of provision for delinquent accounts, of $1,154,293. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic; and
- increase in cash of $552,796. This reflects raise in September 2021 of $1.0 million via 9% 2025 debentures less of utilization for MCA portfolio and general corporate purposes.

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 September 30, 2021 also includes amounts payable under the working capital overdraft provided by Accord (September 30, 2021 $451,000 vs. June 30, 2021 $460,000). The loan payable balance at September 30, 2021 at $3,399,073 was up $1,011,634 compared to June 30, 2021 balance of $2,387,439. The loan payable balance at September 30, 2021 and June 30, 2021 (net of working capital overdraft) primarily reflects the change in transaction credits (grossed up for general reserve – Credit Risk under section Critical Accounting Estimates) at the end of the two periods.

Non-current liabilities primarily reflect 9% 2025 debentures. June 30, 2021 reflects book value of the 9% 2025 debentures with a principal amount outstanding of $6,009,000. September 30, 2021 reflects book value of the 9% 2025 debentures with a principal amount outstanding of $7,009,000 on account of $1.0 million additional 9% 2025 debentures issued in September 2021; see section 9% Non Convertible Debentures Payable.

The movement in the shareholders' deficit reflects net loss of $556,408 during Q1 Fiscal 2022 and recording of contributed surplus of $402,725 upon the issuance of 9% 2025 debentures (section 9% Non Convertible Debentures Payable).

Extracts from the Statement of Cash Flow

	Q1 Fiscal 2022	Q1 Fiscal 2021	Change
	$	$	$
Net (loss)	$ (556,408)	$ (508,821)	$ (47,587)
Adjustments for non cash expenses	369,861	303,732	66,129
(Loss) after adjustments for non cash expenses	$ (186,547)	$ (205,089)	$ 18,542
Changes in working capital	(1,175,371)	822,075	(1,997,446)
Net cash generated from/(used in) financing activities	1,914,714	(726,788)	2,641,502
Net cash generated from/(used in) operations	$ 552,796	$ (109,802)	$ 662,598
Cash at start of year	$ 82,606	$ 166,601	$ (83,995)
Cash at end of year	$ 635,402	$ 56,799	$ 578,603

Adjustments for non cash expenses. A significant item for Q1 Fiscal 2022 and Q1 Fiscal 2021 is accrued and unpaid 9% non convertible debentures payable interest (Q1 Fiscal 2022 $173,506 vs. Q1 Fiscal 2021 $130,286). Furthermore, charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable were $192,693 (Q1 Fiscal 2021 $153,416).

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

During Q1 Fiscal 2022 the primary item was increase of $1,154,293 in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During Q1 Fiscal 2021 the significant item was the decrease of $733,875 in transaction credits, net of provision in delinquent accounts. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the Q1 Fiscal 2021 decline in transaction credits.

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

Financing activities.
Q1 Fiscal 2022 reflects raise of $1.0 million gross proceeds via issuance of 9% 2025 debentures. Net of transaction costs $922,499.

Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord (September 30, 2021 $451,000 vs. $460,000 at September 30, 2020). During Q1 Fiscal 2022 the change – an increase - of $1,011,634 is primarily due to above noted increase in transaction credits. During Q1 Fiscal 2021 the decrease of $707,370 is primarily due to above noted decrease in transaction credits.

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

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three months ended September 30, 2021, and have been included to provide additional analysis for the reader.

Revenue

The company's revenues were derived from merchants participating in the MCA program, and the Aeroplan program which the company has been operating for about a decade.

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased 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 number of participating merchants, the amount of working capital advances deployed with merchants and the discount at which future cash flows are purchased from merchants.

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

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

The revenue trends are provided in the tabulation.

	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 175,829	$ 198,814	$ (22,985)	-11.6%
Aeroplan program	197,468	112,958	84,510	74.8%
	$ 373,297	**$ 311,772**	**$ 61,525**	**19.7%**

MCA program

During both periods under review the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances during July and August 2021 and Q1 Fiscal 2021 – both on account of diminished working capital availability and the credit environment. This led to reduction in transaction credits and participating merchants. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic; a gradual re-build process.

Average number of MCA merchants during Q1 Fiscal 2022 was about 100 compared with about 150 during Q1 Fiscal 2021.

The above factors – slowdown in contracted collections, reduction in transaction credits, and participating merchants - led to a sharp decline in revenues of both periods compared to expected revenues if Covid-19 was not a factor, and further decline in Q1 Fiscal 2022 revenues compared to Q1 Fiscal 2021.

Aeroplan program

Aeroplan program revenues saw an uptick from a wholesale merchant (Q1 Fiscal 2022 revenues of $88,000 compared to $8,000 for Q1 Fiscal 2021) and controlling for this the revenues were flat.

Revenue decline compared to expected revenues if Covid-19 was not a factor primarily reflects economic impact of Covid-19 pandemic on participating merchants and their diminished ability to carry on with loyalty marketing activity using this program.

Average number of merchants about 100 during both periods.

Direct Expenses

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

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

	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 175,829	$ 198,814	$ (22,985)	-11.6%
Aeroplan program	197,468	112,958	84,510	74.8%
	$ 373,297	**$ 311,772**	**$ 61,525**	**19.7%**
Direct expenses				
MCA program	$ 1,466	$ 28,727	$ (27,261)	-94.9%
Aeroplan program	138,171	61,717	76,454	123.9%
	$ 139,637	**$ 90,444**	**$ 49,193**	**54.4%**
Aeroplan program				
	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Direct expenses				
Loyalty rewards	$ 138,171	$ 61,717	$ 76,454	123.9%
	$ 138,171	$ 61,717	$ 76,454	123.9%

MCA program.

While the company believes it has adequate provision for delinquencies as at September 30, 2021, Covid-19 pandemic is a significant risk factor when assessing the collectability of transaction credits.

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

The company continued to monitor credit risk along above methodology during Q1 Fiscal 2022.

Aeroplan program

The pick-up in gross profit from the low margin wholesale business in Q1 Fiscal 2022 is partially offset by decline in gross profit from retail business.

The change in retail business gross margin is primarily attributable to the mix of gross margins the company earns from transacting merchants.

Gross Profit

The gross profit is tabulated:

	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)
	$	$	$
MCA program	$ 174,363	$ 170,087	$ 4,276
Aeroplan program	59,297	51,241	8,056
	$ 233,660	**$ 221,328**	**$ 12,332**
Company gross margin	62.6%	71.0%	

The company's gross profit was marginally higher. The decline in MCA program revenues ($22,985 lower) was more than offset by lower direct costs ($27,261 lower) on account of expense for provision for delinquent accounts. Aeroplan program gross profit was higher. The pick-up in gross profit from the low margin wholesale business in Q1 Fiscal 2022 is partially offset by decline in gross profit from retail business.

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.

	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 175,829	$ 198,814	$ (22,985)	-11.6%
Aeroplan program	197,468	112,958	84,510	74.8%
	$ 373,297	**$ 311,772**	**$ 61,525**	**19.7%**
Selling expenses				
MCA program	$ 69,662	$ 93,846	$ (24,184)	-25.8%
Aeroplan program	78,236	53,319	24,917	46.7%
	$ 147,898	**$ 147,165**	**$ 733**	**0.5%**
Remuneration/expenses of sales staff	$ 139,107	$ 138,727		
Remuneration/expenses as % of selling expenses	94.1%	94.3%		

Both periods reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy ("CEWS"). The cost saving measure was implemented to address some of the financial impact of Covid -19 pandemic on the company. Remuneration/expenses of sales staff are the primary selling expenses. The CEWS received for sales and administration staff is reflected in G&A (Section G&A).

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

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).

	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues	**$ 373,297**	**$ 311,772**	**$ 61,525**	**19.7%**
G&A				
Compensation for non-sales staff including staff travel	$ 226,810	$ 244,717	$ (17,907)	
Extinguishment of part of vacation pay dues of CEO and CFO	(35,063)	-	(35,063)	
CEWS - for sales and non-sales staff	(80,504)	(141,055)	60,551	
Head Office lease	38,353	38,353	-	
CERS (Q1 Fiscal 2021); CECRA (Q1 Fiscal 2021)	(20,496)	(27,977)	7,481	
All other G&A expenses	72,508	48,659	23,849	
	$ 201,608	**$ 162,697**	**$ 38,911**	**23.9%**

To offset some of the financial impact of Covid-19 pandemic, administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. Staff remuneration, net of CEWS and extinguishment of part of vacation pay dues, was marginally higher (Q1 Fiscal 2022 $111,243 compared to Q1 Fiscal 2021 $103,662) and is the primary component of G&A (55% during Q1 Fiscal 2022 compared to 64% during Q1 Fiscal 2021). The CEO and CFO were issued 10,018,037 common shares in lieu of a part of their vacation dues ($35,063). The CEWS reflected in tabulation is received for sales and non-sales staff.

Cost of head office lease, net of rent subsidy, was higher (Q1 Fiscal 2022 $17,857 compared to Q1 Fiscal 2021 $10,376).

Another factor for increase in Q1 Fiscal 2022 G&A is to do with cost of special meeting of shareholders held in August 2021 to seek shareholder approval to: issuance of common shares of the company in connection with a financing; a consolidation of the issued and outstanding common shares of the company; and increase the number of issuable units pursuant to the restricted share unit plan of the company. The requisite shareholder approval was received and the company closed the $1.0 million financing noted in section Overall Performance.

Interest Expense

The interest expense is tabulated:

	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 70,701	$ 116,555	$ (45,854)
9% non convertible debentures payable	173,506	130,286	43,220
	$ 244,207	$ 246,841	$ (2,634)
Non-cash interest expense			
Interest - Lease	$ 2,172	$ 3,960	$ (1,788)
Accretion charge on 9% non convertible debentures payable	173,944	86,488	87,456
Restructuring bonus on 9% non convertible debentures payable	18,749	66,928	(48,179)
Amortization of transaction costs on 9% non convertible debentures payable	1,490	4,697	(3,207)
	$ 196,355	$ 162,073	$ 34,282
Total interest expense	**$ 440,562**	**$ 408,914**	**$ 31,648**

Stated interest cost was flat.

- Interest paid on loan payable was $45,854 lower (Q1 Fiscal 2022 $70,701 compared to Q1 Fiscal 2022 $116,555), a reflection of lower utilization of loan payable. Average loan payable balance during Q1 Fiscal 2021 was $2,486,917 compared to $4,018,357 during Q1 Fiscal 2021. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q1 Fiscal 2022 which in turn is a reflection of Covid-19 pandemic on the MCA portfolio. During both periods the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 but it also did not give significant additional advances – both on account of the diminished working capital availability and the credit environment leading to declining MCA portfolio.
- Interest on 9% non convertible debentures payable was $43,220 higher. Two factors. Firstly, the principal amount during Q1 Fiscal 2022 was higher – During July and August 2021 $6,009,000 and $7,009,000 from September 7, 2021 compared to $5,759,000 during Q1 Fiscal 2021. The higher principal is reflected in the stated interest – Q1 Fiscal 2022 $142,232 compared to Q1 Fiscal 2021 $130,286. Secondly, Q1 Fiscal 2022 reflects $31,274 of interest on unpaid 9% non convertible debentures payable interest (Q1 Fiscal 2021 $nil). The company has not paid interest since December 16, 2018.

Q1 Fiscal 2022 non cash interest at $196,355 is higher by $34,282 compared to Q1 Fiscal 2021. Accretion charges and restructuring bonus relating to 9% non convertible debentures payable for Q1 Fiscal 2022 was higher by $39,277 primarily reflecting amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable of $250,000 and $1.0 million in March 2021 and September 2021 respectively.

Net Loss

Highlights of Q1 Fiscal 2022 compared to Q1 Fiscal 2021 are tabulated:

	Q1 Fiscal 2022	Q1 Fiscal 2021	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues	**$ 373,297**	**$ 311,772**	**$ 61,525**	**19.7%**
Direct expenses				
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	$ 138,171	$ 61,717	$ 76,454	
Expense for provision against delinquent accounts	$ 1,466	$ 28,727	$ (27,261)	
Gross profit	**$ 233,660**	**$ 221,328**	**$ 12,332**	**5.6%**
Selling and General & Administrative expenses	$ 349,506	$ 309,862	$ 39,644	
(Loss) from operations before depreciation, amortization and interest	**$ (115,846)**	**$ (88,534)**	**$ 27,312**	**30.8%**
Stated interest expense - loan payable, and 9% non convertible debentures payable	$ 244,207	$ 246,841	$ (2,634)	
(Loss) from operations before depreciation, amortization, non cash interest and non cash items	**$ (360,053)**	**$ (335,375)**	**$ 24,678**	**7.4%**
Interest - Lease	$ 2,172	$ 3,960	$ (1,788)	
Interest expense - Accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	$ 194,183	$ 158,113	$ 36,070	
Depreciation of right of use asset	$ -	$ 11,373	$ (11,373)	
Net (loss) and comprehensive (loss)	**$ (556,408)**	**$ (508,821)**	**$ 47,587**	**9.4%**

Covid-19 pandemic was the event driving Q1 Fiscal 2022 and Q1 Fiscal 2021 financial performance. Covid-19 pandemic had an adverse economic impact on Advantex's customer base and consequently this negatively affected Advantex's revenues from MCA and Aeroplan programs and its earnings.

The detailed analysis of the above tabulated items is provided in Sections - *Income Statement – Q1 Fiscal 2022 compared to Q1 Fiscal 2021,* and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Working Capital and Liquidity Management

	Q1 Fiscal 2022	Q1 Fiscal 2021
	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	$ (556,408)	$ (508,821)
Adjustments for non cash expenses	369,861	303,732
(Loss) after adjustment for non cash expenses	(186,547)	(205,089)
Cash balances at start of the period	82,606	166,601
Increase/(Decrease) in loan payable	1,011,634	(707,370)
Net proceeds from raise of 9% non convertible debentures payable	922,499	-
(Decrease)/Increase in accounts receivable	(8,386)	5,329
	$ 1,821,806	**$ (740,529)**
Utilization of funds		
Cash balances at end of periods	$ 635,402	$ 56,799
Increase/(Decrease) in transaction credits	1,154,293	(733,875)
Decrease/(Increase) in accounts payable & accrued liabilities	10,694	(76,777)
Changes in all other working capital items	1,998	(6,094)
Change in other financing items	19,419	19,418
	$ 1,821,806	**$ (740,529)**

Working Capital and Liquidity Management

Adjustments for non cash expenses. A significant item for Q1 Fiscal 2022 and Q1 Fiscal 2021 is accrued and unpaid 9% non convertible debentures payable interest (Q1 Fiscal 2022 $173,506 vs. Q1 Fiscal 2021 $130,286). Furthermore, charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable were $192,693 (Q1 Fiscal 2021 $153,416).

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

During Q1 Fiscal 2022 the primary item was increase of $1,154,293 in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During Q1 Fiscal 2021 the significant item was the decrease of $733,875 in transaction credits, net of provision in delinquent accounts. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the Q1 Fiscal 2021 decline in transaction credits.

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

Financing activities.

Q1 Fiscal 2022 reflects raise of $1.0 million gross proceeds via issuance of 9% 2025 debentures. Net of transaction costs $922,499.

Loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance also includes amounts payable under the working capital overdraft provided by Accord (September 30, 2021 $451,000 vs. $460,000 at September 30, 2020). During Q1 Fiscal 2022 the change – an increase - of $1,011,634 is primarily due to above noted increase in transaction credits. During Q1 Fiscal 2021 the decrease of $707,370 is primarily due to above noted decrease in transaction credits.

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

The company does not have the wherewithal to re-pay its legacy suppliers i.e. those providing services connected to CIBC/TD program which ended in fiscal year ended June 30, 2019 and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company either has or is negotiating payment plans in place with suppliers critical to ongoing operations.

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

The company's operations are funded by debt – loan payable and 9% 2025 debentures (sections Loan Payable, 9% Non-Convertible Debentures Payable). The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (section Economic Dependence).

The $1.0 million the company raised in September 2021 will be used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it can expand its MCA portfolio depends on the return of merchant business confidence and the availability of funds from the recent money raise to expand MCA portfolio. Return of merchant business confidence depends on the pace of roll back of public health restrictions and belief a return of restrictions is a low probability. The growth of company's MCA portfolio is essential to bring financial stability.

The company requires continued access to its existing levels of debt and access to additional working capital in the form of debt and or equity.

As of September 30, 2021 the company does not have any off balance sheet financing arrangements.

<u>Going Concern</u>

The consolidated financial statements for three months ended September 30, 2021 have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the company will be able to realize its assets and settle its liabilities as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $8,165,810 and negative working capital of $2,583,462 as at September 30, 2021. In September 2021 the company closed a $1.0 million financing (notes 7 and 10 to the consolidated financial statements). The pandemic has created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to loan payable (note 6 to the consolidated financial statements) which supports the company's merchant cash advance program, and general working capital provided by 9% 2025 debentures (note 7 to the consolidated financial statements); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

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

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 3,399,073	$ 3,399,073	$ -	$ -
9% 2025 debentures		7,009,000	-	-	7,009,000
Canada Emergency Business Account		60,000	-	60,000	-
Head office lease		71,198	71,198	-	-
		$ 10,539,271	**$ 3,470,271**	**$ 60,000**	**$ 7,009,000**

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

The company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease. The company's head office lease is for a five year term ending August 31, 2022.

Loan Payable

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

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

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

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

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of September 30, 2021 the company has utilized $451,000 from this facility ($454,000 at June 30, 2021 and $460,000 at September 30, 2020). The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022.

The company had utilized $3.4 million of the facility at September 30, 2021 (at June 30, 2021 $2.4 million and at September 30, 2020 $3.7 million).

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

9% Non-Convertible Debentures Payable

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

The company also received agreement from the holders of 9% debentures to extend the maturity date from December 31, 2021 to December 31, 2025. The 9% debentures were issued as 5,759 units (5,559 units in December 2017 and 200 units in October 2019) consisting of principal amount of $5,759,000 and 623,377,196 common shares of the company. Effective March 15, 2021 the 9% debentures were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. The unpaid interest from December 16, 2018 until March 14, 2021 on the 9% debentures together with interest on interest are due on maturity of 9% 2025 debentures. An additional feature of the 9% 2025 debentures is that the first year interest is deferred and is payable in eight equal instalments, with each instalment being added to each semi-annual interest payment payable after the first year through December 31, 2025, and the interest on interest will be added in the final interest payment.

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

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at March 31, 2021 and June 30, 2021. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them.

The issuance of 9% 2025 debentures in March 2021 was considered a transaction with holders of 9% debentures in their capacity as shareholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures.

The fair value of the $1.0 million 9% 2025 debentures issued in September 2021 was determined to be $597,275 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures and as a result, a gain of $402,725 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency in the consolidated financial statements for three months ended September 30, 2021).

Summary of Quarterly Results

In millions of dollars, except per share amounts						
12 month period ended September 30, 2021						
		Q2	Q3	Q4	Q1	Total
		Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	
		$	$	$	$	$
Revenues		0.4	0.2	0.3	0.4	1.3
% of annual revenues		30.8%	15.4%	23.0%	30.8%	100.0%
Net (loss)		(0.5)	(0.5)	(0.6)	(0.6)	(2.2)
(Loss) per share - Basic and Diluted		-	-	-	-	-
12 month period ended September 30, 2020						
		Q4	Q3	Q4	Q1	Total
		Dec 31, 2019	Mar 21, 2020	Jun 30, 2020	Sep 30, 2020	
		$	$	$	$	$
Revenues		0.9	0.7	0.2	0.3	2.1
% of annual revenues		42.9%	33.3%	9.5%	14.3%	100.0%
Net (loss)		(0.5)	(1.0)	(0.9)	(0.5)	(2.9)
(Loss) per share - Basic and Diluted		-	-	-	-	-

Covid-19 pandemic is the factor driving performance from quarter ended June 30, 2020 to September 30, 2021.

Capital Resources

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

Critical Accounting Estimates

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

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

Contingent liabilities

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

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding impact of Covid-19 and its interplay with uncertain economic environment in the foreseeable future, market for its programs, its ability to expand its existing MCA and Aeroplan programs, renewal of its agreement with Aeroplan, ability to reach and fulfil settlement accommodation with suppliers, continued access to existing sources of debt, ability to access additional sources of working capital in the form of either debt or equity to stabilize its financial situation and support growth of its core business, the MCA program.

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

Financial instruments – fair value

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

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

Credit risk

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

The company has certain business risks linked to the collection of its transaction credits.

Under the MCA program the company acquires the rights to cash flow from future cash flows at a discount from participating merchants ("transaction credits" on consolidated statement of financial position).

The majority of the transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants, there is a credit risk.

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

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

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

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

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

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

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

	September 30, 2021	June 30, 2021
	$	$
Transaction credits	$ 3,942,325	$ 2,787,958
Accounts receivable	105,861	97,475
Allowance	(1,065,754)	(1,065,680)
Per Consolidated statement of financial position	**$ 2,982,432**	**$ 1,819,753**
Maximum exposure to credit risk	**$ 2,982,432**	**$ 1,819,753**

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

	September 30, 2021	June 30, 2021
	$	$
Impaired transaction credits	$ 874,285	$ 896,059
Allowance	(874,285)	(896,059)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This allowances at September 30, 2021 and June 30, 2021 include a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic	$ 187,084	$ 165,236

Stock Options

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

There was nil outstanding employee stock options at September 30, 2021 and September 30, 2020.

16,688,546 stock options were available for future issuance at September 30, 2021 and September 30, 2020.

There was no stock based compensation expense during Q1 Fiscal 2022 and Q1 Fiscal 2021.

Restricted Share Unit Plan

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

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

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

Outstanding Share Data

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

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

Common shares:

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

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

Potentially Dilutive Securities

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

Related Party Transactions

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

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

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

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

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

1. For purchase of $200,000 and $975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 5,258,125,000 common shares to managed accounts and principals of Generation IACP Inc. and Generation PMCA Corp. For purchase of $50,000 and $25,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 335,625,000 common shares to Kelly Ambrose the company's President and Chief Executive Officer;

2. Kelly Ambrose, the company's President and Chief Executive Officer was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of vacation pay due to him; and
3. Mukesh Sabharwal, the company's Vice President and Chief Financial Officer was issued 125,000,000 common shares as a retention bonus and 3,429,384 common shares in lieu of a portion of vacation pay due to him.

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

	September 30, 2021		June 30, 2021	
	9% 2025 debentures	Common shares	9% 2025 debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 575,000	762,737,471	$ 550,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz	9,000	1,168,971	9,000	1,168,971
Chief Financial Officer - M. Sabharwal	115,000	155,927,960	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	3,543,650	4,452,455,589	2,815,229	321,629,458
Herbert Abramson (b)	356,000	1,130,310,814	159,891	11,560,814
	$ 5,098,650	6,576,115,623	$ 4,149,120	530,896,455
Total issued and outstanding 9% 2025 debentures and common shares	$ 6,009,000	6,932,716,451	$ 6,009,000	878,948,414
% held by parties in tabulation	84.9%	94.9%	69.0%	60.4%

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

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

Economic Dependence

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

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

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

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The agreement is subject to automatic renewal thereafter for periods of one year unless terminated by either party upon 180 days written notice. Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. As of September 30, 2021 the company has utilized $451,000 of this facility. Either non-payment of interest on due dates, if not cured within time period stipulated in the agreement, or non-payment of overdraft facility (in the event it is not converted into either equity or quasi equity position in the company) would constitute an event of default and would be some, amongst certain other circumstances, where the loan payable is repayable on demand to Accord. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. The term of the agreement was due to expire April 30, 2019, was extended to April 30, 2020 and thereafter further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it. The company has a 10 year + relationship with Aeroplan.

General Risks and Uncertainties

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

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

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

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

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

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

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

The company's activities are funded by two sources of debt. The 9% 2025 debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% 2025 debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 8.80%, effective September 1, 2021 on loan payable. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During the three months September 30, 2021, the company incurred interest expense of $70,701 on utilization of loan payable. Had the interest rate, for the three months ended September 30, 2021 been 10% higher the interest expense on loan payable would have been $77,771, an increase of $7,070.

The company believes the MCA business is a growth industry because institutional lenders are not focused on independent merchants, the engines of significant economic activity. There are several competitors in the MCA space. Currently there is no legislation governing the MCA business. The company believes the transparency of its pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital. Competition, regulation, and the as yet undeterminable adverse impact of Covid-19 pandemic on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and in turn have a material effect on its revenue, costs, cash flows and profitability.

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

The Aeroplan program the company operates is its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2021. As of date hereof the two parties continue to work while discussing future terms and direction of their commercial relationship. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan and as of date hereof a payment plan is in place and the company is current with it. If the company cannot secure a renewal it could have a material effect on its revenues, liquidity position, ability to retain existing financial partners and or attract growth capital.

Under the Aeroplan program the company operates as a re-seller for Aeroplan and is dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on Air-Canada. Due to the current Covid-19 concerns and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currencies used in these programs could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

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

Canadian marketplace. The company believes its substantial client equity, proprietary systems, provide a strong platform for the company to compete effectively and respond to competition in Canada.

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to grow its MCA program in a competitive environment upon availability of capital; ability to raise growth capital; expectation of growth capital required and the timing of its raise; expectation of financial stability from expansion of MCA program; expectation of timing of financial stability phase; expectation of revenues if Covid-19 was not a factor; expectation of securing an agreement with Aeroplan; expectation of capital expenditures required to operate the business in the next twelve months; expectation of adequacy of reserve created for delinquent transaction credits; belief it has the ability to manage delinquencies consequent to Covid-19 pandemic and during growth mode; belief drivers of revenues across all programs are those set out in the Revenue section; belief it may be able to pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; expectation of completing, including its timing, the share consolidation process and commencement of trading of its common shares on CSE; expectation of uses of funds raised in the September 2021 financing; and other information regarding financial and business prospects and financial outlook is forward-looking information.

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

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

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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ADVANTEX

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

This management's discussion and analysis ("MD&A") has been prepared based on information available to Advantex Marketing International Inc. ("Advantex" or "the company") as at February 28, 2022. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three and six month periods ended December 31, 2021 compared to the three and six month periods ended December 31, 2020. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2021, and the interim consolidated financial statements and the related notes for the three and six months ended December 31, 2021 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

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

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

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased cash flows. The amount collected against the pre-purchased cash flows less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

In the loyalty marketing program the company is a re-seller of aeroplan points. Participating merchants are able to leverage a powerful currency – aeroplan points - to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan points. Advantex earns its revenue from selling aeroplan points, at an agreed price per aeroplan point.

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

The company has a decade old relationship with Aeroplan. The extension of the original multi-year agreement ended April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction (section Economic Dependence).

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

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

Outlook

The company believes its core business - MCA - is a growth industry because institutional lenders are not focused on independent merchants, even more so because of impact of Covid-19 pandemic. Independent merchants are the engines of significant economic activity and although there are several competitors in the MCA space the company believes its strategy of transparent and competitive pricing give it an ability to grow its MCA portfolio if it has access to growth capital.

Primarily due to Covid-19 pandemic, the company's MCA portfolio had declined significantly. Since the raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and as of date hereof it has about 130 merchants. The company believes with adequate capital it has the ability to initially go back to pre Covid pandemic level of about 250 merchants and expand beyond significantly thereafter. The $1.0 million the company raised in September 2021 was used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it can expand its MCA portfolio depends on the return of merchant business confidence and the availability of funds – after use to stabilize its financial position and for general corporate purposes - from the $1.0 million raise.. Return of merchant business confidence depends on the pace of roll back of public health restrictions, belief a return of restrictions is a low probability, and economic conditions. The growth of company's MCA portfolio is essential to bring financial stability.

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

The company believes it has the support of the primary holder of 9% non convertible debentures payable, evidenced by their investment in September 2021. The company believes it has the support of Accord, evidenced by extension of the term of the loan payable agreement to June 30, 2022, amongst other accommodations.

There is reason to be cautiously optimistic about Advantex's future. Several reasons to be optimistic - the Canadian economy is on the mend, a substantial number of Advantex's merchants although weakened by the

Covid-19 pandemic have survived, Advantex believes merchant cash advance is a growth industry because institutional lenders are not focused on independent merchants, even more so because of the Covid-19 pandemic. Caution comes from an uncertain economic environment, withdrawal of certain government Covid-19 pandemic support programs for individuals and businesses, Covid-19 continuing to be a cloud and these are likely to dampen consumer confidence and diminish Advantex's ability to raise additional growth capital.

Summary – Three and six months ended December 31, 2021

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

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

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

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

Q2 Fiscal 2022 compared to Q2 Fiscal 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transaction credits (net of provision for delinquent accounts) were about 95.2% of total assets at end of YTD Fiscal 2022 (YTD Fiscal 2021 84.9%). Transaction credits represent balance receivable of working capital advanced to merchants. Transaction credits, net of provision for delinquent accounts, were $4,869,486 at December 31, 2021. Company has been rebuilding its MCA portfolio – significantly reduced due to impact of Covid-19 on the company's financial position and on the economy – post raise of $1.0 million in September 2021. Transaction credits, net of provision for delinquent accounts, were $2,250,789 at December 31, 2020. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment and this is reflected in the December 31, 2020 position. Provision for delinquent accounts at December 31, 2021 $1,061,952 compared with $1,061,176 at December 31, 2020.

Loan payable of $5,250,429 at December 31, 2021 compares to $2,843,889 and reflects movement on transaction credits. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. The loan payable balance at December 31, 2021 and 2020 also includes amounts payable under the working capital overdraft provided by Accord (2021 $443,00 vs. 2020 $460,000). The loan payable balance at December 31, 2021 and 2020 primarily reflects the position in transaction credits at the end of the two periods.

Results of Operations

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

Extract from the Statement of Financial Position

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

The change in current assets primarily reflects increase in transaction credit, net of provision for delinquent accounts, of $3,142,823. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment. This outcome is reflected in $1,726,663 transaction credits at June 30, 2021. The company started to re-build its MCA portfolio post raise of $1.0 million in September 2021. This outcome is reflected in $4,869,486 transaction credits at December 31, 2021.

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

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

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

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

Extracts from the Statement of Cash Flow

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

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

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

During Q2 Fiscal 2022 and YTD Fiscal 2022 the primary item was increase in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During Q2 Fiscal 2021 and YTD Fiscal 2021 the significant item was the decrease in transaction credits, net of provision in delinquent accounts. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the Q2 Fiscal 2021 and YTD Fiscal 2021 decline in transaction credits.

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

Financing activities.

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

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

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three and six months ended December 31, 2021, and have been included to provide additional analysis for the reader.

Revenue

The company's revenues were derived from merchants participating in the MCA program, and the Aeroplan program which the company has been operating for about a decade.

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased cash flows. The amount collected against the pre-purchased cash flows less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

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

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

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

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

The revenue trends are provided in the tabulation.

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

MCA program

During both periods under review the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions.
Since the start of Covid-19 pandemic and until June – Aug 2021 the company reduced the collections from several merchants so as not to stress the merchants' cash flows. It also did not give significant additional advances during July and August 2021 of Fiscal 2022 and Q2 Fiscal 2021/YTD 2021 – both on account of diminished working capital availability and the credit environment. This led to reduction in transaction credits and participating merchants.

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

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

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

Aeroplan program

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

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

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

Average number of merchants about 100 during both periods.

Direct Expenses

MCA program

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

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

While the company believes it has adequate provision for delinquencies as at December 31, 2021, Covid-19 pandemic is a significant risk factor when assessing the collectability of transaction credits.

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

The company continued to monitor credit risk along above methodology during YTD Fiscal 2022.

Aeroplan program

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

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

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

Gross Profit

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

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

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

Selling Expenses

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

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

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

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

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

General and Administrative Expenses ("G&A")

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

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

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

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

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

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

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

Interest Expense

The interest expense is tabulated:

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

Stated interest cost was flat.

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

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

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

Net Profit/(Loss)

Highlights are tabulated:

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

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

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

Working Capital and Liquidity Management

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

Working Capital and Liquidity Management

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

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

During Q2 Fiscal 2022 and YTD Fiscal 2022 the primary item was increase in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During Q2 Fiscal 2021 and YTD Fiscal 2021 the significant item was the decrease in transaction credits, net of provision in delinquent accounts. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the Q2 Fiscal 2021 and YTD Fiscal 2021 decline in transaction credits.

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

Financing activities.

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

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

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

The company does not have the wherewithal to re-pay its legacy suppliers i.e. those providing services connected to CIBC/TD program which ended in fiscal year ended June 30, 2019 and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company either has or is negotiating payment plans in place with suppliers critical to ongoing operations.

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

The company's operations are funded by debt – loan payable and 9% 2025 debentures (sections Loan Payable, 9% Non-Convertible Debentures Payable). The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (section Economic Dependence), and access to additional working capital in the form of debt and or equity.

The $1.0 million the company raised in September 2021 was be used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it was able to expand its MCA portfolio depends on the return of merchant business confidence and the availability of funds – after use to stabilize its financial position and for general corporate purposes - from the recent money raise to expand MCA portfolio. Return of merchant business confidence depends on the pace of roll back of public health restrictions and belief a return of restrictions is a low probability. The growth of company's MCA portfolio is essential to bring financial stability.

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

<u>Going Concern</u>

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

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

2025 debentures (Section 9% Non convertible Debentures Payable); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

Contractual obligations as at December 31, 2021 were due as follow:

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

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

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

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

Loan Payable

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

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

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

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

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of December 31, 2021 the company has utilized $443,000 from this facility ($454,000 at June 30, 2021). The September 2021 agreement gave Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022.

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

Either non-payment of interest on due dates, if not cured within time period stipulated in the agreement, or non-payment of overdraft facility would constitute an event of default and would be some, amongst certain other circumstances, where the loan payable is repayable on demand to Accord.

The company had utilized $5.2 million of the facility at December 31, 2021 (at June 30, 2021 $2.4 million and at December 31, 2020 $2.8 million).

9% Non-convertible Debentures Payable

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

The company also received agreement from the holders of 9% debentures to extend the maturity date from December 31, 2021 to December 31, 2025. The 9% debentures were issued as 5,759 units (5,559 units in December 2017 and 200 units in October 2019) consisting of principal amount of $5,759,000 and 623,377,196 common shares of the company. Effective March 15, 2021 the 9% debentures were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. The unpaid interest from December 16, 2018 until March 14, 2021 on the 9% debentures together with interest on interest are due on maturity of 9% 2025 debentures. An additional feature of the 9% 2025 debentures is that the first year interest is deferred and is payable in eight equal instalments, with each instalment being added to each semi-annual interest payment payable after the first year through December 31, 2025, and the interest on interest will be added in the final interest payment.

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

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at March 31, 2021, June 30, 2021 and September 30, 2021. The company was offside of a financial covenant at December 31, 2021 and consequently the 9% 2025 debentures are treated as a current liability at December 31, 2021. The company shall be seeking a waiver to this event of default. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them.

The issuance of 9% 2025 debentures in March 2021 was considered a transaction with holders of 9% debentures in their capacity as shareholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures.

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

Summary of Quarterly Results

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

Capital Resources

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

Critical Accounting Estimates

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

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

Contingent liabilities

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

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding impact of Covid-19 and its interplay with uncertain economic environment in the foreseeable future, market for its programs, its ability to expand its existing MCA and Aeroplan programs, renewal of its agreement with Aeroplan, ability to reach and fulfil settlement accommodation with suppliers, expectation to secure waivers to defaults, continued access to existing sources of debt, ability to access additional sources of working capital in the form of either debt or equity to stabilize its financial situation and support growth of its core business, the MCA program.

The company's audited consolidated financial statements for year ended June 30, 2021, three months ended September 30, 2021, and three and six months ended December 31, 2021 carry a going concern note (note 2a, note 2, and note 2 respectively). The note is also carried in the Section Working Capital and Liquidity Management in this document.

Financial instruments – fair value

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

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

Credit risk

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

The company has certain business risks linked to the collection of its transaction credits.

Under the MCA program the company acquires the rights to cash flow from future cash flows at a discount from participating merchants ("transaction credits" on consolidated statement of financial position).

The majority of the transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants, there is a credit risk.

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

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

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

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

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

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

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

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

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

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

Stock Options

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

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

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

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

Restricted Share Unit Plan

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

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

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

Outstanding Share Data

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

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

Common shares:

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

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

Potentially Dilutive Securities

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

Related party transactions

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

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

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

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

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

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

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

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

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

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

Economic Dependence

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

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

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them. As at December 31, 2021 the company was offside a financial covenant and shall be seeking a waiver. The company has a 15 year + relationship with the principal holder of the 9% 2025 debentures and the principal holders invested $1,175,000 through 9% 2025 debentures in the company ($200,000 in March 2021 and $975,000 in September 2021) - section Related Party Transactions.

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The agreement is subject to automatic renewal thereafter for periods of one year unless terminated by either party upon 180 days written notice. Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. As of December 31, 2021 the company has utilized $443,000 of this facility. The September 2021 agreement gave Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord did not exercise this option, the overdraft would be repayable by the company in equal monthly instalments between January 2022 and June 2022. Either non-payment of interest on due dates, if not cured within time period stipulated in the agreement, or non-payment of overdraft facility (in the event it is not converted into either equity or quasi equity position in the company) would constitute an event of default and would be some, amongst certain other circumstances, where the loan payable is repayable on demand to Accord. In December 2021 Accord informed the company it would not exercise the conversion option. Accord deferred the start of the re-payment to April 1, 2022. The company and Accord are in discussions on a new re-payment plan. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. The term of the agreement was due to expire April 30, 2019, was extended to April 30, 2020 and thereafter further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it. The company has a 10 year + relationship with Aeroplan.

General Risks and Uncertainties

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

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

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

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

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

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

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

The company's activities are funded by two sources of debt. The 9% 2025 debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% 2025 debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 8.80%, effective September 1, 2021 on loan payable. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During the six months December 31, 2021, the company incurred interest expense of $195,087 on utilization of loan payable. Had the interest rate, for the six months ended December 31, 2021 been 10% higher the interest expense on loan payable would have been $214,596, an increase of $19,509.

The company believes the MCA business is a growth industry because institutional lenders are not focused on independent merchants, the engines of significant economic activity. There are several competitors in the MCA space. Currently there is no legislation governing the MCA business. The company believes the transparency of its pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital. Competition, regulation, and the as yet undeterminable adverse impact of Covid-19 pandemic on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and in turn have a material effect on its revenue, costs, cash flows and profitability.

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

The Aeroplan program the company operates is its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2021. As of date hereof the two parties continue to work while discussing future terms and direction of their commercial relationship. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan and as of date hereof a payment plan is in place and the company is current with it. If the company cannot secure a renewal it could have a material effect on its revenues, liquidity position, and ability to retain existing financial partners and or attract growth capital.

Under the Aeroplan program the company operates as a re-seller for Aeroplan and is dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on Air-Canada. Due to the current Covid-19 concerns and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currency used in this program could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to grow its MCA program in a competitive environment upon availability of capital; ability to raise growth capital; expectation of growth capital required and the timing of its raise; expectation of financial stability from expansion of MCA program; expectation of timing of achieving financial stability; expectation of revenues if Covid-19 was not a factor and impact of Covid-19 on economic activity, company's customers and the company; expectation of securing a waiver, to December 2021 default, from holders of 9% 2025 debentures; expectation of securing a financially reasonable payment plan, with respect to the working capital overdraft, with Accord; expectation of securing an agreement with Aeroplan; expectation of capital expenditures required to operate the business in the next twelve months; expectation of adequacy of reserve created for delinquent transaction credits; belief it has the ability to manage delinquencies consequent to Covid-19 pandemic and during growth mode; belief drivers of revenues across all programs are those set out in the Revenue section; belief it may be able to pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; expectation of securing approval to share consolidation from shareholders at the March 2022 meeting; expectation of completing, including its timing, the share consolidation process and commencement of trading of its common shares on CSE; expectation of uses of funds raised in the September 2021 financing; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable and holders of 9% 2025 debentures; securing a waiver to default from holders of 9% 2025 debentures;

securing a financially reasonable payment plan with respect to the working capital advance with Accord; renewal of its agreement with Aeroplan; its ability to access additional working capital in the form of debt and or equity to meet operational needs and to support the growth of the company; its expectation to timely raise growth capital; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

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

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three and nine month periods ended March 31, 2022 and 2021

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 19, 2022. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three and nine month periods ended March 31, 2022 compared to the three and nine month periods ended March 31, 2021. This MD&A should be read in conjunction with the company's audited consolidated financial statements and the related notes for the twelve months ended June 30, 2021, and the interim consolidated financial statements and the related notes for the three and nine months ended March 31, 2022 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

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

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

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future cash flows and company earns its revenue, per contract terms, as it collects against the pre-purchased cash flows. The amount collected against the pre-purchased cash flows less of revenue is applied to reduce the working capital advances. The balance of working capital advances given to the merchants, less of provision for delinquent accounts, is the transaction credits on the consolidated statement of financial position.

In the loyalty marketing program the company is a re-seller of aeroplan points. Participating merchants are able to leverage a powerful currency – aeroplan points - to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan points. Advantex earns its revenue from selling aeroplan points, at an agreed price per aeroplan point.

The company had been pursuing raise of capital to address the erosion of working capital and its continuity, and in March 2021 and in September 2021 it raised $250,000 and $1.0 million respectively by issuing 9% non convertible debentures payable (section 9% Non Convertible Debentures Payable). This was followed by raise of $150,000 in March 2022 by way of 9% non convertible debentures payable. The three funds raises were related party transactions (section Related Party Transactions) where the purchasers were led by the existing primary shareholder and primary holder of 9% non convertible debentures payable. The net proceeds from the $1.0 million and $150,000 raises were used to stabilize Advantex's financial position, fund re-build of its MCA business and for general corporate purposes. Soon after, in September 2021, the company and Accord Financial Inc. ("Accord") agreed to extend the term of their agreement, due to expire December 2021, to June 30, 2022.

In March 2022 the company and Accord agreed to extend the term of their agreement to July 31, 2024. Accord provides line of credit facility which the company utilizes to fund its MCA program (section Loan Payable).

The company has a decade old relationship with Aeroplan. The extension of the original multi-year agreement ended April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction (section Economic Dependence).

Covid-19 pandemic was the event driving three and nine months ended March 31, 2022 ("Q3 Fiscal 2022" and "YTD Fiscal 2022") and March 31, 2021 ("Q3 Fiscal 2021" and "YTD Fiscal 2021") financial performance. Covid-19 pandemic public health restrictions were rolled back almost completely across Canada during March 2022. Covid-19 pandemic had an adverse economic impact on Advantex's customer base and consequently this negatively affected Advantex's revenues from both programs, its earnings, and its financial position. During all periods under review the company's survival was dependent on its ability to adjust to the sharp decline in revenues and liquidity, support of its financial partners, receipt of government subsidies and re-build of its MCA portfolio post raise of $1.0 million in September 2021 and $150,000 in March 2022.

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

Outlook

The company believes its core business - MCA - is a growth industry because institutional lenders are not focused on independent merchants, even more so because of impact of Covid-19 pandemic 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.

Primarily due to Covid-19 pandemic, the company's MCA portfolio had declined significantly. Since the raise of $1.0 million in September 2021 the company started to re-build its MCA portfolio and as of date hereof it has about 130 merchants (up from about 80 at start of September 2021). The company believes with adequate capital it has the ability to initially go back to pre Covid pandemic level of about 250 merchants and expand beyond significantly thereafter. The $1.0 million and $150,000 the company raised in September 2021 and March 2022 was used to stabilize its financial position, fund re-build of its MCA business and for general corporate purposes. However, the pace at which it can expand its MCA portfolio depends on the return of merchant business confidence, the availability of funds from the September 2021 and March 2022 funds raises, and ability to raise growth capital. The growth of company's MCA portfolio is essential to bring financial stability.

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

The company is offside certain 9% non convertible debentures financial covenants at March 31, 2022 but believes it has the support of the primary holder of 9% non convertible debentures payable, evidenced by their investments in September 2021 and March 2022. The company believes it has the support of Accord, evidenced by extension of the term of the loan payable agreement to July 31, 2024, amongst other accommodations.

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

Summary – Three and nine months ended March 31, 2022

Three and nine months ended March 31, 2022 and corresponding periods in the previous year reflect the impact of Covid-19 pandemic.

The financial highlights for Q3 Fiscal 2022 and YTD Fiscal 2022 compared to corresponding periods in the previous year are summarized in the tabulation:

	Q3 Fiscal 2022	Q3 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Revenues				
MCA program	$ 337,150	$ 150,638	$ 788,576	$ 542,256
Aeroplan program	114,953	90,013	404,020	397,093
	$ 452,103	**$ 240,651**	**$ 1,192,596**	**$ 939,349**
(Loss) from operations before depreciation, amortization and interest	**$ (21,756)**	**$ (182,898)**	**$ (300,952)**	**$ (381,002)**
Net (loss) and Comprehensive (loss)	**$ (561,507)**	**$ (534,751)**	**$ (1,800,699)**	**$ (1,552,710)**

Income Statement – Q3 Fiscal 2022 and YTD Fiscal 2022 compared to Q3 Fiscal 2021 and YTD Fiscal 2021

Q3 Fiscal 2022 compared to Q3 Fiscal 2021

Q3 Fiscal 2022 revenues at $452,103 were up ($211,452) compared to Q3 Fiscal 2021 at $240,651. MCA revenue was up $186,512 compared to Q3 Fiscal 2021, reflecting re-build of MCA portfolio post raise of $1.0 million in September 2021. A small increase in Aeroplan revenue ($24,940) compared to Q3 Fiscal 2021 (Q3 Fiscal 2022 revenue of $114,953 compared to Q3 Fiscal 2021 of $90,013) reflected gradual improvement in activity at participating merchants.

The $184,776 increase in the company's Q3 Fiscal 2022 gross profit to $368,165 reflects improvement in higher margin MCA program revenues. MCA program Q3 Fiscal 2022 gross profit increased $187,838 (126.4%) to $336,498 and Aeroplan program Q3 Fiscal 2022 gross profit was modestly down $3,062 (8.8%) to $31,667.

Selling expenses at $182,396 were $15,668 higher, a modest 9.4% increase compared to revenue increase of 87.9%.

General & Administrative ("G&A") at $207,525 were $7,966 higher, a modest 4.0% increase compared to revenue increase of 87.9%. This is an outcome primarily of two off-setting matters. The compensation for back office staff at $115,853 was $71,537 lower compared to Q3 Fiscal 2021; reflecting a lower headcount. The offset was lower ($102,953) federal wage and rent subsidies received by the company (Q3 Fiscal 2022 $29,632 compared to Q3 Fiscal 2021 $132,585).

Q3 Fiscal 2022 reflects a loss from operations before depreciation, amortization and interest of $21,756. Q3 Fiscal 2021 reflects loss from operations before depreciation, amortization and interest of $182,898. The significant improvement of $161,142 reflects the improvement in revenues and cost control despite receipt of lower federal wage and rent subsidies.

Q3 Fiscal 2022 stated interest cost at $338,629 was higher by $133,379 compared to Q3 Fiscal 2021. The increase reflects higher interest paid - $68,022 - on loan payable (Q3 Fiscal 2022 $139,600 compared with Q3 Fiscal 2021 at $71,578) which is primarily a reflection of higher utilization of loan payable, consequent to re-build of MCA portfolio post $1.0 million raise in September 2021. 9% non convertible debenture interest at $199,029 is higher - $65,357 - (Q3 Fiscal 2022 $199,029 compared with $133,672 for Q3 Fiscal 2021) reflecting higher principal ($7,009,000 from January 1, 2022 to March 23, 2022 and $7,159,000 from March 24, 2022 compared with $5,759,000 from January 1, 2021 until March 13, 2021 and $6,009,000 from March 14, 2021), and during Q3 Fiscal 2022 interest on unpaid interest

Q3 Fiscal 2022 non cash interest at $201,121 was higher by $65,890 compared to corresponding period in the previous year. Primarily due to changes in accretion charges and restructuring bonus relating to 9% non convertible debentures payable for Q3 Fiscal 2022 compared to corresponding period in the previous year. These changes reflect amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable in March 2021, September 2021 and March 2022.

The depreciation for right of use asset was lower (Q3 Fiscal 2022 $nil compared to $11,372 for Q3 Fiscal 2021) reflecting write-off of asset at June 30, 2021 due to its impairment.

The above factors are reflected in a higher net loss. Q3 Fiscal 2022 $561,507 compared to $534,751 for Q3 Fiscal 2021.

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

YTD Fiscal 2022 revenues at $1,192,596 were up ($253,247) compared to YTD Fiscal 2021 at $939,349. MCA revenue was up $246,320 compared to YTD Fiscal 2021, reflecting re-build of MCA portfolio post raise of $1.0 million in September 2021. A small increase in Aeroplan revenue ($6,927) compared to YTD Fiscal 2021 (YTD Fiscal 2022 revenue of $404,020 compared to YTD Fiscal 2021 of $397,093) reflected gradual improvement in activity at participating merchants.

The $264,124 increase in the company's YTD Fiscal 2022 gross profit to $889,619 reflects improvement in higher margin MCA program revenues. MCA program YTD Fiscal 2022 gross profit increased $314,465 (67.3%) to $782,001 and Aeroplan program Fiscal 2022 gross profit was down $50,341 (31.9%) to $107,618.

Selling expenses at $483,470 were $59,782 higher, a 14.1% increase compared to revenue increase of 27.0%.

General & Administrative ("G&A") at $707,101 were $124,292 higher, a 21.3% increase compared to revenue increase of 27.0%. This is an outcome primarily of two off-setting matters. The compensation for back office staff at $530,081 was $122,055 lower compared to YTD Fiscal 2021; reflecting a lower headcount. In addition YTD Fiscal 2022 reflects the extinguishment of a portion of vacation dues of CEO and CFO. The CEO and CFO were issued 10,018,037 common shares in lieu of a part of their vacation dues ($35,063) in September 2021. The offset was lower ($245,333) federal wage and rent subsidies received by the company (YTD Fiscal 2022 $139,753 compared to YTD Fiscal 2021 $385,086).

YTD Fiscal 2022 reflects a loss from operations before depreciation, amortization and interest of $300,952. YTD Fiscal 2021 reflects loss from operations before depreciation, amortization and interest of $381,002. The significant improvement of $80,050 reflects the improvement in revenues and cost control despite receipt of lower federal wage and rent subsidies.

YTD Fiscal 2022 stated interest cost at $906,277 was higher by $229,062 compared to YTD Fiscal 2021. The increase reflects higher interest paid - $51,715 - on loan payable (YTD Fiscal 2022 $334,687 compared with YTD Fiscal 2021 at $282,972) which is primarily a reflection of higher utilization of loan payable, consequent to re-build of MCA portfolio post $1.0 million raise in September 2021. 9% non convertible debenture interest at $571,590 is higher - $177,347 - (YTD Fiscal 2022 $571,590 compared with $394,243 for YTD Fiscal 2021) reflecting higher principal ($6,009,000 from July 1, 2021 until September 6, 2021, $7,009,000 from September 7, 2021 to March 23, 2022 and $7,159,000 from March 24, 2022 compared with $5,759,000 from July 1, 2021 until March 13, 2021 and $6,009,000 from March 14, 2021), and during YTD Fiscal 2022 interest on unpaid interest

YTD Fiscal 2022 non cash interest at $593,470 was higher by $133,095 compared to corresponding period in the previous year. Primarily due to changes in accretion charges and restructuring bonus relating to 9% non convertible debentures payable for YTD Fiscal 2022 compared to corresponding period in the previous year. These changes reflect amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable in March 2021, September 2021 and March 2022.

The depreciation for right of use asset was lower (YTD Fiscal 2022 $nil compared to $34,118 for YTD Fiscal 2021) reflecting write-off of asset at June 30, 2021 due to its impairment.

The above factors are reflected in a higher net loss. YTD Fiscal 2022 $1,800,699 compared to $1,552,710 for YTD Fiscal 2021.

<u>Balance Sheet – March 31, 2022 compared to March 31, 2021</u>

Transaction credits (net of provision for delinquent accounts) were about 96.0% of total assets at end of YTD Fiscal 2022 (YTD Fiscal 2021 87.7%). Transaction credits represent balance receivable of working capital advanced to merchants. Transaction credits, net of provision for delinquent accounts, were $4,492,442 at March 31, 2022 and at March 31, 2021 $2,092,782. Company has been rebuilding its MCA portfolio – significantly reduced due to impact of Covid-19 on the company's financial position and on the economy – post raise of $1.0 million in September 2021 and $150,000 in March 2022. Transaction credits, net of provision for delinquent accounts, were $2,092,782 at March 31, 2021. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment and this is reflected in the March 31, 2021 position. Provision for delinquent accounts at March 31, 2022 $1,061,952 compared with $1,062,175 at March 31, 2021.

Loan payable of $4,833,893 at March 31, 2022 compares to $2,719,782 and reflects movement on transaction credits. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. The loan payable balance at March 31, 2022 and 2021 also includes amounts payable under the working capital overdraft provided by Accord (2022 $438,00 vs. 2021 $460,000). The loan payable balance at March 31, 2022 and 2021 primarily reflects the position in transaction credits at the end of the two periods.

The 9% non convertible debenture payable at March 31, 2022 reflect the additional $1.0 million and $150,000 issued in September 2021 and March 2022. Principal balance of 9% non convertible debentures payable at March 31, 2022 $7,159,000. $250,000 9% non convertible debenture payable issued in March 2021 and the principal balance at March 31, 2021 $6,009,000.

Results of Operations

	Q3 Fiscal 2022	Q3 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Revenue	**$ 452,103**	**$ 240,651**	**$ 1,192,596**	**$ 939,349**
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	83,286	55,284	296,402	239,134
Direct Expenses - Expense for provision against delinquent accounts, credit/collection expense	652	1,978	6,575	74,720
Gross profit	**$ 368,165**	**$ 183,389**	**$ 889,619**	**$ 625,495**
Selling and General & Administrative	389,921	366,287	1,190,571	1,006,497
(Loss) from operations before depreciation, amortization, interest	**$ (21,756)**	**$ (182,898)**	**$ (300,952)**	**$ (381,002)**
Cash interest on loan payable and debentures	338,629	205,250	906,277	677,215
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (360,385)**	**$ (388,148)**	**$ (1,207,229)**	**$ (1,058,217)**
Interest - Lease	1,201	3,090	5,065	10,582
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	199,920	132,141	588,405	449,793
Depreciation of right of use asset	-	11,372	-	34,118
Net (loss) and comprehensive (loss)	**$ (561,507)**	**$ (534,751)**	**$ (1,800,699)**	**$ (1,552,710)**
Basic and Diluted (loss) per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

	At March 31, 2022	At June 30, 2021	Increase/ (Decrease)
	$	$	$
Current assets	$ 4,677,580	$ 1,946,034	$ 2,731,546
Total assets	$ 4,677,580	$ 1,946,034	$ 2,731,546
Shareholders' deficiency	$ (9,365,836)	$ (8,012,127)	$ 1,353,709

The change in current assets primarily reflects increase in transaction credit, net of provision for delinquent accounts, of $2,765,779. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment. This outcome is reflected in $1,726,663 transaction credits at June 30, 2021. The company started to re-build its MCA portfolio post raise of $1.0 million in September 2021 and $150,000 in March 2022. This outcome is reflected in $4,492,442 transaction credits at March 31, 2022. Transaction credits account for 96.0% and 88.7% of total assets at March 31, 2022 and June 30, 2021 respectively. The provision for delinquent accounts at March 31, 2022 and June 30, 2021 was $1,061,852 and $1,061,295 respectively.

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

On the current liabilities side, the one change is on account of loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance at March 31, 2022 of $4,833,893 also includes amounts payable under the working capital overdraft of $438,000 provided by Accord. The loan payable balance at June 30, 2021 of $2,387,439 (which includes working capital overdraft of $460,000) primarily reflects the position in transaction credits at the end of the two periods.

In addition, current liabilities reflect 9% non convertible debentures ("9% 2025 debentures"). The 9% non convertible debenture payable at March 31, 2022 reflect the additional $1.0 million and $150,000 issued in September 2021 and March 2022. The accounting treatment – disclosure as current liability - at March 31, 2022 reflects the company being off side financial covenants at March 31, 2022. At June 30, 2021 reflected as long term liability.

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

Extracts from the Statement of Cash Flow

	YTD Fiscal 2022	YTD Fiscal 2021	Change
	$	$	$
Net (loss)	$ (1,800,699)	$ (1,552,710)	$ (247,989)
Adjustments for non cash expenses	1,165,060	888,736	276,324
(Loss) after adjustments for non cash expenses	$ (635,639)	$ (663,975)	$ 28,335
Changes in working capital	(2,805,957)	2,101,955	(4,907,912)
Net cash generated from/(used in) financing activities	3,452,583	(1,500,402)	4,952,985
Net cash generated from/(used in) operations	$ 10,987	$ (62,422)	$ 73,408
Cash at start of year	$ 82,606	$ 166,601	$ (83,995)
Cash at end of year	$ 93,593	$ 104,179	$ (10,587)

Adjustments for non cash expenses. A significant item for YTD Fiscal 2022 is accrued and unpaid 9% non convertible debentures payable interest $571,590 (YTD Fiscal 2021 $394,243). Furthermore, charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable for YTD Fiscal 2022 were $577,974 compared to $436,486 in corresponding period in the previous year.

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

During YTD Fiscal 2022 the primary item was increase in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 and $150,000 in March 2022 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During YTD Fiscal 2021 the significant item was the decrease in transaction credits, net of provision in delinquent accounts. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the YTD Fiscal 2021 decline in transaction credits.

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

Financing activities.

YTD Fiscal 2022 reflects raise of $1.15 million gross proceeds via issuance of 9% 2025 debentures. YTD Fiscal 2021 reflects raise of $250,000 gross proceeds via issuance of 9% 2025 debentures. The 9% 2025 debentures is source of general working capital.

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

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

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three and nine months ended March 31, 2022, 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 significant factor adversely impacting revenues of both periods was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 337,150	$ 150,638	123.8%	$ 788,576	$ 542,256	45.4%
Aeroplan program	114,953	90,013	27.7%	404,020	397,093	1.7%
	$ 452,103	**$ 240,651**	**87.9%**	**$ 1,192,596**	**$ 939,349**	**27.0%**

<u>MCA program</u>

During both periods under review the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions.

Since the start of Covid-19 pandemic and until June – August 2021 the company reduced the collections from several merchants so as not to stress the merchants' cash flows. It also did not give significant additional advances during Q3 Fiscal 2021 and YTD Fiscal 2021 – both on account of diminished working capital availability and the credit environment. This led to reduction in transaction credits and participating merchants.

With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards (which were re-imposed in December 2021 and gradually eased until virtually totally lifted by March 2022) and availability of capital upon raise of $1.0 million in September 2021 and $150,000 in March 2002 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic; a gradual re-build process which slowed down during the re-instatement of public health restrictions in December 2021.

The slowdown in contracted collections, primarily during YTD Fiscal 2021 (a few merchants continue to be on softer payments since start of pandemic until March 31, 2022) in addition to below tabulated change in transaction credits and participating merchants are reflected in the higher Q3 Fiscal 2022 and YTD Fiscal 2022 revenues compared to corresponding periods in the previous year.

	Q3 Fiscal 2022	Q3 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
Average Transaction credits (net of provision for delinquent accounts) during the period	$ 4,619,411	$ 1,904,807	$ 3,573,541	$ 2,640,761
Average # of merchants during the period	127	88	105	115

Aeroplan program

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

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
Re-seller	$ 114,953	$ 90,013	27.7%	$ 404,020	$ 397,093	1.7%
	$ 114,953	**$ 90,013**	**27.7%**	**$ 404,020**	**$ 397,093**	**1.7%**

The revenues for the two YTD periods are comparable. The individual quarters within the two YTD periods reflect the timing and severity of the pandemic public health restrictions and revenues from one of the larger wholesale accounts; $88,000 in July 2021 compared to $74,000 in October 2020.

Average number of merchants about 100 during both periods.

Direct Expenses

MCA program

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

	Q2 Fiscal 2022	Q2 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Provision for delinquencies	$ -	$ -	$ -	$ 67,500
Credit/collection expense	652	1,978	6,575	7,220
	$ 652	$ 1,978	$ 6,575	$ 74,720

While the company believes it has adequate provision for delinquencies as at March 31, 2022, the after effects of Covid-19 pandemic are a risk factor when assessing the collectability of transaction credits.

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

The company continued to monitor credit risk along above methodology during YTD Fiscal 2022.

Aeroplan program

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

Direct cost is primarily attributable to the mix of gross margins the company earns from transacting merchants. The revenue activity in Q3 Fiscal 2022 and YTD Fiscal 2022 is proportionality more from the larger accounts which enjoy better rates and have had relatively more aeroplan transaction vs. smaller merchants compared to Q3 Fiscal 2021 and YTD Fiscal 2021.

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenue	$ 114,953	$ 90,013	27.7%	$ 404,020	$ 397,093	1.7%
Direct Expenses - Loyalty rewards	$ 83,286	$ 55,284	50.7%	296,402	239,134	23.9%

Gross Profit

The improvement in the gross profit is primarily due to increase in MCA program revenues and the lower MCA program direct expense in Q3 Fiscal 2022 and YTD Fiscal 2022 – see Direct Expenses. MCA program is a higher margin activity – see tabulation in this section.

Aeroplan YTD gross margin for YTD Fiscal 2022 of 26.6% - see tabulation in this section - is tracking the trend of six months ended December 31, 2021 gross margin at 26.3%. Cost of sales explained in section Direct Expenses.

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 337,150	$ 150,638	123.8%	$ 788,576	$ 542,256	45.4%
Aeroplan program	114,953	90,013	27.7%	404,020	397,093	1.7%
	$ 452,103	**$ 240,651**	**87.9%**	**$ 1,192,596**	**$ 939,349**	**27.0%**

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	%	$	$
Gross Profit					
MCA program	$ 336,498	$ 148,660	126.4%	$ 782,001	$ 467,536
Aeroplan program	31,667	34,729	-8.8%	107,618	157,959
	$ 368,165	**$ 183,389**	**100.8%**	**$ 889,619**	**$ 625,495**
Company gross margin	**81.4%**	**76.2%**		**74.6%**	**66.6%**
MCA program gross margin				99.2%	86.2%
Aeroplan program gross margin				26.6%	39.8%

Selling Expenses

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

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

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

All periods reflect sales staff receiving, since April 1, 2020, 85% of their pre pandemic remuneration. The cost saving measure was implemented to address some of the financial impact of Covid -19 pandemic on the company. The cost assistance in YTD Fiscal 2022 and YTD Fiscal 2021 from Canada Emergency Wage Subsidy ("CEWS") and in YTD Fiscal 2022 the Hardest Hit Business Recovery Program Wage Subsidy for sales and administration staff is reflected in G&A (Section G&A). But for lay-offs of some sales staff during YTD 2021 the remuneration for all periods are comparable.

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues	**$ 452,103**	**$ 240,651**	**87.9%**	**$ 1,192,596**	**$ 939,349**	**27.0%**
Selling expenses						
Remuneration/expenses of sales staff	$ 128,101	$ 102,434	25.1%	$ 393,624	$ 349,296	12.7%
Remuneration/expenses of Aeroplan Sales-Admin	50,468	52,349		50,468	52,349	
Web marketing for MCA program	-	-		31,275	-	
All other	3,827	11,945		8,103	22,043	
	$ 182,396	**$ 166,728**	**9.4%**	**$ 483,470**	**$ 423,688**	**14.1%**
Remuneration/expenses as % of selling expenses	97.9%	92.8%		91.9%	94.8%	

General and Administrative Expenses ("G&A")

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

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

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

The cost assistance in YTD Fiscal 2022 and YTD Fiscal 2021 from Canada Emergency Wage Subsidy ("CEWS") and in YTD Fiscal 2022 the Hardest Hit Business Recovery Program Wage Subsidy for sales and administration staff is reflected in G&A.

Federal pandemic related rent subsidy is reflected in G&A.

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

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

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues	**$ 452,103**	**$ 240,651**	**87.9%**	**$ 1,192,596**	**$ 939,349**	**27.0%**
G&A						
Compensation for non-sales staff, directors, and including staff travel	$ 166,322	$ 239,739		$ 580,549	$ 704,485	
Remuneration/expenses of Aeroplan Sales-Admin	(50,468)	(52,349)		(50,468)	(52,349)	
	115,853	187,390		530,081	652,136	
Directors fees	16,250	16,250		48,750	32,500	
Extinguishment of part of vacation pay dues of CEO and CFO	-	-		(35,063)	-	
Wage subsidy - for sales and non-sales staff	(26,926)	(105,260)		(114,639)	(335,480)	
Rent subsidy	(2,706)	(27,325)		(25,114)	(49,606)	
All other G&A expenses	105,054	128,504		303,086	283,259	
	$ 207,525	**$ 199,559**	**4.0%**	**$ 707,101**	**$ 582,809**	**21.3%**
G&A Excluding wage and rent subsidies and Extinguishment of part of vacation pay	**$ 237,157**	**$ 332,144**	**-28.6%**	**$ 881,917**	**$ 967,895**	**-8.9%**

Interest Expense

The interest expense is tabulated:

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Stated ("Cash") interest expense						
Loan payable	$ 139,600	$ 71,578	95.0%	$ 334,687	$ 282,972	18.3%
9% non convertible debentures payable	199,029	133,672	48.9%	571,590	394,243	45.0%
	$ 338,629	$ 205,250	65.0%	$ 906,277	$ 677,215	33.8%
Non-cash interest expense						
Interest - Lease	$ 1,201	$ 3,090		$ 5,065	$ 10,582	
Accretion charge on 9% non convertible debentures payable	177,944	74,393		524,215	248,797	
Restructuring bonus on 9% non convertible debentures payable	17,505	53,834		53,759	187,689	
Amortization of transaction costs on 9% non convertible debentures payable	4,471	3,914		10,431	13,307	
	$ 201,121	$ 135,231	48.7%	$ 593,470	$ 460,375	28.9%
Total interest expense	**$ 539,750**	**$ 340,481**	**113.7%**	**$ 1,499,747**	**$ 1,137,590**	**31.8%**

Stated interest cost was higher in Q3 Fiscal 2022 and YTD Fiscal 2022 compared to corresponding periods in the previous year.

- Interest paid on loan payable was higher in Q3 Fiscal 2022 reflecting primarily higher utilization of loan payable (average during Q3 Fiscal 2022 was $5.0 million compared to $2.6 million during Q3 Fiscal 2021) offset by savings from lower interest rate effective September 2021 (see section Loan Payable). Similarly YTD Fiscal 2022 was higher compared to YTD Fiscal 2021 reflecting primarily higher utilization of loan payable (average during YTD Fiscal 2022 $3.9 million compared to YTD Fiscal 2021 $3.3 million). Movement in loan payable primarily reflects movement on transaction credits. Loan payable funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%.
- Interest on 9% non convertible debentures payable is higher due to two factors. Firstly, the principal amount during Q3 Fiscal 2022 and YTD Fiscal 2022 was higher compared to Q3 Fiscal 2021 and YTD Fiscal 2021 (YTD Fiscal 2021 - $5,759,000 from July 1, 2020 until March 14, 2021 and $6,009,000 thereafter. YTD Fiscal 2022 - $6,009,000 from July 1, 2021 until September 6, 2021, $7,009,000 from September 7, 2021 until March 23, 2022 and $7,159,000 thereafter) Secondly, Q3 Fiscal 2022 and YTD Fiscal 2022 reflects $41,064 and $113,402 respectively of interest on unpaid 9% non convertible debentures payable interest (Q3 Fiscal 2021 and YTD Fiscal 2021 $nil). The company has not paid interest since December 16, 2018. Refer to section 9% Non Convertible Debentures Payable for details.

Q3 Fiscal 2022 and YTD Fiscal 2022 non cash interest was higher compared to corresponding periods in the previous year. Changes in accretion charges and restructuring bonus relating to 9% non convertible debentures payable for Q3 Fiscal 2022 and YTD Fiscal 2022 compared to corresponding periods in the previous year reflect amendment of terms in March 2021 of 9% non convertible debentures payable, raise of additional 9% non convertible debentures payable of $250,000, $1.0 million and $150,000 in March 2021, September 2021 and March 2022 respectively.

Net Profit/(Loss)

Highlights are tabulated:

	Q3 Fiscal 2022	Q3 Fiscal 2021	Inc./(Dec)	YTD Fiscal 2022	YTD Fiscal 2021	Inc./(Dec)
	$	$	%	$	$	%
Revenues	$ 452,103	$ 240,651	87.9%	$ 1,192,596	$ 939,349	27.0%
Gross profit	$ 368,165	$ 183,389	100.8%	$ 889,619	$ 625,495	42.2%
(Loss) from operations before depreciation, amortization and interest	$ (21,756)	$ (182,898)	-88.1%	$ (300,952)	$ (381,002)	-21.0%
Net (loss) and Comprehensive (loss)	$ (561,507)	$ (534,751)	5.0%	$ (1,800,699)	$ (1,552,710)	16.0%
Basic and Diluted loss per share	$ (0.00)	$ (0.00)		$ (0.00)	$ (0.00)	

Covid-19 pandemic was the event driving financial performance in all periods under review. Covid-19 pandemic had an adverse economic impact on Advantex's customer base and consequently this negatively affected Advantex's revenues from MCA and Aeroplan programs and its earnings. The Company started to re-build its MCA program portfolio after the raise of $1.0 million in September 2021. Although the public health restrictions were re-introduced the September 2021 raise coincided with a general easing of restrictions.

The detailed analysis of the above tabulated items is provided in Sections - *Income Statement – Q3 Fiscal 2022 compared to Q3 Fiscal 2021 and YTD Fiscal 2022 compared to YTD Fiscal 2021,* and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Working Capital and Liquidity Management

	Q3 Fiscal 2022	Q3 Fiscal 2021	YTD Fiscal 2022	YTD Fiscal 2021
	$	$	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs				
Net (loss)	$ (561,507)	$ (534,751)	$ (1,800,699)	$ (1,552,710)
Adjustments for non cash expenses	400,150	280,275	1,165,060	888,736
(Loss) after adjustment for non cash expenses	(161,357)	(254,476)	(635,639)	(663,975)
Cash balances at start of the period	148,148	39,585	82,606	166,601
Increase/(Decrease) in loan payable	(416,536)	(124,107)	2,446,454	(1,649,224)
Net proceeds from raise of 9% non convertible debentures payable	141,885	187,075	1,064,384	187,075
Proceeds from loan - Canada Emergency Business Account	-	-	-	20,000
Increase in accounts receivable	3,254	150,339	43,135	40,347
	$ (284,606)	**$ (1,584)**	**$ 3,000,940**	**$ (1,899,176)**
Utilization of funds				
Cash balances at end of periods	$ 93,593	$ 104,180	$ 93,593	$ 104,180
Increase/(Decrease) in transaction credits	(377,044)	(158,007)	2,765,779	(1,831,135)
Decrease/(Increase) in accounts payable & accrued liabilities	(17,904)	43,839	85,398	(218,063)
Changes in all other working capital items	(2,669)	(11,012)	(2,085)	(12,410)
Change in other financing items	19,418	19,416	58,255	58,253
	$ (284,606)	**$ (1,584)**	**$ 3,000,940**	**$ (1,899,175)**

Working Capital and Liquidity Management

Adjustments for non cash expenses. A significant item for YTD Fiscal 2022 is accrued and unpaid 9% non convertible debentures payable interest $571,590 (YTD Fiscal 2021 $394,243). Furthermore, charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable for YTD Fiscal 2022 were $577,974 compared to $436,486 in corresponding period in the previous year.

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

During YTD Fiscal 2022 the primary item was increase in transaction credits, net of provision for delinquent accounts. With the gradual easing of Covid-19 pandemic public health restrictions commencing late June 2021 onwards and availability of capital upon raise of $1.0 million in September 2021 and $150,000 in March 2022 the company started to re-build its MCA portfolio and arrest the continuing decline in the MCA portfolio since the start of the Covid-19 pandemic. During YTD Fiscal 2021 the significant item was the decrease in transaction credits, net of provision in delinquent accounts. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the YTD Fiscal 2021 decline in transaction credits.

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

Financing activities.

YTD Fiscal 2022 reflects raise of $1.15 million gross proceeds via issuance of 9% 2025 debentures. YTD Fiscal 2021 reflects raise of $250,000 gross proceeds via issuance of 9% 2025 debentures. The 9% 2025 debentures is source of general working capital.

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

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

The company does not have the wherewithal to re-pay its legacy suppliers i.e. those providing services connected to CIBC/TD program which ended in fiscal year ended June 30, 2019 and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company either has or is negotiating payment plans in place with suppliers critical to ongoing operations.

Cash balances at the end of periods reflect cash (used) by operations [(loss) after adjustment for non cash expenses – see above tabulation], payments of accounts payable, collection of transaction credits, deployment of advances with merchants, raise of $1.0 million in September 2021 and $150,000 in March 2022 by issuance of 9% 2025 debentures, and general corporate purposes.

The company's operations are funded by debt – loan payable and 9% 2025 debentures (sections Loan Payable, 9% Non-Convertible Debentures Payable). The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (section Economic Dependence), and access to additional working capital in the form of debt and or equity.

The $1.0 million the company raised in September 2021 and $150,000 in March 2022 was be used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it was able to expand its MCA portfolio depends on the return of merchant business confidence and the availability of funds – after use to stabilize its financial position and for general corporate purposes - from the money raised in YTD Fiscal 2022 to expand MCA portfolio. The return of merchant business confidence and the company's ability to raise growth capital are matters of uncertainty given the prevailing economic environment. The growth of company's MCA portfolio is essential to bring financial stability.

As of March 31, 2022 the company does not have any off balance sheet financing arrangements.

Going Concern

The consolidated financial statements for the three and nine months ended March 31, 2022 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 $9,365,856 and negative working capital of $9,365,856 as at March 31, 2022. The company is in breach of certain 9% non convertible debentures payable financial covenants at March 31, 2022 and as of date hereof does not have a waiver to this event of default. During the period ended March 31, 2022 the company closed two financings (notes 7 and 10 to the consolidated financial statements), $1.0 million in September 2021 and $150,000 in March 2022. The pandemic has created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to: 1) loan payable (note 6 to the consolidated financial statements) which supports the company's merchant cash advance program, and 2) general working capital provided by 9% non convertible debentures payable (note 7 to the consolidated financial statements); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

Contractual obligations as at March 31, 2022 were due as follow:

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 4,833,893	$ 4,833,893	$ -	$ -
9% 2025 debentures *		7,159,000	-	-	7,159,000
Canada Emergency Business Account		60,000	-	60,000	-
Head office lease		31,489	31,489	-	-
		$ 12,084,382	**$ 4,865,382**	**$ 60,000**	**$ 7,159,000**

* Maturity December 31, 2025. Because off-side financial covenants at March 31, 2022, disclosed as current liability in consolidated financial statements

In addition, there are contractual obligations to holders of 9% 2025 debenture payable on maturity date December 31, 2025: interest of $1,150,382 payable for the period December 16, 2018 to March 14, 2021, restructuring bonus of $1,288,620, interest on 1) unpaid interest to March 14, 2021 and 2) deferred 9% 2025 first year interest, of $742,148. During the term of the 9% 2025 debentures maturing December 31, 2025 the company has a contractual obligation to pay stated interest at 9% of $3,035,397.

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

Loan Payable

The Loan payable is a line of credit facility provided by Accord Financial Inc. ("Accord"), and was established in December 2007.

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

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 which was equivalent to the prime rate of a certain Canadian bank plus 9.05% during period January 1, 2018 until August 31, 2021 to prime rate of a certain Canadian bank plus 8.80%, and 3) give Accord the option to convert the overdraft facility (described later in this section) into an equity or quasi equity investment on to be agreed terms and conditions. If Accord did not exercise this option, the overdraft would be repayable by the company in equal monthly instalments between January 2022 and June 2022.

In December 2021 Accord informed the company it would not exercise the conversion option. Accord deferred the start of the re-payment to April 1, 2022.

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.

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of March 31, 2022 the company has utilized $438,000 from this overdraft facility (June 30, 2021 $454,000).

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.

Either non-payment of interest on due dates, if not cured within time period stipulated in the agreement, or non-payment of overdraft facility would constitute an event of default and would be some, amongst certain other circumstances, where the loan payable is repayable on demand to Accord.

The company had utilized $4.8 million of the facility at March 31, 2022 (at June 30, 2021 $2.4 million and at March 31, 2021 $2.7 million).

9% Non-convertible Debentures Payable

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

The company also received agreement of the 9% debentures holders to extend their maturity date from December 31, 2021 to December 31, 2025. The 9% debentures were issued as 5,759 units (5,559 units in December 2017 and 200 units in October 2019) consisting of principal amount of $5,759,000 and 623,377,196 common shares of the company. Effective March 15, 2021 the 9% debentures were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. The unpaid interest from December 16, 2018 until March 14, 2021 on the 9% debentures together with interest on interest are due on maturity of 9% 2025 debentures. An additional feature of the 9% 2025 debentures is that the first year interest is deferred and is payable in eight equal instalments, with each instalment being added to each semi-annual interest payment payable after the first year through December 31, 2025, and the interest on interest will be added in the final interest payment.

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

On March 24, 2022 the company issued 9% 2025 debentures for gross proceeds of $150,000. The financing was a related party transaction (section Related Party Transactions) and as described in that section in March 2022, 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 March 31, 2021, June 30, 2021, and September 30, 2021. The company was offside of a financial covenant at December 31, 2021. The company is offside two of the three financial covenants at March 31, 2022. Consequently the 9% 2025 debentures are treated as a current liability at December 31, 2021 and March 31, 2022. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them. The company shall be seeking a waiver to the default at December 31, 2021 and March 31, 2022.

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

The fair value of the $1.0 million 9% 2025 debentures issued in September 2021 was determined to be $597,275 based on a discounted cash flow of the interest and principal obligations of the 9% 2025 debentures. As a result, a gain of $402,725 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency in the consolidated financial statements for three and nine months ended March 31, 2022).

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, a gain of $44,265 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency in the consolidated financial statements for three and nine months ended March 31, 2022).

Summary of Quarterly Results

In millions of dollars, except per share amounts						
12 month period ended March 31, 2022						
		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%	24.9%	25.0%	31.3%	100.0%
Net (loss)		(0.6)	(0.6)	(0.7)	(0.6)	(2.5)
(Loss) per share - Basic and Diluted		-	-	-		-
12 month period ended March 31, 2021						
		Q4	Q1	Q2	Q3	Total
		Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	
		$	$	$	$	$
Revenues		0.2	0.3	0.4	0.2	1.1
% of annual revenues		18.1%	27.3%	36.4%	18.2%	100.0%
Net (loss)		(0.9)	(0.5)	(0.5)	(0.5)	(2.4)
(Loss) per share - Basic and Diluted		-	-	-	-	-

Capital Resources

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

Critical Accounting Estimates

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

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

Contingent liabilities

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

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding impact of Covid-19 and its interplay with uncertain economic environment in the foreseeable future, market for its programs, its ability to expand its existing MCA and Aeroplan programs, renewal of its agreement with Aeroplan, ability to reach and fulfil settlement accommodation with suppliers, expectation to secure waivers to defaults, continued access to existing sources of debt, ability to access additional sources of working capital in the form of either debt or equity to stabilize its financial situation and support growth of its core business, the MCA program.

The company's audited consolidated financial statements for year ended June 30, 2021, three months ended September 30, 2021, three and six months ended December 31, 2021, and three and nine months ended March 31, 2022 carry a going concern note (note 2a, note 2, note 2, and note 2 respectively). The note is also carried in the Section Working Capital and Liquidity Management in this document.

Financial instruments – fair value

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

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

Credit risk

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

The company has certain business risks linked to the collection of its transaction credits.

Under the MCA program the company acquires the rights to receive future cash flows, associated with 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 is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The amount of the estimates is determined based on the status of the customer and the company's historical experience on recoveries.

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

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

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

The Covid-19 pandemic restrictions have impacted economic activity. There is uncertainty related to the pace and extent of economic recovery in the business segments the company operates in and hence the evaluation of collectability of transaction credits.

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, 2022	June 30, 2021
	$	$
Transaction credits	$ 5,554,294	$ 2,787,958
Accounts receivable	54,340	97,475
Allowance	(1,066,237)	(1,065,680)
Per Consolidated statement of financial position	**$ 4,542,397**	**$ 1,819,753**
Maximum exposure to credit risk	**$ 4,542,397**	**$ 1,819,753**

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

	March 31, 2022	June 30, 2021
	$	$
Impaired transaction credits	$ 854,826	$ 896,059
Allowance	(854,826)	(896,059)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This allowance at March 31, 2022 is the historical loss ratio. At June 30, 2021 this allowance is the historical loss ratio and a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic	$ 207,026	$ 165,236

Stock Options

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

There was nil outstanding stock options under the stock option plan at March 31, 2022 and March 31, 2021.

16,688,546 stock options were available for future issuance at March 31, 2022 and March 31, 2021.

There was no stock based compensation expense during Q3 Fiscal 2022 and YTD Fiscal 2022 and in corresponding periods in the previous year.

Restricted Share Unit Plan

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

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

The company has not granted any RSUs under the RSU plan as at March 31, 2022, June 30, 2021 and March 31, 2021.

Outstanding Share Data

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

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

Common shares:

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

In March 2022 the company issued common shares to purchasers of 9% 2025 debentures. Details provided in section Related Party Transactions.

	Number of common shares	$
No par value. At June 30, 2021	**878,948,414**	**$ 24,526,740**
No par value. Issuance in September 2021	6,053,768,037	-
No par value. Issuance in March 2022	671,250,000	-
No par value. At March 31, 2022	**7,603,966,451**	**$ 24,526,740**

Potentially Dilutive Securities

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

Related Party Transactions

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

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

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

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

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

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

On March 24, 2022 for purchase of $150,000 9% 2025 debentures the company issued 671,250,000 common shares to the principals of Generation IACP Inc. and Generation PMCA Corp.

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

	March 31, 2022		June 30, 2021	
	9% 2025 debentures	Common shares	9% 2025 debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 575,000	762,737,471	$ 550,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz	9,000	1,168,971	9,000	1,168,971
Chief Financial Officer - M. Sabharwal	115,000	155,927,960	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	3,587,650	4,782,033,660	2,815,229	321,629,458
Herbert Abramson (b)	431,000	1,465,935,814	159,891	11,560,814
	$ 5,217,650	7,241,318,694	$ 4,149,120	530,896,455
Total issued and outstanding 9% 2025 debentures and common shares	$ 7,159,000	7,603,966,451	$ 6,009,000	878,948,414
% held by parties in tabulation	72.9%	95.2%	69.0%	60.4%

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

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

Economic Dependence

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

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

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them. As at December 31, 2021 the company was offside a financial covenant. The company is offside two of the three financial covenants at March 31, 2022. The company will be seeking a waiver to the events of default at December 31, 2021 and March 31, 2022. The company has a 15 year + relationship with the principal holder of the 9% 2025 debentures and the principal holders invested $1,325,000 through 9% 2025 debentures in the company ($200,000 in March 2021,$975,000 in September 2021 and $150,000 in March 2022) - section Related Party Transactions.

The current term of agreement with Accord was due to end in June 2022. Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. As of March 31, 2022 the company has utilized $438,000 from this overdraft facility. 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. Either non-payment of interest on due dates or non-payment of overdraft facility per agreed payment plan would constitute an event of default and would be some, amongst certain other circumstances, where the loan payable is repayable on demand to Accord. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. The term of the agreement was due to expire April 30, 2019, was extended to April 30, 2020 and thereafter further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it. The company has a 10 year + relationship with Aeroplan.

General Risks and Uncertainties

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

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% 2025 debentures (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 risks connected to the continuity of the two sources of debt are explained in Section Economic Dependence.

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

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

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

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

The company has certain business risks linked to the collection of its transaction credits. Under the MCA program the company acquires the rights to cash flow, from future 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 March 31, 2022, the company incurred interest expense of $334,687 on utilization of loan payable. During these nine months the prime rate from July 1, 2021 until March 3, 2022 was 2.45 % rising to 2.70% thereafter and since April 14, 2022 is at 3.20 %. Had the interest rate, during the nine months ended March 31, 2022, been at 3.20% the interest expense on loan payable would have been about $355,620, an increase of $20,933.

The company believes the MCA business is a growth industry because institutional lenders are not focused on independent merchants, the engines of significant economic activity. There are several competitors in the MCA space. Currently there is no legislation governing the MCA business. The company believes the transparency of its pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital. Competition, regulation, and the as yet undeterminable adverse impact of Covid-19 pandemic and inflationary environment on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and in turn have a material effect on its revenue, costs, cash flows and profitability.

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

The Aeroplan program the company operates is its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2021. As of date hereof the two parties continue to work while discussing future terms and direction of their commercial relationship. An important discussion matter was the establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan and as of date hereof a payment plan is in place and the company is current with it. If the company cannot secure a renewal it could have a material effect on its revenues, liquidity position, and ability to retain existing financial partners and or attract growth capital.

Under the Aeroplan program the company operates as a re-seller for Aeroplan and is dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on Air-Canada. Due to the current Covid-19 concerns, inflationary environment, and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currency used in this program could become unavailable to the company, or that consumer interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to grow its MCA program in a competitive environment upon availability of capital; ability to raise growth capital; expectation of growth capital required and the timing of its raise; expectation of financial stability from expansion of MCA program; expectation of timing of achieving financial stability; expectation of financial impact of Covid-19 on economic activity, company's customers and the company; expectation of securing a waiver, to December 2021 and March 2022 defaults, from holders of 9% 2025 debentures; expectation of being able to meet its payment plan, with respect to the working capital overdraft, with Accord; expectation of securing an agreement with Aeroplan; expectation of capital expenditures required to operate the business in the next twelve months; expectation of adequacy of reserve created for delinquent transaction credits; belief it has the ability to manage delinquencies consequent to Covid-19 pandemic and during growth mode; belief drivers of revenues across all programs are those set out in the Revenue section; belief it may be able to pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; expectation of completing, including its timing, the share consolidation process and commencement of trading of its common shares on CSE; expectation of uses of funds raised in the September 2021 and March 2022 financing; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable and holders of 9% 2025 debentures; securing a waiver to default from holders of 9% 2025 debentures; meeting payment plan with respect to the working capital overdraft 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 growth capital; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 , 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.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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® Aeroplan is a Registered Trademark of Aeroplan Inc.

Schedule D

Notice of Annual and Special Meeting of Shareholders to be held on March 19, 2022 and Management Information Circular dated February 4, 2022

ADVANTEX MARKETING INTERNATIONAL INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

TO BE HELD ON MARCH 18, 2022

DATED: FEBRUARY 4, 2022

ADVANTEX MARKETING INTERNATIONAL INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting of shareholders (the "**Meeting**") of ADVANTEX MARKETING INTERNATIONAL INC. (the "**Company**") will be held on March 18, 2022, at 10:30 am (Toronto time). **To ensure health safety on account of COVID-19 the Meeting will be held via conference call using the following coordinates 1-(866)-201-0079; participant code; 864 380.**

The purpose of the Meeting is:

1. to present the annual report and audited financial statements of the Company for the fiscal years ended June 30, 2020 and 2021;

2. to elect directors;

3. to appoint auditors;

4. to adopt a special resolution authorizing the consolidation of all of the issued and outstanding common shares of the Company; and

5. to transact such other business as may properly be brought before the Meeting.

As described in the notice and access notification mailed to shareholders of the Company, the Company has decided to deliver this management information circular by posting it to the website (www.meetingdocuments.com/TSXT/ADX). The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's printing costs. This management information circular will also be available on SEDAR at www.sedar.com. **Shareholders who wish to receive paper copies of the management information circular may request copies (at no cost) by calling toll-free at 1-888-433-6443 or by emailing tsxt-fulfilment@tmx.com prior to March 2, 2022.**

A shareholder may attend the Meeting via conference call or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment thereof, via conference call are requested to date, sign and return the accompanying form of proxy or VIF for use at the Meeting or any adjournment thereof. To be effective, the enclosed form of proxy or VIF must be returned in the enclosed postage prepaid envelope. Registered holders can also deliver their proxy to the Company's registrar and transfer agent, TSX Trust Company by mail to P.O. Box 721, Agincourt, ON, Canada, M1S 0A1, or by fax to 1-866-781-3111 or by email at proxyvote@tmx.com, no later than 10.30 am (Toronto time) on Wednesday, March 16, 2022 where there is no adjournment or postponement of the Meeting.

DATED at Markham, Ontario, February 4, 2022

BY ORDER OF THE BOARD OF DIRECTORS

*/s/"**Kelly E. Ambrose**"*
President and Chief Executive Officer

ADVANTEX MARKETING INTERNATIONAL INC.

600 ALDEN ROAD, SUITE 606
MARKHAM, ONTARIO, L3R 0E7

MANAGEMENT INFORMATION CIRCULAR
AS AT FEBRUARY 4, 2022

SOLICITATION OF PROXIES

THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF ADVANTEX MARKETING INTERNATIONAL INC. (the "**Company**") of proxies to be used at the Annual and Special Meeting of holder of common shares of the Company ("**Common Shares**") to be held on Friday, March 18, 2022 (the "**Meeting**"), via conference call at 1-(866)-201-0079; participant code; 864 380 at 10:30 a.m. (Toronto time) and at any adjournment or postponement thereof for the purposes set forth in the enclosed Notice of Meeting. Proxies will be solicited primarily by mail and may also be solicited personally or by telephone by the directors and/or officers of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

The Company may pay the reasonable costs incurred by persons who are the registered but not beneficial owners of voting shares of the Company (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of the Notice of Meeting, this Management Information Circular and the voting instruction form ("**VIF**") or form of proxy (collectively, the "**Meeting Materials**") to the beneficial owners of such shares. The Company will provide, without cost to such persons, upon request to the Secretary of the Company, additional copies of the foregoing documents required for this purpose.

MATTERS TO BE ACTED UPON

1. ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

The 2020 and 2021 annual reports of the Company, including the consolidated financial statements for the fiscal years ended June 30, 2020 and 2021 and the report of the auditors thereon, will be submitted to the Meeting.

The consolidated financial statements and the reports of the auditors is available under the Company's profile on www.sedar.com.

2. ELECTION OF DIRECTORS

The board of directors of the Company (the "**Board of Directors**" or "**Board**") currently can consist of a minimum of three (3) and a maximum of fifteen (15) directors. The number of directors to be elected at the Meeting has been fixed by the Board at three (3) and accordingly, three (3) directors are to be elected at the Meeting. The composition, responsibilities, and duties of the Board are described in its Charter, which is set out as Exhibit "A" hereto.

The following table and the notes thereto state the names of all the persons proposed to be nominated by management for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date hereof.

Name, Office and Jurisdiction of Residence(1)	Director Since	Number of Voting Securities Owned, Controlled or Directed as at February 4, 2022(2)
Kelly E. Ambrose (3)(4)(5) President, Chief Executive Officer, Secretary and Director, Chairman of the Board of Directors Ontario, Canada	January 26, 2006	762,737,471 Common Shares
Marc B. Lavine (3)(4)(5) Director, Chairman of the Audit Committee Paris, France	December 18, 2013	73,514,818 Common Shares(6)
David Moscovitz, LL.B (3)(4)(5) Director, Chairman of the Compensation and Governance Committee Ontario, Canada	December 24, 2020	1,168,971 Common Shares

Notes:

(1) The principal occupations of each of the nominees during the last five (5) years are as set forth below:

Kelly E. Ambrose has been the President of the Company since October 19, 2005, Chief Executive Officer of the Company since December 5, 2006, and Secretary since September 24, 2009. Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan.

Marc B. Lavine holds an Honours degree in Business Administration from the Richard Ivey School of Business at the University of Western Ontario (1991) where he received the gold medal for top student in his class. Mr. Lavine is Chairman, Chief Executive Officer and Director of Exclamation Investments Corporation which was founded by Mr. Lavine and is focused on entrepreneurial investment and business creation activities. Mr. Lavine is also co-founder of several businesses including: Points International Ltd., a global leader in loyalty currency management (NASDAQ:PTS); The Chrysalis Capital Group Inc., an entrepreneurial finance company focused on the public listings of corporations on the TSX Venture Exchange; Public Inc., a Toronto-based social purpose agency and innovation lab; LudWin, a leading sports betting operator in Africa and Common Cents, a social business and platform that partners cause marketing and giving with e-commerce. Mr. Lavine created Exclamation Foundation (2007) in Canada and France in order to tackle key social issues in the arts and environment and also focus on impact investing.

David Moscovitz, LL.B is currently a business advisor. He was a partner at Goodman and Carr LLP until 2007, thereafter until retirement in 2016, lawyer and consultant at Dentons Canada LLP (formerly Fraser, Milner, Casgrain LLP) in Toronto, Canada. Served as director for Ricinus Resources Inc., Triumph Energy Corporation, Pocaterra Energy Inc., Richards Oil & Gas Limited and TG World Energy Corp. Currently a director of TVI Pacific Inc. a public issuer.

(2) The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.

(3) Member of the Compensation and Governance Committee.

(4) Member of the Audit Committee.

(5) At date hereof, the following nominees held, controlled or directed control over 9% 2025 debentures ("**Debentures**") issued by the Company in March 2021. The significant terms of the Debenture are provided in the Company's filings which are available under the Company's profile on www.sedar.com.

Name	Principal Amount of Debentures
Kelly E. Ambrose	$ 575,000
Marc B. Lavine	$ 500,000
David Moscovitz	$ 9,000

(6) Shares are owned by Exclamation Investments Corporation. Marc B. Lavine is CEO and a member of the Investment Committee of the corporation but does not otherwise exercise control and direction over the corporation.

The term of office of each director will be from the date of the Meeting at which he or she is elected until the next annual meeting; or until his or her successor is elected or appointed.

Corporate Cease Trade Orders or Bankruptcies

On November 1, 2019, the Ontario Securities Commission ("**OSC**") issued a failure to file cease trade order ("**FFCTO**") with respect to the Company for failure to file audited annual financial statements for year ended June 30, 2019, management's discussion and analysis relating to audited annual financial statements for year ended June 30, 2019, and certification of foregoing filings as required by National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filing* ("**NI 52-109**"). The Company also failed to file by the due dates its interim financial statements, management's discussion and analysis, and certification of filings as required by NI 52-109 for the interim period three months ended September 30, 2019 and interim period three and six months ended December 31, 2019. The Company remedied the defaults and filed the required documents for year ended June 30, 2019, three months ended September 30, 2019, and three and six months ended December 31, 2019 on May 21, 2020. The Company failed to file audited annual financial statements for year ended June 30, 2020, management's discussion and analysis relating to audited annual financial statements for year ended June 30, 2020, and certification of foregoing filings as required by NI 52-109. The Company also failed to file by the due dates its interim financial statements, management's discussion and analysis, and certification of filings as required by NI 52-109 for the interim period three months ended September 30, 2020 and interim period three and six months ended December 31, 2020. The Company remedied the defaults and filed the required documents for year ended June 30, 2020, three months ended September 30, 2020, and three and six months ended December 31, 2020 on March 31, 2021. In May 2021 the company applied to the OSC for a revocation of the FFCTO. On June 24, 2021 the OSC issued an order revoking the FFCTO. Kelly E. Ambrose was a director and Chief Executive Officer of the Company and Marc B. Lavine was director of the Company when the OSC issued the FFCTO.

Marc B. Lavine, was a director and the Chief Executive Officer and Chief Financial Officer of Exclamation Investments Corporation on September 2, 2016, when the Ontario Securities Commission issued a cease trade order for failure to file financial statements, management's discussion and analysis and certification of filings as required by NI 52-109 for the interim period ended June 30, 2016.

Each of Kelly E. Ambrose and Marc B. Lavine is, as at the date of this Management Information Circular, or has been, within 10 years before the date of this Management Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Company) that,

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Corporate Bankruptcies

No proposed director of the Company is, as at the date of this Management Information Circular, or has been within 10 years before the date of this Management Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

No proposed director of the Company or any personal holding company of such person has, within the 10 years before the date of this Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

No proposed director of the Company or any personal holding company of such person has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. MANAGEMENT HAS NO REASON TO BELIEVE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR BUT, IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

3. APPOINTMENT OF AUDITORS

At the Meeting, shareholders will be asked to appoint BDO Canada LLP to hold office as the Company's auditors until the close of the next annual meeting of shareholders and to authorize the directors of the Company to fix the auditors remuneration. BDO Canada LLP are the current auditors of the Company. BDO Canada LLP was first appointed on July 4, 2013.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF BDO CANADA LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED OTHERWISE IN THE PROXY.

4. SHARE CONSOLIDATION

At the August 26, 2021 Special Meeting of shareholders the Company received approval to:

(a) issue Common Shares in connection with a proposed financing of the Company;

(b) increase the number of issuable units pursuant to the restricted share plan of the Company; and

(c) consolidate all of the issued and outstanding Common Shares.

The Canadian Securities Exchange ("**CSE**") had informed the Company that upon issuance of the Common Shares consequent to the financing it would permit trading to resume only after the Company affects a consolidation of the issued and outstanding Common Shares.

The Company closed its financing in September 2021 and issued Common Shares consequent to the financing. There were 878,948,414 issued and outstanding Common Shares prior to the financing and after the financing, and as of date hereof, there are 6,932,716,451 Common Shares issued and outstanding.

The approval of the shareholders was for the consolidation to be implemented by the Board at any time prior to the date of the next annual meeting of shareholders. Given the economic uncertainties due to the pandemic and their impact on the Company, the Board determined the interests of the shareholders were best served to postpone the consolidation until the economic environment had stabilised giving the Company an expectation to raise equity and debt with equity component leading to an expectation to improve its financial performance.

At the Meeting, the shareholders will be asked to approve a special resolution (the "**Share Consolidation Resolution**") to consolidate all of the issued and outstanding Common Shares (the "**Consolidation**") on the basis of a maximum ratio of 100:1 (the "**Ratio**"), i.e. not more than one hundred (100) pre-consolidation Common Shares for one (1) post-consolidation Common Share, with the Consolidation to be implemented by the Board at any time prior to the date of the next annual meeting of shareholders. The Consolidation will not result in a business combination or a change of control of the Company.

The Ratio is same as ratio approved at the August 26, 2021 Special Meeting of the shareholders.

The Company believes that the number of Common Shares currently outstanding no longer reflect the value of the assets of the Company. The Company's future performance is largely tied to its ability to raise equity and debt with equity component financings. The proposed Consolidation will enable potential investors to better evaluate the Company in connection with future equity and debt with equity component financings of the Company. The proposed Ratio may help Directors to mitigate potential dilution, depending on the circumstances under which the Consolidation is implemented. Accordingly, the Company is seeking approval by the shareholders of the Consolidation on the basis of the proposed Ratio.

To enable trading of Common Shares, and to create the circumstances whereby the Company has the potential to raise equity and debt with equity component in expectation of improving its future performance the Board has unanimously determined that the Consolidation is in the best interests of the Company and its shareholders and that its terms are reasonable, in the circumstances, to the Company and its shareholders. Each of Marc B. Lavine and David Moscovitz, as independent director, has approved and is in support of the Consolidation and determined that its terms are reasonable, in the circumstances, to the Company and its shareholders.

In connection with implementation of the proposed Consolidation, the Board will set the timing for such Consolidation. No further action on the part of the shareholders will be required in order for the Board to implement the Consolidation.

Under the *Business Corporations Act* (Ontario) (the "**OBCA**"), shareholders do not have dissent rights with respect to the proposed Consolidation.

The Share Consolidation Resolution will also authorize the Board to elect not to proceed with, and abandon, the Consolidation at any time if it determines, in its sole discretion, to do so. The Board would exercise this right if it determined that the Consolidation was no longer in the best interests of the Company and its shareholders. If the Board does not implement the Consolidation before the date of the next annual meeting, the authority granted by the Share Consolidation Resolution to implement the Consolidation on these terms will lapse and be of no further force or effect. No further action on the part of the shareholders will be required in order for the Board to abandon the Consolidation.

If the Share Consolidation Resolution is approved by the shareholders, following the obtaining of all necessary regulatory approvals, including the acceptance of the CSE, the Company will promptly file articles of amendment with the Director under the OBCA in the form prescribed by the OBCA to amend the Company's Articles. The Consolidation will become effective on the date shown in the certificate of amendment in connection therewith, or such other date as indicated in the articles of amendment.

If the Board decides to implement the Consolidation at the ratio of one hundred (100) pre-consolidation Common Shares for one (1) post-consolidation Common Share, upon completion of the proposed Consolidation the number of Common Shares issued and outstanding will be reduced to 1/100th of the sum of 6,932,716,451 as of February 4, 2022 plus the Common Shares issuable, but not issued as of date hereof, pursuant to the financing. A maximum of 75,000,000 Common Shares are to be issued pursuant to the financing to directors in lieu of directors' fees plus maximum of 57,142,857 Common Shares to suppliers in lieu of supplier dues. No fractional shares will be issued in connection with the Consolidation and, in the event that a shareholder would otherwise be entitled to receive a fractional share upon the Consolidation, this shareholder shall have such fractional shares cancelled. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding Common Shares that will result from the Consolidation will cause no change in the capital attributable to the Common Shares and will not materially affect any shareholders' percentage ownership in the Company, even though such ownership will be represented by a smaller number of shares.

The exercise or conversion price and/or the number of Common Shares issuable under stock options plan, restricted share unit plan will be adjusted on a pro rata basis upon the implementation of the Consolidation, in accordance with the terms of such securities, based on the Consolidation ratio.

If the proposed Consolidation is approved by the shareholders and all regulatory requirements are complied with, and implemented by the Board, following the announcement by the Company of the effective date of Consolidation, registered shareholders will be sent a transmittal letter by the Company's transfer agent, TSX Trust Company, containing instructions on how to exchange their share certificates representing pre-Consolidation Shares for new share certificates representing post-Consolidation Shares.

Accordingly, the shareholders of the Company will be asked to pass the following special resolution authorizing the Consolidation:

"BE IT RESOLVED, as a special resolution of the shareholders of the Company, that:

1. the Articles of the Company be amended to consolidate the issued and outstanding Common Shares of the Company, on the basis of a consolidation ratio of not more than one hundred (100) pre-consolidation Common Shares for one (1) post-consolidation Common Share;

2. subject to the maximum set out above, the determination of the basis for the consolidation shall be at the discretion of the directors of the Company;

3. no fractional Common Shares shall be issued in connection with the Consolidation and, in the event that shareholders would otherwise be entitled to receive a fractional share upon Consolidation, such shareholders shall have such fractional shares cancelled;

4. the effective date of such Consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the *Business Corporations Act* (Ontario) or such other date indicated in the articles of amendment;

5. any officer or director of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution, but in no case later than the date of the next annual meeting; and

6. notwithstanding the foregoing, the Board of Directors of the Company is hereby authorized to revoke this special resolution before it is acted on and to abandon the proposed amendment to the Articles of the Company with or without further approval of the shareholders of the Corporation."

To be approved, the special resolution must be passed by at least two thirds (2/3) of the votes cast by shareholders represented by proxy at the Meeting.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE SHARE CONSOLIDATION.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE SHARE CONSOLIDATION RESOLUTION, UNLESS THE SHAREHOLDER HAS SPECIFIED OTHERWISE IN THE PROXY.

As described in the notice and access notification mailed to shareholders of the Company, the Company has decided to deliver this management information circular by posting it to the website (www.meetingdocuments.com/TSXT/ADX). The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's printing costs. This management information circular will also be available on SEDAR at www.sedar.com. **Shareholders who wish to receive paper copies of the management information circular may request copies (at no cost) by calling toll-free at 1-888-433-6443 or by emailing tsxt-fulfilment@tmx.com prior to March 2, 2022.**

REMUNERATION OF DIRECTORS AND OFFICERS

Executive Compensation

Compensation Discussion and Analysis

As a part of its responsibilities the Compensation and Governance Committee was established for the purpose of reviewing, and recommending to the Board for approval, the compensation of executive officers. The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

During part (July 1, 2020 to December 24, 2020) of the fiscal year ended June 30, 2021 the Compensation and Governance Committee was composed of independent director Marc B. Lavine and President and CEO Kelly E. Ambrose. From December 24, 2020 until end of fiscal year ended June 30, 2021 and as of date hereof the Compensation and Governance Committee consists of two independent directors, consisting of Marc B. Lavine and David Moscovitz, and President and CEO Kelly E. Ambrose.

The experience and skills of members of the Compensation and Governance Committee are set out in the section Election of Directors in this document.

The Compensation and Governance Committee conducts an annual review to consider and adjust executive compensation and relies upon the knowledge and experience of its members regarding appropriate levels of salary and other compensation. The Compensation and Governance Committee assesses the performance of the President and Chief Executive Officer on an annual basis and establishes his base salary, bonus, stock option, retention bonus in the form of Common Shares and restricted share units entitlement in the same way that the compensation of other executive officers is established, as outlined below.

The compensation of the executive officers of the Company is designed to reward performance and is determined on the basis of several factors, including the individual's experience, corporate responsibilities, the performance of the individual and the achievement of specified annual objectives determined by the Board of Directors and/or the President and Chief Executive Officer, as applicable. The current compensation package consists of salary, bonuses, stock options, retention bonus in the form of Common Shares and restricted share units and emphasis is placed on salary; bonuses, cash and Common Shares of the Company. Stock options and Restricted share units are described below. The executive officers of the Company are entitled to receive all benefits which are available to senior management generally.

The Company does not have a policy concerning whether or not named executive officers of the Company as contemplated under Form 51-102F6V *Statement of Executive Compensation – Venture Issuers* ("**Named Executive Officers**" or "**NEOs**") or directors are permitted to purchase financial instruments such as forward contracts, swaps, collars etc. that are designed to hedge or offset a decrease in the market value of equity securities granted or held by the Named Executive Officer or director.

Base Salaries

The salaries and benefits paid to the Company's executive officers, including those paid to the President and Chief Executive Officer, were established at or below those generally paid to persons performing similar functions in comparable corporations within the marketing services and merchant cash advance industries. The Company currently has no adequate peer group and therefore does not benchmark its executive compensation. The compensation of the executive officers of the Company is guided by the following goals:

- The compensation package should be simple, transparent and easy to understand.
- The compensation package should be structured to attract and retain executive officers.
- The compensation package should recognize the contribution of the Company's executive officers to the overall success and growth of the Company.
- The compensation package should be commensurate with the time spent by executive officers in meeting their obligations.

Bonus Compensation

Bonuses paid to the executive officers are based upon objectives relating to each executive officer's corporate responsibility and to the Company's achievement of its overall corporate objectives. No bonuses paid were paid during fiscal years ended June 30, 2020 and 2021. See disclosure in the tabulation under Table of Compensation excluding compensation securities

Stock Option Plan

The Company has a Stock Option Plan (the "**Stock Option Plan**") which was approved by the shareholders at the Annual and Special Meeting of the Shareholders held on December 22, 2009. As part of the seamless transition of the listing of the Common Shares to the CSE on March 15, 2011, the Board approved certain amendments to the Stock Option Plan to comply with CSE policies, and the CSE approved the Stock Option Plan.

As of date hereof the aggregate number of Common Shares issuable under the Stock Option Plan is 16,688,546. The foregoing number represents, as of the date hereof, 0.2% of the 6,932,716,451 issued and outstanding Common Shares. Any option granted under the Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan.

As of the date hereof, there are no stock options to purchase Common Shares, outstanding pursuant to the Stock Option Plan.

The Company does not have any long-term incentive plan other than the Stock Option Plan and the RSU Plan (as defined herein).

The material terms of the Stock Option Plan, as amended, are as follows:

(a) The purpose of the Stock Option Plan is to encourage ownership of Common Shares by directors, senior officers, employees and consultants of the Company and its subsidiaries (the "**Eligible Persons**").

(b) Under the Stock Option Plan, options may be granted to Eligible Persons.

(c) As of date hereof the aggregate number of Common Shares issuable under the Stock Option Plan is 16,688,546. The foregoing number represents, as of the date hereof, 0.2% of the 6,932,716,451 issued and outstanding Common Shares. Any option granted under the Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan.

(d) The maximum number of Common Shares which may be reserved for issuance to any one person in any 12 month period (unless the Company has obtained disinterested Shareholder approval) under the Stock Option Plan is 5% of the Common Shares issued and outstanding at the time of the grant (calculated on a non-diluted basis) less the number of Common Shares reserved for issuance to such person under any option to purchase Common Shares granted as a compensation or incentive mechanism. The maximum number of Common Shares issuable to insiders of the Company, at any time, under all security based compensation arrangements of the Company, including the Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares. The maximum number of Common Shares issued to insiders of the Company, within any one year period, under all security based compensation arrangements of the Company, including the Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares.

(e) The option exercise price will be fixed by the Board or committee of the Board, but cannot be less than the greater of the closing price of the Common Shares on (i) the trading day immediately preceding the day upon which the option is granted, or (ii) the day the option is granted, provided that, in any event, the CSE does not typically allow options to be issued with exercise price less than $0.05.

(f) Options granted under the Stock Option Plan may be exercised during a period not exceeding five years, subject to earlier termination, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. If the termination date of an option falls during or within three trading days of a blackout period, during which a policy of the Company prevents certain persons from trading in the securities of the Company, the expiry date for the option will be extended for an additional period expiring on the tenth trading day following the end of the blackout period.

(g) Options are non-transferable without Board approval.

(h) The Board may also, in its discretion, subject to the limitations of the CSE and the Stock Option Plan, at the time of granting an option, determine that provisions relating to the vesting of such option be contained in the written agreement between the Company and the optionee.

(i) By its terms, the Stock Option Plan may be amended by the Board without the consent of the shareholders, to the extent that such amendments relate to: (a) complying with the requirements of any applicable regulatory authority; (b) complying with the rules, policies and notices of the CSE or of any stock exchange on which the Company's securities are listed; (c) determining, subject to all applicable regulatory requirements, that the provisions of the Stock Option Plan concerning the effect of termination of a participant's status as an Eligible Person under the Stock Option Plan shall not apply to a participant for any reason acceptable to the Board; (d) amending the definitions contained within the Stock Option Plan; (e) amending the categories of persons who are Eligible Persons and entitled to be granted options pursuant to the Stock Option Plan; (f) allowing the grant of short-term financial assistance to participants for the purpose of exercising options granted under the Stock Option Plan, subject to compliance with all applicable regulatory requirements; (g) authorizing the addition or modification of a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying securities from the Stock Option Plan reserve; (h) decreasing the maximum number of Common Shares issuable under the Stock Option Plan (with a corresponding decrease in the number of Common Shares reserved for issuance under the Stock Option Plan); and (i) amendments of a "clerical" nature, including, without limitation, amending the wording of any provisions of the Stock Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan.

Restricted Share Unit Plan

The Company has a Restricted Share Unit Plan (the "**RSU Plan**") which was approved by the shareholders at the Annual and Special Meeting of the Shareholders held on February 28, 2018, pursuant to which the Board may grant restricted share units (the "**RSUs**") to eligible persons. At the August 26, 2021 Special Meeting of the Shareholders the shareholders approved amendment to the RSU Plan. The RSUs are substantially like "phantom" shares, the implied value of which will rise and fall in value based on the value of the Common Shares and are redeemable for Common Shares on the vesting dates determined by the Board when the RSUs are granted.

As of date hereof there have been no issuances of RSUs.

The material terms of the RSU Plan are as follows:

(a) Eligible Persons shall be entitled to participate in the Plan;

(b) RSUs shall consist of a grant of units, each of which represents the right of the Eligible Person to receive one common share of the Company;

(c) the maximum number of Common Shares which may be made subject to issuance under RSUs granted under the RSU Plan shall:

  (i) not exceed 412,000,000 Common Shares;

  (ii) in combination with the aggregate number of Common Shares which may be issuable under any and all of the Company's equity incentive plans in existence from time to time, including the Company's Stock Option Plan (as described above), not exceed 20% of the issued and outstanding Common Shares, or such greater number of Common Shares as shall have been duly approved by the Board and, if required by the CSE's policies, and by the shareholders of the Company; and

  (iii) to any one Eligible Person within a 12 month period, not exceed 5% of the total number of issued and outstanding shares on a non-diluted basis;

(d) the number of Common Shares which may be issuable under the RSU Plan and all of the Company's other previously established or proposed share compensation arrangements, within any one-year period:

  (i) to any one Eligible Person, shall not exceed 5% of the total number of issued and outstanding Common Shares on the Grant Date (as defined in the RSU Plan) on a non-diluted basis;

  (ii) to Insiders (as defined in the CSE policies) as a group within a 12 month period shall not exceed 10% of the total number of issued and outstanding Common Shares a non-diluted basis; and

(iii) to any one consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding Common Shares on the Grant Date on a non-diluted basis;

(e) the Board has the discretion to determine the vesting date for each RSU or any other vesting requirements;

(f) unless otherwise determined by the Board, in its sole discretion, or specified in the applicable RSU agreement:

(i) if an Eligible Person ceases to be a director, officer, consultant or employee of the Company for any reason (excluding death), all of the Eligible Person's RSUs which have vested at the time of such cessation shall be redeemed for either cash at the Fair Market Value (as defined in the RSU Plan), an equal number of Common Shares or a combination of cash and Common Shares as may be determined by the Board and the remainder shall be cancelled;

(ii) the RSUs of a Director who is not re-elected at an annual or special meeting of shareholders shall be redeemed for either cash at the Fair Market Value of an RSU, an equal number of Common Shares or a combination of cash and Common Shares as may be determined by the Board;

(iii) all of the RSUs, whether vested or not, of an Eligible Person who dies shall immediately vest and be redeemed for either cash at the Fair Market Value of an RSU, an equal number of Common Shares or a combination of cash and Common Shares as may be determined by the Board;

(g) rights respecting RSUs shall not be transferable or assignable other than by will or the laws of desent and distribution;

(h) the Board reserves the right, in its sole discretion, to amend, suspend or terminate the RSU Plan or any portion thereof at any time, in accordance with applicable legislation, without obtaining the approval of shareholders. Notwithstanding the foregoing, the Company will be required to obtain approval from holders of Common Shares that are not Eligible Persons for any amendment related to:

(i) the number or percentage of issued and outstanding Common Shares available for grant under the RSU Plan;

(ii) a change in the method of calculation of redemption of RSUs held by Eligible Persons; and

(iii) an extension to the term for redemption RSUs held by Eligible Persons;

(i) unless an Eligible Person otherwise agrees, any amendment to the RSU Plan or units shall apply only in respect of RSUs granted on or after the date of such amendment;

(j) subject to regulatory approval, if any change occurs in the outstanding Common Shares by reason of a reorganization, the Board, in its sole discretion, and without liability to any person, shall make such equitable changes or adjustments, if any, as it considers appropriate, in such manner as the Board may consider equitable, to reflect such change or event including, without limitation, adjusting the number of RSUs credited to Eligible Persons and outstanding under the RSU Plan, provided that any such adjustment will not otherwise extend the redemption date otherwise applicable;

(k) the existence of outstanding RSUs shall not affect in any way the right or power and authority of the Company or its shareholders to make or authorize any alteration, recapitalization, reorganization or any other change in the Company's capital structure or its business or any merger or consolidation of the Company, any issue of bonds, debentures or preferred or preference shares (ranking ahead of the Common Shares or otherwise) or any right thereto, or the dissolution or liquidation of the Company, any sale or transfer of all or any part of its assets or business or any corporate act or proceeding whether of a similar character or otherwise; and

(l) upon the occurrence of a Change of Control (as defined in the RSU Plan), the Corporation shall redeem 100% of the RSUs granted and outstanding at that time for either cash at the Fair Market Value of an RSU, an equal number of Common Shares or a combination of cash and Common Shares as may be determined by the Board.

Pension Plan Benefits

The Company does not have any defined benefits plans, defined contribution plans or deferred compensation plans.

Employment Contracts – as of June 30, 2021

Kelly E. Ambrose

The Company and Kelly E. Ambrose entered into an employment agreement dated September 26, 2007, pursuant to which Mr. Ambrose is employed as President and Chief Executive Officer at an annual salary of $350,000, subject to annual review, and a bonus of up to 100% of his salary based on performance and profitability of the Company. Mr. Ambrose's annual base salary has been through several downward revisions – most recently, in response to the COVID-19 pandemic, effective April 1, 2020 to $239,827 (see below note in this section). Mr. Ambrose is also entitled to a monthly car allowance of $1,000 and an annual maximum health care spending allowance of $30,000. Mr. Ambrose's monthly car allowance (including travel-407 ETR subsidy) has been through several revisions. In accordance with the first amendment to the employment agreement effective March 29, 2018, the Company is entitled to terminate Mr. Ambrose's employment without cause (including after the effective date of a change of control) by paying him a lump sum payment in the amount of 20 months' of the annual salary of $350,000, plus the bonus paid to him in respect of the last fiscal year during which ended prior to the date of termination of his employment, plus an amount equal to one-twelfth (1/12) of the average of the bonuses paid to him in respect of the last two fiscal years which ended prior to the date of termination of his employment multiplied by the number of full months that have elapsed in the fiscal year during which his employment is terminated. In addition to the above payments, upon termination of his employment without cause, Mr. Ambrose would continue to receive the car allowance at the rate of $1,000 per month, benefits, (or payment in lieu) as well as the health care spending allowance for the duration of the notice period, and 100% of his stock options and restricted share units would vest immediately, and would be exercisable for a period of two years from the date of termination.

Note: In management circular dated November 13, 2020 with respect to the December 24, 2020 annual and special meeting of shareholders the base salary, due to an oversight, was disclosed as $249,775. The actual base salary is $239,827. The $249,775 consists of base salary of $239,827, and $9,948 car allowance described in this section.

Mukesh Sabharwal

The Company and Mukesh Sabharwal entered into an employment agreement dated October 27, 2006 – subsequently amended - pursuant to which Mr. Sabharwal is employed as Vice President and Chief Financial Officer at an annual salary of $150,000 (increased to $200,000 effective December 2010 – see note 1 below in this section) and is entitled to an annual bonus of up to 50% of his annual salary, subject to the Company achieving its objectives, and on the successful completion of his individual agreed upon objectives. Mr. Sabharwal's base salary has been through several downward revisions - most recently, in response to COVID-19 pandemic, effective April 1, 2020 to $145,350 (see note 2 below in this section). Mr. Sabharwal also receives a travel-407 ETR subsidy ($3,068 and $3,416 for year ended June 30, 2021 and 2020 respectively). In accordance with the second amendment to the employment agreement, effective March 29, 2018, the Company is entitled to terminate Mr. Sabharwal's employment without cause (including after the effective date of a change of control) by paying him a lump sum payment in the amount of 14 months' of the annual salary of $200,000. In addition to the above payment, upon termination of his employment without cause, 100% of his stock options and restricted share units would vest immediately, and would be exercisable for a period of two years from the date of termination.

Note 1. The reference to the increase to $200,000 was omitted due to an oversight in the management circular dated November 13, 2020 with respect to the December 24, 2020 annual and special meeting of shareholders. It was disclosed in prior management information circulars.

Note 2. In management circular dated November 13, 2020 with respect to the December 24, 2020 annual and special meeting of shareholders the base salary, due to an oversight, was disclosed as $148,418. The actual base salary is $145,350. The $148,418 consists of base salary of $145,350, and $3,068 407 ETR allowance described in this section.

General

All employment agreements described above also provide for:

1. Appropriate confidentiality, non-competition and non-solicitation covenants.

2. That the bonuses are subject to the approval of the Board of Directors.

3. An entitlement to participate in health and life insurance plans for which the Company pays the premiums.

4. A provision to protect the individuals in the event of change of control, which will be deemed to occur (a) if directors who have been approved by at least two-third of the existing directors cease to constitute a majority of the number of directors constituting the Board, (b) except in certain circumstances where the officer has an interest in the transaction, if a person or group of persons acting jointly or in concert acquire 35% or more

of the issued and outstanding securities of the Company other than as a result of the issuance of securities by the Company and (b) upon a merger, amalgamation or other corporate reorganizations of the Company which results in the Company's shareholders owning less than 50% of the voting securities of the resulting entity.

Compensation Summary

COMPENSATION SUMMARY FOR YEAR ENDED June 30, 2021

Under applicable securities legislation, the Company is required to disclose certain financial and other information relating to the compensation of the Chief Executive Officer, the Chief Financial Officer and the most highly compensated executive officer of the Company as at the date of this Circular whose total compensation was more than $150,000 for the financial year of the Company ended June 30, 2021, other than for the Chief Executive Officer and Chief Financial Officer (collectively, the Named Executive Officers) and for the directors of the Company.

The following table (presented in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* under NI-51-102) sets out all direct and indirect compensation for, or in connection with, services provided by the Company and its subsidiaries for the most recently completed financial years of the Company ended June 30, 2021 and June 30, 2020, in respect of the Named Executive Officers as well as the directors of the Company.

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES

Name and Position	Year	Salary, consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting fees (3) ($)	Value of perquisites ($)	All other compensation(2) ($)	Total compensation ($)
Kelly E. Ambrose President and Chief Executive Officer, and Secretary, Director(1)(4)	2021 2020	239,827 267,048	Nil Nil	Nil Nil	Nil Nil	10,943 26,543	250,770 293,591
Mukesh Sabharwal Vice-President and Chief Financial Officer (1)	2021 2020	145,350 161,847	Nil Nil	Nil Nil	Nil Nil	3,068 3,416	148,418 165,263
David Moscovitz(4) Director(3)	2021 2020	16,962 Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	16,962 Nil
Marc B. Lavine Director(3)	2021 2020	32,500 32,500	Nil Nil	Nil Nil	Nil Nil	Nil Nil	32,500 32,500

Notes:

(1) Additional details are available in the narrative under "*Executive Compensation – Employment Contracts*".

(2) "All other compensation" represents car and/or 407 ETR allowance. In case of Kelly E. Ambrose only, amounts paid towards health care spending allowance are also included, details of which are available under "*Executive Compensation - Employment Contracts*".

(3) Each director earned an annual fee of $32,500 covering membership fees of the Board, its Committees, and attendance of meetings of the Board and its committees.

(4) David Moscovitz was elected as director on December 24, 2020. Fees are for period December 24, 2020 to June 30, 2021.

(5) Kelly E. Ambrose does not receive additional compensation as a director of the Company.

(6) William H. Polley resigned as director December 31, 2019. His fee for six months (July 1, 2019 – December 31, 2019) of Year 2020 was $16,250.

External Management Companies

None of the NEOs or directors of the Company have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Company to provide executive management services to the Company, director or indirectly.

Stock Options and Other Compensation Securities

The following table sets out the compensation securities that were granted or issued to directors and Name Executive Officers of the Company during the most recently completed financial year ended June 30, 2021.

TABLE OF COMPENSATION SECURITIES

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price ($)	Closing price of security or underlying security on date of grant ($)	Closing price of security or underlying security at year end ($)	Expiry date
Kelly E. Ambrose President and Chief Executive Officer, and Secretary, Director	-	-	-	-	-	-	-
Mukesh Sabharwal Vice-President and Chief Financial Officer	-	-	-	-	-	-	-
David Moscovitz Director	-	-	-	-	-	-	-
Marc B. Lavine Director	-	-	-	-	-	-	-

The following table sets out the options exercised by the directors or Named Executive Officers or settled during the most recently completed financial year ended June 30, 2021.

TABLE OF EXERCISE OF COMPENSATION SECURITIES BY DIRECTORS AND NEOS

Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security ($)	Date of exercise	Closing price per security on date of exercise ($)	Difference between exercise price and closing price on date of exercise ($)	Total value on exercise date ($)
Kelly E. Ambrose President and Chief Executive Officer, and Secretary, Director	-	-	-	-	-	-	-
Mukesh Sabharwal Vice-President and Chief Financial Officer	-	-	-	-	-	-	-
David Moscovitz Director	-	-	-	-	-	-	-
Marc B. Lavine Director	-	-	-	-	-	-	-

Outstanding Share-based Awards and Option-based Awards

The table sets forth the options to purchase securities of the Company granted as of June 30, 2021 to the directors and the Named Executive Officers in the employment of the Company as of June 30, 2021.

	Option-based Awards[1]				Share-based Awards [1]		
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
Kelly E. Ambrose	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mukesh Sabharwal	Nil	Nil	Nil	Nil	Nil	Nil	Nil
David Moscovitz	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Marc B. Lavine	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) There were no stock options and restricted share units granted to individuals in above tabulation during the fiscal years ended June 30, 2021, and 2020. There were no stock options and restricted share units to be exercised during fiscal years ended June 30, 2021, and 2020.

Incentive Plan Awards – Value Vested or Earned During the Year

During fiscal years ended June 30, 2021 and 2020 there were no grants and there were no outstanding options under the Stock Option Plan and RSU Plan for each Named Executive Officer to exercise. During year ended June 30, 2021 and 2020 there were no outstanding issuances under the Stock Option Plan and RSU Plan for David Moscovitz and Marc B. Lavine to exercise.

Termination and Change of Control Payments

Potential payments upon termination of employment as of date hereof for each Named Executive Officer in the employment of the Company as of date hereof.

	Severance in event of termination without cause[1][3] ($)	Severance in event of triggering change of control situation[1][3] ($)
Kelly E. Ambrose[2]	$583,333	$583,333
Mukesh Sabharwal	$233,333	$233,333

Notes:

(1) Additionally, health and life insurance benefits would continue for the duration of the notice period.

(2) In addition, payments would include continuation of car allowance ($12,000), annual health care spending allowance of up-to $30,000.

(3) The severance amounts reflect the employment terms. See section Employment Contracts.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table sets out as of June 30, 2021, a summary of compensation plans of the Company under which securities of the Company are authorized for issuance, being the Stock Option Plan and RSU Plan. In addition, the Company has a Warrant Plan (as defined below).

Plan Category	Number of securities to be issued upon exercise of outstanding options, restricted share units, warrants and rights (#)	Weighted-average exercise price of outstanding options, restricted share units, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) (#)
Equity compensation plans approved by security-holders	Nil	Nil	48,688,546
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	Nil	Nil	48,688,546

As noted above, at the August 26, 2021 Special Meeting of the Shareholders the shareholders approved amendment to the RSU Plan. The amendment was to increase the maximum number of Common Shares which may be made subject to issuance under pursuant to the RSU Plan from 32,000,000 to 412,000,000 Common Shares; an increase of 380,000,000. Consequently, as of date hereof the number of securities remaining available for future issuance under equity compensation plans reflects the increase of 380,000,000 and is 428,688,546.

Retail/Sponsor Warrant Plan

On April 8, 2001, the Board approved a warrant plan (the "**Warrant Plan**") allowing for the issuance of common share purchase warrants (the "**Retailer/Sponsor Warrants**") to certain sponsors and retailers of the loyalty and promotion programs of the Company and its affiliates (the "**Programs**"). The purpose of the Warrant Plan is to allow certain retailers who participate in the Programs (the "**Retailers**") and certain sponsors who sponsor the Programs (the "**Sponsors**") to receive Retailer/Sponsor Warrants. The Board of Directors believes that the Warrant Plan enables the Company to:

(a) encourage sponsors and retailers to participate in and promote the success and effectiveness of the Programs;

(b) better align the interests of such sponsors and retailers with the long-term interests of the Company;

(c) encourage the establishment and maintenance of long-term relationships with sponsors and retailers; and

(d) differentiate itself from its competition in attracting and retaining sponsor and retailer participation in the Programs.

Every Retailer or Sponsor participating in the Warrant Plan is required to enter into an agreement with the Company (each a, "**Warrant Agreement**") governing, among other things, the vesting and exercise of the Retailer/Sponsor Warrants granted thereunder. The number of Retailer/Sponsor Warrants to be granted to a Sponsor or Retailer will be based upon the relative contribution of such Sponsor or Retailer to the annual growth in the Company's revenues generated by the Programs. The granting of the Retailer/Sponsor Warrants are also governed by the policies of the CSE as applicable.

Under the Warrant Plan, no Retailer/Sponsor Warrants may be granted to insiders (as such term is defined in the *Securities Act* (Ontario)) of the Company. The number of Common Shares which may be reserved for issuance under the Warrant Plan is limited to 1,500,000 Common Shares, provided that the Board has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company. The number of Common Shares subject to issuance under the Warrant Plan represent, in the aggregate, approximately 0.02% of the issued and outstanding Common Shares as at the date hereof. The maximum number of Common Shares which may be reserved for issuance to any one person under the Warrant Plan is 5% of the Common Shares outstanding at the time of the grant (calculated on a non-diluted basis). Any Common Shares reserved for issuance pursuant to a Retailer/Sponsor Warrant granted under the Warrant Plan which for any reason are cancelled or terminated prior to exercise will be available for a subsequent grant under the Warrant Plan. Retailer/Sponsor Warrants granted under the Warrant Plan may be exercised during a period not exceeding five years, subject to earlier termination upon the termination of the warrantholders' retailer or sponsor agreement with the Company, or upon the warrant holder ceasing to be a Retailer or Sponsor of the Company or its affiliates or as otherwise specified in the applicable Warrant Agreement. All Retailer/Sponsor Warrants are non-transferable. The Warrant Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Common Shares, a merger or other relevant changes in the Company's capitalization. The Board of Directors may from time to time amend or revise the terms of the Warrant Plan or may terminate the Warrant Plan at any time. The Warrant Plan does not contain any provision for financial assistance by the Company in respect of Retailer/Sponsor Warrants granted under the Warrant Plan.

As of the date hereof, there were no Retailer/Sponsor Warrants granted or outstanding pursuant to the Warrant Plan.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the Company's shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interests of its shareholders and contribute to effective and efficient decision making. The Company believes that its corporate governance practices ensure that the business and affairs of the Company are effectively managed so as to enhance shareholder value.

Audit Committee

Pursuant to National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") the Company is disclosing herewith information concerning the Audit Committee of the Board (the "**Audit Committee**") and its relationship with its independent auditor. As a venture issuer, the Company is relying upon the exemption in section 6.1 of the NI 52-110.

The Charter of the Audit Committee is attached as Exhibit "C" hereto.

Composition of the Audit Committee.

The current members, since December 24, 2020 and as of date hereof, are Marc B. Lavine (Chair of the Audit Committee), David Moscovitz and Kelly E. Ambrose.

Since the resignation of William H. Polley effective December 31, 2019 and until December 23, 2020 the Audit Committee comprised Marc B. Lavine and Kelly E. Ambrose. Upon election of David Moscovitz as director on December 24, 2020 the majority of the members of the Audit Committee are independent.

Each member of the Audit Committee is considered to be "financially literate" within the meaning of the National Instrument.

Mr. Lavine and Mr. Moscovitz are considered to be "independent" within the meaning of the National Instrument. Mr. Ambrose is not considered to be "independent" by virtue of his position of President and Chief Executive Officer of the Company. Although relationships exist between the Company and Mr. Lavine and the Company and Mr. Moscovitz, the Board is of the view that these relationships are not "material relationships" as defined under the National Instrument as they are not reasonably expected to interfere with the exercise of independent judgment by Mr. Lavine and Mr. Moscovitz. Further, Mr. Lavine and Mr. Moscovitz do not accept, directly or indirectly, any consulting, advisory or other compensatory fees from the Company or any subsidiary of the Company, other than as remuneration for acting as a member of the Board or any committee of the Board.

Relevant Education and Experience

Mr. Lavine holds an Honours degree in Business Administration from the Richard Ivey School of Business at the University of Western Ontario (1991) where he received the gold medal for top student in his class. He has no direct or indirect relationship with the Company aside from acting as a member of the Board since December 18, 2013.

Mr. Moscovitz is currently a business advisor. He was a partner at Goodman and Carr LLP until 2007, thereafter until retirement in 2016, lawyer and consultant at Dentons Canada LLP (formerly Fraser, Milner, Casgrain LLP) in Toronto, Canada. Mr. Moscovitz is currently a director of TVI Pacific Inc. (TSXV:TVI).

Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan. Mr. Ambrose has been the President of the Company since October 19, 2005, Chief Operating Officer of the Company between October 19, 2005 and December 4, 2006, Chief Executive Officer of the Company since December 5, 2006, and Secretary since September 24, 2009.

Pre-Approval Policies and Procedures

In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice, tax planning or other non-audit services, such services must be pre-approved by the Audit Committee.

Auditors Service Fees

The following chart summarizes the aggregate fees billed by the external auditors of the Company for professional services rendered to the Company during the fiscal years ended June 30, 2021 and June 30, 2020, for audit and non-audit related services:

Type of Work	Year Ended June 30, 2021	Year Ended June 30, 2020
Audit fees (1)	$64,800	$54,000
Audit-related fees (2)	$ -	$ -
Tax advisory fees (3)	$ -	$ -
All other fees	$ -	$ -
Total	$64,800	$54,000

Notes:

(1) Aggregate fees billed for the Company's annual financial statements and services normally provided by the auditor in connection with the Company's statutory and regulatory filings.

(2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as "Audit Fees", including: assistance with aspects of tax accounting, attest services not required by state or regulation and consultation regarding financial accounting and reporting standards.

(3) Aggregate fees billed for tax compliance, tax advice and tax planning.

Disclosure of Corporate Governance Practices

The Company has reviewed its own corporate governance practices in light of the guidelines contained in National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58-201**"). The Company's practices comply generally with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore such guidelines have not been adopted. Set out below is a description of the Company's corporate governance practices as required by National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**").

Board of Directors

Pursuant to NI 58-101, a director is independent if the director has no direct or indirect relationship with the issuer which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Company. The Board is currently comprised of three (3) members, two (2) of whom the Board has determined are independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

Marc B. Lavine is considered an independent director.

David Moscovitz is considered an independent director.

Kelly E. Ambrose is not considered to be an independent director as Mr. Ambrose is the President and Chief Executive Officer of the Company. As of date hereof Kelly E. Ambrose is the Chairman of the Board.

Since the resignation of William H. Polley effective December 31, 2019 and until December 23, 2020 the Audit Committee comprised Marc B. Lavine and Kelly E. Ambrose. Upon election of David Moscovitz as director on December 24, 2020, the majority of the members of the Audit Committee are independent.

Since the resignation of William H. Polley effective December 31, 2019 and until December 23, 2020 the Compensation and Governance Committee comprised Marc B. Lavine and Kelly E. Ambrose. Upon election of David Moscovitz as director on December 24, 2020, the majority of the members of the Compensation and Governance Committee are independent.

The Board believes that it functions independently of management. Since December 24, 2020 in order to enhance its ability to act independently of management, the Board met in the absence of members of management and the relevant directors or excused such persons from all or a portion of any meeting where a potential conflict of interest arose or where otherwise appropriate. In light of the suggestions contained in NP 58-201, the Board had convened meetings of independent directors, at which non-independent directors and members of management were not in attendance, at least once annually and additionally, as may be deemed necessary. The Board was satisfied that it exercised its responsibilities for independent oversight of management. The ability to establish *ad hoc* committees comprised solely of independent directors provided the Board with the ability to meet independently of management whenever deemed necessary or appropriate and the chair of each such *ad hoc* committee provided the leadership for such committee.

Other Directorship

The following table sets out details of directorships held by each current director or nominee in other public issuers:

Kelly E. Ambrose	None
Marc B. Lavine	Exclamation Investments Incorporated
David Moscovitz	TVI Pacific Inc.

Orientation and Education

The Company does not currently have a formal orientation and education program for new Board members. New Board members receive information about the Company and are provided with opportunities to interact with and request briefings from management in order to ensure that new directors are familiarized with the Company's business and the procedures of the Board.

Given the size of the Company and the in-depth experience of the current directors, there has been no formal continuing education program. Board members are entitled, at the Company's expense, to attend seminars that they determine necessary to keep themselves up-to-date with current issues relevant to their services as directors of the Company.

Ethical Business Conduct

The Company has implemented a corporate disclosure, confidentiality and insider trading policy to formalize the Company's policy regarding, among other things:

(a) disclosure of information in a timely, consistent and appropriate manner;

(b) the protection against, and prevention of, the improper use or disclosure of material and/or confidential information;

(c) the dissemination of material information in accordance with applicable legal requirements;

(d) the responsibilities of the Company's directors, officers and employees respecting the appropriate use and disclosure of material and/or confidential information;

(e) the process to be undertaken to determine whether or not information is material and when and how such information should be disclosed; and

(f) the establishment of procedures, guidelines and processes to be utilized to assist directors, officers and employees in complying with insider trading restrictions.

In circumstances where a director or executive officer has a material interest in a transaction or agreement which the Company is considering entering into, the individual is required to fully disclose his or her interest therein, an *ad hoc* committee of disinterested directors is appointed to review the same to confirm, among other things, that such transaction or agreement, as applicable, is being entered into on arm's length commercially reasonable terms. Such committee has the right to obtain advice from the Company's counsel and other professional advisors and/or appoint independent counsel and/or advisors.

The Company has implemented a Code of Business Conduct and Ethics (the "**Code**"). A copy of the Code is available under the Company's profile on SEDAR at www.sedar.com.

The Code provides that the Company's employees, officers and directors are required to act with honesty and integrity and to avoid any relationships or activities that might create, or appear to create, a conflict between personal interests and the interests of the Company. The Company is committed to providing a healthy and safe workplace in compliance with applicable laws, rules and regulations. The Code affirms the Company's commitment to foster a work environment in which all individuals are treated with respect and dignity.

The Code provides a process by which actual or potential violations of its provisions are to be reported and confirms that there will not be any reprisals against an individual who does so in good faith.

The Code also includes provisions to deal with conflicts of interest. All of the Company's employees, officers and directors are expected to comply with the Code.

The Company also operates a Workplace Ethics Hotline with an independent third party.

A shareholder or other interested party may obtain a copy of the abovementioned policies by contacting the Secretary of the Company at 600 Alden Road, Suite 606 Markham, Ontario, L3R 0E7.

Nomination of Directors

The Board has established a Compensation and Governance Committee with a mandate to conduct appropriate review and selection processes for new nominees as directors. The Committee as of date hereof is comprised of three directors and of whom two are considered independent. The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

Compensation

The Board of Directors reviews and approves annually the compensation of the executive officers of the Company, taking into consideration the recommendations of the Compensation and Governance Committee and the remuneration practices of similar companies.

Since the resignation of William H. Polley effective December 31, 2019 and until December 23, 2020, the Compensation and Governance Committee comprised Marc B. Lavine and Kelly E. Ambrose. Upon election of David Moscovitz as director on December 24, 2020, the majority of the members of the Compensation and Governance Committee are independent.

The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

The Board of Directors reviews on an annual basis the adequacy and form of compensation of directors to ensure that the compensation of the Board reflects the responsibilities and risks involved in being an effective director. Compensation currently consists of directors' fees.

Board Committees

The Board currently has two (2) standing committees: the Audit Committee, the Compensation and Governance Committee.

The Audit Committee

As of date hereof, the Chairman is Marc B. Lavine. Since the resignation of William H. Polley, effective December 31, 2019 and until December 23, 2020, the Audit Committee comprised Marc B. Lavine and Kelly E. Ambrose. Upon election of David Moscovitz as director on December 24, 2020, the Audit Committee comprises Marc B. Lavine, David Moscovitz, and Kelly E. Ambrose and the majority of the members of the Audit Committee are independent. The Board has approved, consistent with other venture issuers of similar stage and development, amendments to the charter of the Audit Committee that will allow the Audit Committee to consist of at least three members, the majority of whom shall be neither officers nor employees of the Company or any of its subsidiaries.

The Compensation and Governance Committee

As of date hereof, the Chairman is David Moscovitz. Since the resignation of William H. Polley, effective December 31, 2019 and until December 23, 2020, the Compensation and Governance Committee comprised Marc B. Lavine and Kelly E. Ambrose. Upon election of David Moscovitz as director on December 24, 2020, the Compensation and Governance Committee comprises Marc B. Lavine, David Moscovitz, and Kelly E. Ambrose and the majority of the members of the Compensation and Governance Committee are independent.

The Compensation and Governance Committee was established for the purpose of:

1. reviewing, and recommending to the Board for approval, the compensation of executive officers.

2. reviewing the Company's corporate governance practices in light of the guidelines contained in NP 58-201, to review the Company's disclosure and securities compliance policies, including, without limiting the foregoing, its communications policies, and to conduct an appropriate review and selection process for new nominees as directors.

Assessments

The Board may eventually institute a formal annual assessment process of the effectiveness and contribution of the Board as a whole, its committees and individual directors.

Until this time, based upon the Company's size, its current state of development and the number of individuals on the Board, the Board has not considered a formal process for assessing regularly the effectiveness and contribution of the Board, as a whole, its committees or individual directors to be necessary. In light of the fact that the Board and its committees meet on numerous occasions during each year, each director has significant opportunity to assess other directors. The Board plans to continue evaluating its own effectiveness and the effectiveness and contribution of its committees and individual directors on an ad hoc basis until the formal assessment process is implemented.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer or employee of the Company or its subsidiaries, or former director, executive officer or employee of the Company or its subsidiaries, or proposed nominee for election as a director of the Company, nor any associate of any such director, executive officer, employee or proposed nominee is, as at the date of this Management Information Circular, or has been, at any time since the beginning of the most recently completed fiscal year, indebted to: (i) the Company or any subsidiary of the Company; or (ii) another entity, for which such indebtedness is, or at any time since the beginning of the most recently completed fiscal year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in note 9, Related party transactions, to the consolidated financial statements for the year ended June 30, 2021, none of the informed persons of the Company, the proposed directors or any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Company’s most recently completed fiscal year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

An update is disclosed in note 10, Related party transactions, to the interim consolidated financial statements for the three months ended September 30, 2021.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Company at any time since the beginning of its last completed fiscal year, no proposed director and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Management Information Circular.

MANAGEMENT CONTRACTS

There are no management functions of the Company or its subsidiaries which are to any substantial degree performed other than by the directors or executive officers of the Company or its subsidiaries.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. **However, if other matters which are not known to the management should properly come before the meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the persons voting the proxy.**

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy represent management and directors of the Company. **A shareholder has the right to appoint a person or company, who need not be a shareholder, to attend and act on his behalf at the meeting, other than the persons or company designated in this form of proxy. Such right may be exercised by inserting the name of such person in the blank space provided on the form of proxy or by completing another proper form of proxy.**

A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his or her duly executed form of proxy with the Company's transfer agent and registrar, TSX Trust Company using the provided envelope by mail to P.O. Box 721, Agincourt, ON, Canada, M1S 0A1, or by fax to 1-866-781-3111, no later than 10.30 am (Toronto time) on Wednesday, March 16, 2022, where there is no adjournment or postponement of the Meeting.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of such Meeting or any adjournment thereof and thereupon the proxy is revoked.

A shareholder attending the Meeting in person or via conference call has the right to vote in person and, if a shareholder does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by the proxy shall be voted accordingly. **Where no choice is specified, the proxy will confer discretionary authority and will be voted for the election of directors, the appointment of auditors, and the share consolidation. The enclosed form of proxy also confers discretionary authority upon the persons named therein to vote with respect to any amendments or variations to the matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting in such manner as such nominee in his judgment may determine**. At the time of printing this Management Information Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

VOTING SECURITIES

The authorized capital of the Company consists of an unlimited number of Common Shares, 500,000 class A preference shares, an unlimited number of class B preference shares issuable in series, and 125,000 class C preference shares. At the date hereof, the Company has outstanding 6,932,716,451 Common Shares, 461,887 class A preference shares, and no class B preference and class C preference shares are outstanding. Each Common Share carries one vote.

Persons registered on the books of the Company at the close of business on February 1, 2022 (the "**Record Date**") are entitled to vote at the Meeting.

ADVICE TO NON-REGISTERED SHAREHOLDERS

Only registered holders of Common Shares or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary (an "**Intermediary**") with whom the Non-Registered Holder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs) and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators* ("**NI 54-101**"), the Company has elected to deliver this management information circular to shareholders by (i) distributing a notification of meeting along with the form of proxy to the clearing agencies and intermediaries (the "**Mailed Materials**") for distribution to Non-Registered Shareholders; and (ii) posting this management information circular on the website www.meetingdocuments.com/TSXT/ADX. See below section "Notice and Access" for further information. The Company does not intend to pay for Intermediaries to forward to objecting beneficial owners under NI 54-101 the Mailed Materials and Form 54-101F7 – Request for Voting Instructions Made by Intermediary, and that in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the Mailed Materials unless the objecting beneficial owner's intermediary assumes the cost of delivery.

Applicable regulatory law and policy requires Intermediaries and clearing agencies to seek voting instructions from Non-Registered Holders. Without specific instructions from Non-Registered Holders, Intermediaries and clearing agencies are prohibited from voting the shares of the Non-Registered Holders. Accordingly, Intermediaries and clearing agencies are required to forward the Meeting Materials to Non-Registered Holders. Non-Registered Holders will be given, in substitution for the standard proxy otherwise contained in proxy-related materials, a request for voting instructions (the "**voting instructions form**") which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow or less frequently a partially completed proxy.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the voting instructions form and a form of legal proxy will be sent to the Non-Registered Holder. Should a Non-Registered Holder who receives the partially completed proxy wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert their (or such other person's) name in the blank space provided and return the partially completed proxy in accordance with the instructions contained therein.

In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the voting instructions form or partially completed proxy.

NOTICE AND ACCESS

In 2012, the Canadian Securities Administrators announced the adoption of regulatory amendments to securities laws governing the delivery of proxy-related materials by public companies. As a result, public companies are now permitted to advise their shareholders of the availability of this management information circular on an easily-accessible website, rather than mailing physical copies.

The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's carbon footprint and the Company's printing costs. The Company therefore decided to deliver this management information circular to shareholders by posting it on the website www.meetingdocuments.com/**TSXT/ADX**. This management information circular will also be available on SEDAR at www.sedar.com. All shareholders will also receive a notice document which will contain information on how to obtain electronic and paper copies of this management information circular in advance of the Meeting.

Shareholders who wish to receive paper copies of the management information circular may request copies by calling toll-free at 1-888-433-6443 or by emailing tsxt-fulfilment@tmx.com.

Requests for paper copies must be received prior to March 2, 2022 in order to receive this management information circular in advance of the proxy deposit date and Meeting. This management information circular will be sent to such shareholders within three business days of their requests. Those shareholders with existing instructions on their account to receive a paper copy of meeting materials will receive a paper copy of this management information circular.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company, there are three principal shareholder who beneficially own, or control or direct, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to any class of issued and outstanding voting securities of the Company.

1. 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, approximately 64% of Common Shares. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms.

2. Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns approximately 16% of the Common Shares; and

3. Kelly E. Ambrose owns approximately 11.0% of the Common Shares.

ADDITIONAL INFORMATION

Additional information relating to the Company is available electronically at www.sedar.com. Financial information is provided in the Company's comparative audited financial statements and management's discussion and analysis for its most recently completed fiscal year. To obtain, free of charge, copies of the Company's financial statements, related management's discussion and analysis, and any other document incorporated by reference to these Meeting Materials please contact:

Mukesh Sabharwal
Vice President and Chief Financial Officer
Advantex Marketing International Inc.
600 Alden Road, Suite 606
Markham, Ontario, L3R 0E7.

GENERAL

Except where otherwise indicated, information contained herein is given as of February 4, 2022. All references to "$" are to Canadian dollars.

CERTIFICATE

The undersigned hereby certifies that the contents and the sending of this Management Information Circular have been approved by the directors of the Company.

DATED this 4th day of February, 2022.

/s/ "Kelly E. Ambrose"
Kelly E. Ambrose
President & Chief Executive Officer

EXHIBIT "A"
CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

The board of directors (the "**Board of Directors**") of Advantex Marketing International Inc. (the "**Corporation**") is responsible for the general supervision of the activities and management of the affairs of the Corporation and for acting in the best interests of the shareholders of the Corporation (the "**Shareholders**"). The Board of Directors will discharge its responsibilities directly and through its committees, currently consisting of the Audit Committee and the Compensation and Governance Committee.

The Board of Directors will seek to comply with *National Policy 58-201 - Corporate Governance Guidelines*, and will adopt governance 'best practices' as appropriate in the interests of ensuring the effective execution of the Board of Directors' overall stewardship role and the contribution the directors make, individually and collectively, to the long-term success of the Corporation. The Board of Directors will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter.

II. COMPOSITION

The Board of Directors shall consist of a minimum of three and a maximum of fifteen directors, a majority of whom shall be Independent Directors (as defined below) and a majority of whom shall be residents of Canada. Pursuant to *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, a director is considered to be an "**Independent Director**" if he or she has no direct or indirect "material relationship" with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Notwithstanding the foregoing, a director shall be considered to have a "material relationship" with the Corporation (and therefore shall be considered a "**Non-Independent Director**") if he or she falls in one of the categories listed in Charter Schedule "A" attached hereto.

The Board of Directors shall meet at least quarterly and as frequently as circumstances require.

Meetings of the Board of Directors (including any adjournments thereof) shall be called and held in accordance with the Corporation's By-laws and applicable law.

A schedule of regular meetings of the Board of Directors and its committees shall be circulated to each director and agreed upon by the Board of Directors prior to the commencement of a calendar year. Confirmation of the date, time and location of regular meetings will be sent to directors approximately one week in advance of regularly scheduled meetings. All meetings must be called on at least two days' notice (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) before the meeting is to take place. Special meetings may be called with 24 hours' notice. A quorum at any meeting of the Board of Directors or its committees shall be two-fifths of the directors or members, as the case may be.

Independent Directors may serve on the Board of Directors for a period determined by the Compensation and Governance Committee from time to time. However, each director will be elected for a term of one year and may stand for re-election at the end of each term. The Compensation and Governance Committee shall be responsible for reviewing the candidacy of each nominee on an annual basis and confirming that each of the nominees meets the Corporation's expectations outlined in the Position Description for Directors and in this Charter.

III. RESPONSIBILITIES AND DUTIES

The mandate of the Board of Directors is the stewardship of the Corporation. To fulfill its responsibilities and duties, the Board of Directors shall:

1. Review, assess and update this Charter at least annually, as conditions dictate.

2. Adopt corporate governance policies and practices as recommended, from time to time, by the Compensation and Governance Committee, as appropriate.

3. Assign to the various committees of the Board of Directors the general responsibility for developing the Corporation's approach to: (i) the nomination of the directors; (ii) the enhancement of governance; (iii) matters relating to compensation of the members of the Board of Directors; (iv) matters relating to compensation of the officers and executive officers of the Corporation; and (v) matters relating to financial reporting and internal controls.

4. Satisfy itself, to the extent feasible:

   (a) as to the integrity of the officers of the Corporation and of the Chief Executive Officer of the Corporation; and

   (b) that the officers of the Corporation and the Chief Executive Officer of the Corporation create a culture of integrity throughout the organization.

5. With the assistance of the Compensation and Governance Committee:

   (a) review the composition of the Board of Directors and ensure it reflects the independence criteria;

   (b) assess, at least annually, the effectiveness of the Board of Directors, the committees of the Board of Directors and the contribution of individual directors, including, consideration of the appropriate number of the directors;

   (c) ensure that an appropriate review and selection process for new nominees as directors is in place;

   (d) ensure that an appropriate orientation and education program for new directors is in place; and

   (e) adopt disclosure and securities compliance policies, including, without limiting the foregoing, communications policies of the Corporation.

6. With the assistance of the Compensation and Governance Committee:

   review the adequacy and form of each Director's compensation to ensure it is adequate and competitive and that it realistically reflects the responsibilities and risks involved in being a director of the Corporation.

7. With the assistance of the Audit Committee:

   (a) ensure the integrity of the Corporation's internal controls and management information systems;

(b) ensure the Corporation's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Corporation's own governing documents;

(c) identify the principal risks of the Corporation's business and ensure that appropriate systems are in place to manage these risks;

(d) review and approve significant operational and financial matters and provide direction to management on these matters; and

(e) approve the quarterly and annual financial statements and related management's discussion and analysis.

8. Adopt a strategic planning process and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the business opportunities and business risks and monitor the performance of the Corporation against the strategic plan.

9. Monitor and review feedback provided by the Corporation's various stakeholders.

10. Review major decisions which require the approval of the Board of Directors, including (without limitation), with respect to raising additional capital and issuing additional securities of the Corporation, and approve such decisions as they arise.

11. Perform such other functions as prescribed by law or assigned to the Board of Directors in the By-laws of the Corporation.

12. Approve, on at least an annual basis, the strategic plan of the Corporation that takes into account, among other things, business opportunities and business risks identified by the management of the Corporation, the directors and/or the Audit Committee and monitoring performance against such plan.

13. Approve the annual budget, including a marketing plan and a business plan, of the Corporation.

14. Review with the management of the Corporation, and approve, all material transactions and agreements to be entered into by the Corporation outside of the ordinary course of the business of the Corporation and all fundamental changes to the business of the Corporation.

15. Remove and replace members of, and fill vacancies on, the management of the Corporation and add members to the management (including training and monitoring senior management).

16. Develop written position descriptions for the Chair of the Board of Directors (the "**Chair**") and the chair of each committee of the Board of Directors.

17. Develop, together with the Chief Executive Officer, a written position description for the Chief Executive Officer.

18. Develop and approve the goals and objectives that the Chief Executive Officer is responsible for meeting.

The foregoing list is not exhaustive. The Board of Directors may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Each director shall forward all questions, comments and/or concerns regarding the business and affairs of the Corporation to the Board of Directors through the Chair. However, the chair of the Audit Committee shall be entitled and encouraged to speak directly with the Chief Financial Officer regarding all financial matters.

The Compensation and Governance Committee shall review the attendance of directors each year as part of the nomination process for the election of directors. Commencing July 1, 2008 directors are expected to attend and participate in at least 75% of the regularly scheduled meetings of the Board of Directors and each of its committees to which he or she is assigned, and at least 25% of such regularly scheduled meetings shall be attended in person, subject to the discretion of the Board of Directors. Any director who fails to meet such expectations shall tender a written resignation as a director to the Chair for acceptance or rejection by the Board of Directors.

IV. DIRECTORS' REMUNERATION

The remuneration of directors shall be reviewed on an annual basis by the Compensation Committee to ensure that directors are adequately and competitively compensated.

V. ORIENTATION OF NEW DIRECTORS

The Corporation shall provide an orientation program for new members of the Board of Directors. Each new director will be provided with a range of written materials, including those that outline the organization of the Board of Directors and its committees, position descriptions and this Charter, as well as be introduced to the members of management of the Corporation.

VI. CONTINUING EDUCATION FOR DIRECTORS

The Corporation shall provide ongoing business and director education sessions for members of the Board of Directors. Individual directors shall also be encouraged to participate in outside professional development programs approved by the Chair.

SCHEDULE "A"
MEANING OF "MATERIAL RELATIONSHIP"

The following individuals are considered to have a "**material relationship**" with the Corporation:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

(c) an individual who:

(A) is a partner of a firm that is the Corporation's internal or external auditor,

(B) is an employee of that firm, or

(C) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(A) is a partner of a firm that is the Corporation's internal or external auditor,

(B) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(C) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "**material relationship**" exists according to the above criteria, the term "**Corporation**" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the "Corporation" therein includes any subsidiary entity or the parent, if any, of Advantex Marketing International Inc.

For purpose of paragraphs (c) and (d) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (f) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (a) to (f) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" **-** (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

EXHIBIT "B"
CHARTER OF THE COMPENSATION AND GOVERNANCE COMMITTEE

I. PURPOSE

The compensation and governance committee (the "**Corporate Compensation and Governance Committee**") is a committee of the board of directors (the "**Board of Directors**") of Advantex Marketing International Inc. (the "**Corporation**"). The primary function of the Corporate Compensation and Governance Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the:

1. fulfilling its responsibilities relating to the compensation of the members of the Board of Directors and its committees by:

2. enhancement of the Corporation's corporate governance practices and the nomination of directors by:

- reviewing and recommending to the Board of Directors the compensation of the members of the Board of Directors including annual retainer, meeting fees, option grants and other benefits conferred upon the members of the Board of Directors;

- dealing with the administration of the Corporation's compensation plans, including stock option plans, long term incentive plans, and such other compensation plans or structures as are adopted by the Corporation from time-to-time;

- establishing and periodically reviewing the Corporation's policies in the area of management benefits and perquisites;

- The Compensation Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this Charter. The primary function of the Compensation Committee is to assist the Board of Directors in fulfilling its legal and fiduciary obligations and responsibilities;

- developing and maintaining a review and selection process for new nominees as directors and proposing to the Board of Directors nominees for the election of directors at each annual meeting of shareholders of the Corporation (the "**Shareholders**");

- developing and maintaining an orientation and education program for new directors and assisting in the orientation and education of new directors;

- assessing the composition and effectiveness of the Board of Directors as a whole as well as discussing the contribution of individual members; and

- developing the Corporation's corporate governance policies and practices and assessing and ensuring compliance with the Corporation's approach to corporate governance issues.

The Corporate Compensation and Governance Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this Charter. The primary function of the Compensation and Governance Committee is to assist the Board of Directors in fulfilling its legal and fiduciary obligations and responsibilities.

II. COMPOSITION AND MEETINGS

The Compensation and Governance Committee shall be comprised of such number of directors (but at least two) as determined by the Board of Directors, the majority of whom shall be Independent Directors (as defined below), but where there are only two (2) members, all shall be Independent Directors. Pursuant to *National Instrument 58-101 – Disclosure of Corporate Governance Practices* ("**NI 58-101**"), a director is considered to be an "**Independent Director**" if he or she has no direct or indirect "material relationship" with the Corporation, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a Director's independent judgment. Notwithstanding the foregoing, a director shall be considered to have a "material relationship" with the Corporation (and therefore shall be considered a "**Non-Independent Director**") if he or she falls in one of the categories listed in Schedule "A" attached hereto. Each member will have, to the satisfaction of the Board of Directors, sufficient skills and/or experience which are relevant and will be of contribution to the carrying out of the mandate of the Corporate Compensation and Committee.

The members of the Compensation and Governance Committee shall be appointed by the Board of Directors at the annual organizational meeting of the Board of Directors or until their successors are duly appointed and qualified. The Board of Directors may remove a member of the Corporate Compensation and Governance Committee at any time in its sole discretion by resolution of the Board of Directors. Unless a Chair is elected by the Board of Directors, the members of the Corporate Compensation and Governance Committee may designate a Chair by majority vote of the full membership of the Corporate Compensation and Governance Committee.

The Corporate Compensation and Governance Committee shall meet at least twice per annum and more frequently as circumstances require. The Corporate Compensation and Governance Committee may ask members of management or others to attend meetings or to provide information as necessary. In addition, the Corporate Compensation and Governance Committee or, at a minimum, the Chair of the Committee may meet with the Corporation's external counsel to discuss the Corporation's governance policies and practices. The Corporate Compensation and Governance Committee may retain the services of outside specialists to the extent required.

Quorum for the transaction of business at any meeting of the Corporate Compensation and Governance Committee shall be the presence in person or by telephone or other communication equipment of a majority of the number of members of the Corporate Compensation and Governance Committee or such greater number as the Corporate Compensation and Governance Committee shall by resolution determine.

If within one hour of the time appointed for a meeting of the Corporate Compensation and Governance Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting shall consist of the members then present.

If and whenever a vacancy shall exist, the remaining members of the Corporate Compensation and Governance Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Corporate Compensation and Governance Committee shall be held from time to time and at such place as the Corporate Compensation and Governance Committee or the Chairman of the Corporate Compensation and Governance Committee shall determine, within or outside of Ontario, upon not less than two days (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) prior notice to each of the members. Meetings of the Corporate Compensation and Governance Committee may be held without such prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chair of the Corporate Compensation and Governance Committee, any member of the Corporate Compensation and Governance Committee or the Chair of the Board of Directors shall be entitled to request that the Chair of the Corporate Compensation and Governance Committee call a meeting. A notice of a meeting of the Corporate Compensation and Governance Committee must be given in accordance with the By-laws of the Corporation and applicable law.

The Corporate Compensation and Governance Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Corporate Compensation and Governance Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Corporate Compensation and Governance Committee will require the vote of a majority of its members present at a meeting at which a quorum is present. Actions of the Corporate Compensation and Governance Committee may be taken by an instrument or instruments in writing signed by all of the members of the Corporate Compensation and Governance Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Corporate Compensation and Governance Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. AUTHORITY OF THE CORPORATE COMPENSATION AND GOVERNANCE COMMITTEE

The Corporate Compensation and Governance Committee has the authority to engage and compensate any outside advisors that it determines to be necessary to permit it to carry out its duties.

The Corporate Compensation and Governance Committee also has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Corporate Compensation and Governance Committee may request any director or member of management of the Corporation, outside counsel of the Corporation or others, to attend a meeting of the Corporate Compensation and Governance Committee or to meet with members of, or advisors to, the Corporate Compensation and Governance Committee and to provide pertinent information as necessary.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Corporate Compensation and Governance Committee shall:

General Responsibilities

1. Review and assess this Charter at least annually, as conditions dictate, and submit any proposed revisions to the Board of Directors for approval.

2. Create an agenda for the ensuing fiscal year.

3. Report periodically to the Board of Directors.

Nominating Responsibilities

4. Establish competencies and skills that the Board of Directors should possess, recognizing that the particular competencies and skills required for the Corporation may not be the same as those required for other issuers in similar industries.

5. Assess competencies and skills of each of the existing directors as well as of the Board of Directors recognizing the personality and other qualities of each director.

6. Consider the appropriate size of the Board of Directors with a view to facilitating effective decision-making.

7. Establish procedures for identifying possible nominees who meet these criteria (and who are likely to bring the competencies and skills the Corporation needs as a whole).

8. Establish an appropriate review selection process for new nominees for election as directors.

9. Establish, approve and maintain appropriate orientation and education programs and procedures for new directors, as well as encourage and support directors participating in external professional development programs approved by the Chair of the Committee.

10. Analyze the needs of the Corporation when vacancies arise and identify and recommend nominees who meet the needs of the Corporation for election as directors at annual meetings of Shareholders.

11. Establish procedures for filling in vacancies among the directors.

Corporate Governance Responsibilities

12. Ensure that there is an appropriate number of Independent Directors.

13. Facilitate the independent functioning and maintain an effective relationship between the Board of Directors and management of the Corporation.

14. Assess the effectiveness of the Chair’s agenda.

15. Annually review performance and qualification of existing directors in connection with their re-election.

16. Assess, at least annually, the composition and effectiveness of the Board of Directors as a whole, committees of the Board of Directors and the contribution of individual directors, including making recommendations where appropriate that sitting directors be removed or not re-appointed.

17. Keep up to date with regulatory requirements and other new developments in governance and develop and review the quality of the Corporation’s governance policies and practices and suggest changes to the Corporation’s governance policies and practices as determined appropriate by the Board of Directors.

18. Consider annually the appropriateness of the number of directors.

19. Ensure that disclosure and securities compliance policies, including communications policies, are in place and that such policies are reviewed annually.

20. Describe in each management information circular of the Corporation in which management solicits proxies for the purposes of electing directors to the Board of Directors, the disclosure required under Part 2 of NI 58-101.

The foregoing list is not exhaustive. The Compensation and Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Compensation Responsibilities

21. Review and recommend to the Board of Directors the compensation of the members of the Board of Directors including annual retainer, meeting fees, option grants and other benefits conferred upon the members of the Board of Directors.

22. Review and recommend to the Board of Directors the compensation of the officers and executive officers of the Corporation, including option grants and other benefits conferred upon such officers of the Corporation.

23. Review compensation disclosure relating to the Board of Directors and the executive compensation relating to the management of the Corporation before the Corporation publicly discloses this information.

24. Describe in each management information circular of the Corporation in which management solicits proxies for the purposes of electing directors to the Board of Directors, the disclosure required in Form 51-102 F6.

The foregoing list is not exhaustive. The Compensation and Governance Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

SCHEDULE "A"
MEANING OF "MATERIAL RELATIONSHIP"

The following individuals are considered to have a "**material relationship**" with the Corporation:

1. an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

2. an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

3. an individual who:

   (a) is a partner of a firm that is the Corporation's internal or external auditor,

   (b) is an employee of that firm, or

   (c) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

4. an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

   (a) is a partner of a firm that is the Corporation's internal or external auditor,

   (b) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

   (c) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

5. an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

6. an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "material relationship" exists according to the above criteria, the term "**Corporation**" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the "Corporation" therein includes any subsidiary entity or the parent, if any, of the Corporation.

For purpose of paragraphs (3) and (4) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (6) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (1) to (6) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member:

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" **-** (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

EXHIBIT "C"
CHARTER OF THE AUDIT COMMITTEE

1. PURPOSE

1.1 The primary function of the Audit Committee of the Board of Directors is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

(a) the financial information that will be provided to the shareholders of the Company and others;

(b) the systems of internal controls, established by management of the Company and the Board; and

(c) all audit processes of the Company.

1.2 Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Company is vested in management of the Company and is overseen by the Board.

2. COMPOSITION AND OPERATIONS

Composition

2.1 The Audit Committee will consist of at least three members, the majority of whom are neither officers nor employees of the Company or any of its affiliates, and the majority of whom, as determined by the Board guided by applicable statutory or regulatory definitions, are "independent" and "financially literate". In the absence of such determination, as those terms are defined, as follows, based on the provisions of National Instrument 52-110 – Audit Committees as adopted by the Canadian Securities Administrators, as such Instrument is revised or replaced from time to time:

"financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

"independent" means having no direct or indirect material relationship (as defined in Schedule "A") with the Company.

2.2 Each member of the Audit Committee shall serve during the pleasure of the Board and, in any event, only so long as he or she shall meet the qualifications set out in Section 2.1.

2.3 One of the members of the Audit Committee shall be elected as its chairman by the Audit Committee or the Board of Directors of the Company.

Operation – General

2.4 The Company's auditors shall be advised of the names of the Audit Committee members from time to time.

2.5 The Audit Committee shall meet with the Company's external auditors as it deems appropriate to consider any matter that the Audit Committee or the external auditors determine should be brought to the attention of the Board or the shareholders of the Company.

2.6 The Audit Committee shall have access to the Company's senior management and any documentation as required to fulfill its duties and responsibilities and shall be provided with the resources necessary to carry out its duties and responsibilities.

2.7 The Audit Committee shall provide open avenues of communication among management, employees, and external and to the extent applicable, internal auditors of the Board of the Company.

2.8 The secretary to the Audit Committee shall be either the Secretary or his or her delegate.

2.9 The Board may fill vacancies in the Audit Committee by election from among the directors of the Company. If and whenever a vacancy shall exist in the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

2.10 The Company's external auditor will report directly to the Audit Committee and the Audit Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.

2.11 The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services referred to in Section 3.3(g) provided that the pre-approval of non-audit services is presented to the Audit Committee at its first scheduled meeting following such pre-approval.

2.12 For the purposes of performing their duties, the members of the Audit Committee shall have the right, at all reasonable times, to inspect the books and financial records of the Company and its affiliates and to discuss with management such accounts, records and matters relating to the financial statements of the Company.

2.13 The Audit Committee may invite such officers, directors and employees of the Company as it may see fit, from time to time, to attend at meetings of the Audit Committee.

2.14 The Audit Committee has the authority to engage and compensate any outside advisors, including independent counsel, that it determines to be necessary to permit it to carry out its duties.

Operation – Meeting

2.15 The Company's auditors shall receive notice of and be invited to attend at the expense of the Company every meeting of the Audit Committee and to be heard at those meetings, or, if requested by a member of the Audit Committee, the auditor shall attend every meeting of the Audit Committee during the term of the officer of the auditors.

2.16 The Audit Committee shall meet at least four times each year in advance of approving the Company's interim or annual financial statements, as applicable.

2.17 A quorum for the transaction of business of the Audit Committee shall consist of two members of the Audit Committee.

2.18 The time and place for meetings of the Audit Committee shall be held, and procedures at such meetings shall be determined, from time to time, by the Audit Committee. The Secretary of the Company shall, upon the request of the Audit Committee Chairman, any member of the Audit Committee, the external auditors of the Company, the President and Chief Executive Officer of the Company or the Chief Financial Officer of the Company, call a meeting of the Audit Committee by letter, telephone, facsimile, telegram or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

2.19 Any matters to be determined by the Audit Committee shall be decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose or by an instrument or instruments in writing signed by all of the members of the Audit Committee.

2.20 Any member of the Audit Committee may participate in the meeting of the Audit Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

2.21 The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board.

2.22 The Audit Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

3. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Audit Committee will perform the following duties.

3.1 Financial Statements and Other Financial Information

The Audit Committee will review and recommend for approval to the board financial information that will be made publicly available. Without limiting the generality of the foregoing, the Audit Committee will:

(a) review and recommend to the Board for approval the Company's annual financial statements and the corresponding Management Discussion and Analysis ("MD&A") and report to the Board before such financial statements and corresponding MD&A are approved by the Board;

(b) review and approve for release the Company's interim financial statements and the corresponding interim MD&A;

(c) review and approve for release all annual and interim profit or loss press releases;

(d) review and recommend to the Board for approval, the financial content of the annual report and any reports required by applicable governmental or regulatory authorities;

(e) review, to the extent applicable, the Company's annual information form and any prospectus, information circulars or offering memorandum and any other similar public disclosure documents of the Company;

(f) review any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results of the Company) for consistency of disclosure with the financial statements themselves;

(g) review and discuss the appropriateness of accounting policies and financial reporting practices used by the Company and the financial impact thereof;

(h) review any major areas of management judgment and estimates that have a significant effect upon the financial statements;

(i) review and discuss any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company;

(j) review and discus any new or pending developments in accounting and reporting standards that may affect the Company;

(k) review and discuss management's key estimates and judgments that may be material to financial reporting of the Company; and

(l) review and discuss with management all significant variances between comparative reporting periods and any financial statements of the Company, including variances in forecasted financial information from actual results which may have been included been in any public documents of the Company.

As well, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from its financial statements, other than the disclosure referred to above, and to periodically assess the adequacy of such procedures

3.2 Risk Management, Internal Control and Information Systems

The Audit Committee will review and obtain reasonable assurance that the risk management, internal controls, information systems and financial reporting procedures of the Company are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

(a) review of the Company's risk management controls and policies;

(b) obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designated and effectively implemented through discussions with and reports from management, to the extent applicable, the internal auditor and the external auditor of the Company;

(c) review of management steps to implement and maintain appropriate internal control procedures including a review of policies;

(d) review of the adequacy of security of information, information systems and recovery plans;

(e) monitoring compliance with applicable statutory and regulatory obligations;

(f) review of the appointment of the Chief Financial Officer;

(g) review of the adequacy of accounting and finance resources;

(h) establish procedures to receive, retain and respond to complaints regarding accounting, internal controls and auditing and financial matters; and

(i) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

3.3 External Audit

The Audit Committee will oversee the work of the Company's external auditor and review the planning and results of external audit activities and the ongoing relationship with the external auditor of the Company. This includes:

(a) review and recommend to the board, for shareholder approval, engagement and compensation of the external auditor. If a change in external auditor is proposed, the Audit Committee shall enquire as to the reasons for the change, including the response of the incumbent auditor, and enquire as to the qualifications of the newly proposed auditor before making its recommendation to the Board;

(b) review the annual external audit plan, including but not limited to the following:

    (i) engagement letter;

    (ii) objectives and scope of the external audit work;

    (iii) procedures for quarterly review of financial statements;

    (iv) materiality limitations;

    (v) areas of audit risk;

    (vi) staffing;

    (vii) timetable; and (viii) proposed fees, and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal controls;

(c) meet with the external auditor to discuss the Company's quarterly and annual financial statements and the auditor's report, including the appropriateness of accounting policies, the quality of accounting principles and underlying estimates;

(d) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

    (i) any difficulties encountered, or restrictions imposed, by management, during the annual audit;

    (ii) any significant accounting or financial reporting issue;

    (iii) the auditor's evaluation of the Company's system of internal controls, procedures and documentation;

(iv) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;

(v) any other matters the external auditor brings to the Audit Committee's attention; and (vi) assess the performance and consider the annual appointment of external auditors for recommendation to the Board.

(e) review the auditor's report on all material subsidiaries;

(f) review and receive assurances on the independence of the external auditors;

(g) except to the extent delegated under Section 2.11, review and approve the non-audit services to be provided by the external auditor or its affiliates (including estimated fees), and consider the impact on the independence of the external audit;

(h) meet periodically, and at least annually, with the external auditor without management present and ensure that the external auditor is accountable to the Board and the Audit Committee as representatives of the shareholders of the Company; and

(i) oversee the resolution of any disagreement between management and the external auditor regarding financial reporting.

3.4 Other

The Audit Committee will also:

(a) review insurance coverage of significant business risks and uncertainties;

(b) review with management, the external auditors and if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material adverse effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements;

(c) review policies and procedures for the review and approval of officers' expenses and perquisites;

(d) review the terms of the Audit Committee's Charter annually and make recommendations to the Board as required;

(e) approve the basis and amount of the external auditor's fees in light of the number and nature of reports issued by the auditor, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of support provided by the Company to the external auditor and approve all other non-audit fees of the auditor and other accounting firms;

(f) review and approve a corporate code of ethics for senior financial personnel and evaluate the effectiveness of such code on a periodic basis;

(g) approve the Company's hiring policies regarding partners employees and former partners and employees of the present and former external auditor of the Company; and

(h) conducting regular reviews, assessments and discussions with management and the Company's external auditor relating to, among other things, financial matters, internal controls, risk management matters, and the procedures in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements.

3.5 Accountability

The Audit Committee shall report its discussions to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting.

3.6 Amendments

The Board of Directors may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

SCHEDULE “A” MEANING OF “MATERIAL RELATIONSHIP”
MEANING OF “MATERIAL RELATIONSHIP”

The following individuals are considered to have a “material relationship” with the Corporation:

1. an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

2. an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

3. an individual who:

    (a) is a partner of a firm that is the Corporation’s internal or external auditor,

    (b) is an employee of that firm, or

    (c) was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;

4. an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

    (a) is a partner of a firm that is the Corporation’s internal or external auditor,

    (b) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

    (c) was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;

5. an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation’s current executive officers serves or served at that same time on the entity’s compensation committee; and

6. an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a “material relationship” exists according to the above criteria, the term “Corporation” shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the “Corporation” therein includes any subsidiary entity or the parent, if any, of the Corporation.

For purpose of paragraphs (3) and (4) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (6) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (1) to (6) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member:

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" - (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.