FORM 5

QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: **Advantex Marketing International Inc. (the "Issuer").**

Trading Symbol: **ADX**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the CNSX Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

> ***Interim consolidated financial statements for the three and six months ended December 31, 2019 are attached as Schedule A.***

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

N/A

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

The information connected to related party transactions is provided in note 10 to the attached interim consolidated financial statements for the three and six months ended December 31, 2019.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
October 28, 2019	***Common shares***	***Private placement. Refer to Issuer's News Release dated October 28, 2019 and note 7 in the interim consolidated financial statements attached as Schedule A***	***21,648,800***	***Part of Unit consisting of debenture and common shares of the Issuer***	***$200,000 for 200 Units consisting of debenture and common shares of the Issuer. Refer to Issuer's News Release dated October 28, 2019 and note 7 in the interim consolidated financial statements attached as Schedule A***	***Cash***	***Related party. Refer to Issuer's News Release dated October 28, 2019 and note 7 in the interim consolidated financial statements attached as Schedule A***	***Nil***

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
N/A	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

(a) As at December 31, 2019 the authorized share capital was the same as at June 30, 2019. The authorized share capital as at June 30, 2019 is disclosed in note 8(a) to the audited consolidated financial statements for year ended June 30, 2019 which are available under the Issuers profile on www.sedar.com.

(b) As at December 31, 2019 and June 30, 2019 there were issued and outstanding as follows. The change in the issued share capital was on account of 75 m common shares issued on July 10, 2019 and 21.65 m common shares on October 28, 2019.

i) 782,299,614 common shares at June 30, 2019 and 878,948,614 common shares at December 31, 2019, and
ii) 461,887 class A preference shares

The number of issued class A preference shares and common shares is provided by the Issuer's transfer agent.

(c) As at December 31, 2019, note 9 to the attached interim consolidated financial statements for the three and six months ended December 31, 2019 provides details of stock options.

(d) None.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Marc Lavine	**Director, Chairman of the Audit Committee, Chairman of the Compensation and Governance Committee**
Kelly Ambrose	**Director, CEO, President, and Secretary; Member of the Audit Committee, Member of the Compensation and Governance Committee**
Mukesh Sabharwal	**CFO and VP**

For information:

William Polley *Resigned as Director effective December 31, 2019*	Director, Chairman of the Board of Directors, member of the Audit Committee, Member of the Compensation and Governance Committee

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The interim MD&A for the three and six month periods ended December 31, 2019 and 2018 is attached as Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: May 21, 2020.

Kelly Ambrose
Name of Director or Senior Officer

"Kelly Ambrose" _
Signature

CEO and President
Official Capacity

Issuer Detail Name of Issuer Advantex Marketing International Inc.	For Quarter Ended December 31, 2019	Date of Report YY/MM/D 2020/05/21
Issuer Address 600 Alden Road, Suite 606		
City/Province/Postal Code Markham, ON, L3R 0E7	Issuer Fax No. (905) 946 2984	Issuer Telephone No. (905) 470 9558
Contact Name Kelly Ambrose	Contact Position CEO and President	Contact Telephone No. (905) 946 2957
Contact Email Address Kelly.ambrose@advantex.com	Web Site Address www.advantex.com	

SCHEDULE A

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended December 31, 2019

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of this report.

An auditor has not performed a review of these consolidated financial statements.

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

	Note	At December 31, 2019	At June 30, 2019
		$	$
Assets			
Current assets			
Cash and cash equivalents		$ 54,208	$ 119,636
Accounts receivable		109,665	110,630
Transaction credits	5	6,821,914	9,473,999
Prepaid expenses and sundry assets		50,632	52,232
		$ 7,036,419	**$ 9,756,497**
Non-current assets			
Right of use asset	15	$ 287,745	$ 345,294
Property, plant and equipment		629	15,255
		$ 288,374	**$ 360,549**
Total assets		**$ 7,324,793**	**$ 10,117,046**
Liabilities			
Current liabilities			
Loan payable	6	$ 6,050,069	$ 8,416,076
Lease liability		120,116	113,854
Accounts payable and accrued liabilities		2,772,671	2,526,829
9% Non-convertibles debentures payable	7	5,535,522	5,095,949
		$ 14,478,377	**$ 16,152,708**
Non-current Liabilities			
Lease liability	15	$ 203,469	$ 266,658
		$ 203,469	**$ 266,658**
Shareholders' deficiency			
Share capital	8	$ 24,530,555	$ 24,530,555
Contributed surplus		4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit	15	(35,930,607)	(34,875,874)
Total deficiency		**$ (7,357,053)**	**$ (6,302,320)**
Total liabilities and deficiency		**$ 7,324,793**	**$ 10,117,046**

Going concern (note 2), Commitments and contingencies (note 11)

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 (unaudited)
For the three and six months ended December 31, 2019 and 2018
(expressed in Canadian dollars)

	Note	Three months ended December 31		Six months ended December 31	
		2019	2018	2019	2018
		$	$	$	$
Revenues	14				
Marketing activities		$ 237,081	$ 1,493,769	$ 416,663	$ 3,039,158
Interest income		$ 653,855	$ 319,084	1,273,316	$ 619,829
		$ 890,936	**$ 1,812,853**	**$ 1,689,979**	**$ 3,658,987**
Direct expenses	13/14	244,131	376,062	408,021	820,573
		646,805	1,436,791	1,281,958	2,838,414
Operating expenses					
Selling and marketing	13/14	190,835	388,045	378,698	855,464
General and administrative	13/14	436,440	613,509	826,307	1,151,626
Earnings from operations before depreciation, amortization and interest		**19,530**	**435,237**	**76,953**	**831,324**
Interest expense:					
Stated interest expense - loan payable, and debentures	6/7	357,157	296,161	758,354	575,372
Interest - Lease		10,464	-	20,928	-
Non-cash interest expense (accretion charges) and restructuring bonus related to debentures	7	145,120	136,886	285,753	272,561
		(493,210)	2,190	(988,083)	(16,609)
Depreciation - Right of use asset		28,775	-	57,549	-
Depreciation of property, plant and equipment, and amortization of intangible assets		5,821	7,018	14,581	12,966
Loss and comprehensive loss		**$ (527,806)**	**$ (4,828)**	**$ (1,060,212)**	**$ (29,575)**
Issuance of debentures	7	$ 5,479	$ -	$ 5,479	$ -
Net loss and comprehensive loss		**$ (522,327)**	**$ (4,828)**	**$ (1,054,733)**	**$ (29,575)**
Profit/(Loss) per share					
Basic and Diluted	12	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)
For the three and six months ended December 31, 2019 and 2018
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2018	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,928,711)**	**$ (5,355,157)**
Net profit and comprehensive profit	-	-	-	-	(29,575)	(29,575)
Balance - December 31, 2018	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,958,286)**	**$ (5,384,732)**
Balance - July 1, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (34,875,874)**	**$ (6,302,320)**
Net loss and comprehensive loss	-	-	-	-	(1,054,733)	(1,054,733)
Balance - December 31, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (35,930,607)**	**$ (7,357,053)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow (unaudited)
For the three and six months ended December 31, 2019 and 2018
(expressed in Canadian dollars)

	Note	At December 31, 2019	December 31, 2018
		$	$
Operational activities			
Net profit/(loss) for the period		$ (1,054,733)	$ (29,575)
Adjustments for:			
Interest - Lease		20,928	-
Depreciation - Right of use asset		57,549	-
Depreciation of property, plant and equipment, and amortization of intangible assets		14,581	12,966
Accretion charge for debentures	7	159,126	147,398
Restructuring bonus for debentures	7	126,627	125,163
Fair value of debentures issued		(46,181)	-
		(722,103)	255,952
Changes in items of working capital			
Accounts receivable		965	(64,053)
Transaction credits		2,652,085	(1,063,643)
Prepaid expenses and sundry assets		1,600	(3,687)
Accounts payable and accrued liabilities		245,842	(676,430)
		2,900,492	(1,807,813)
Net cash provided by / (used in) operating activities		**$ 2,178,389**	**$ (1,551,861)**
Investing activities			
Payment for lease		$ (77,855)	$ -
Purchase of property, plant and equipment, and intangible assets		45	(2,810)
Net cash (used in) investing activities		**$ (77,810)**	**$ (2,810)**
Financing activities			
Proceeds - 9% Non-convertible debentures payable	7	$ 200,000	$ -
Proceeds - Loan payable	6	(2,366,007)	1,055,246
Net cash generated from / (used in) financing activities		**$ (2,166,007)**	**$ 1,055,246**
Increase / (decrease) in cash and cash equivalents during the period		**$ (65,428)**	**$ (499,425)**
Cash and cash equivalents at beginning of period		119,636	635,836
Cash and cash equivalents at end of period		**$ 54,208**	**$ 136,411**
Additional information			
Interest paid		$ 503,332	$ 333,580
For purposes of the cash flow statement, cash comprises			
Cash		$ 54,208	$ 136,411

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). The company operated its CIBC/TD program in partnership with Canadian Imperial Bank of Canada ("CIBC") and Toronto Dominion Bank ("TD"). The CIBC/TD program was the company's core business until the end of the company's partnership with CIBC on March 31, 2019 and TD on June 15, 2019. The company developed and managed loyalty programs for CIBC and TD and through which their customers earned frequent flyer miles or points on purchases at participating merchants. Under the program the company provided participating merchants with marketing and customer incentives. At its sole discretion the company pre-purchased merchants' future sales through its Advance Purchase Marketing (APM) product.

During year ended June 30, 2019 the company started to transition merchants participating in the CIBC/TD program to its merchant cash advance program. In this program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future receivables.

The company has an agreement with Air Canada ("AC") to operate as a re-seller of aeroplan miles to merchants. Aeroplan members are eligible to earn aeroplan miles on purchases at merchants buying aeroplan miles from the company. The five year term of the agreement ended April 30, 2019 and was extended to April 30, 2020; the two parties continue to work while discussing future terms and direction. The agreement can be terminated by AC under certain conditions during its term.

The company's segment reporting is provided in note 14.

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

2 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 in the normal course 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 $7,357,053 and negative working capital of $7,441,958 as at December 31, 2019. The company is also in breach of its covenants on its debentures, and did not pay the interest due December 16, 2019 (note 7). Also, due to the termination of its agreements with CIBC and TD described above as well as the potential financial impact from COVID-19 there is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including payments to its suppliers and payment of interest on the 9% debentures. These material uncertainties cast significant doubt on the validity of the going concern assumption and 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.

3 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore, should be read in conjunction with the audited consolidated financial statements and notes for the company's year ended June 30, 2019, which are available on SEDAR at www.sedar.com.

These interim consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on May 21, 2020.

4 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

The company has adopted IFRS 16, *Lease*s, commencing July 1, 2019. The result is a material adjustment to its financial statements to recognize the asset and lease obligation related to the lease of its premises and is disclosed in Note 15.

5 Transaction credits

The company generally acquires the rights to receive future cash flows associated with either designated credit card purchases under the CIBC/TD program or receivables under the merchant cash advance product at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 365 days. Accounts receivable and transaction credits are net of applicable allowance, which is established based on the specific credit risk associated with the customer and other relevant information.

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

For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The transaction credits and the allowance is as follows:

	At December 31, 2019	At June 30, 2019
	$	$
Transaction credits	$ 7,148,498	$ 9,713,908
Allowance	(326,584)	(239,909)
Per statement of financial position	**$ 6,821,914**	**$ 9,473,999**

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

	At December 31, 2019	At June 30, 2019
	$	$
Impaired transaction credits	$ 314,867	$ 111,463
Allowance	(266,964)	(105,616)
Impaired transaction credits not allowed for	**$ 47,903**	**$ 5,847**
The company carries a general allowance towards transaction credits of	$ 59,620	$ 134,293

Movement on allowance for impaired transaction credits

	At December 31, 2019	At December 31, 2018
	$	$
Balance brought forward at start of period	**$ 239,909**	**$ 76,063**
Allowance created during the period	187,100	90,288
Impaired accounts written off against allowance	(100,425)	(135,962)
Balance carried forward at end of period	**$ 326,584**	**$ 30,389**

6 Loan payable

	At December 31, 2019	At June 30, 2019
	$	$
Balance at start of period	**$ 8,416,076**	**$ 4,427,390**
Increase/(Decrease) in borrowing	(2,366,007)	3,988,686
Balance at end of period	**$ 6,050,069**	**$ 8,416,076**

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

The current term ends in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

The interest rate is equivalent to the prime rate of a certain Canadian bank plus 9.05%. 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 facility limit is $8.5 million. In May 2019 Accord increased the limit to $9.2 million for a 45 day period ending June 28, 2019 to ease the company's transition of merchants' to merchant cash advance product following wind-down of the CIBC/TD program (Note 1).

In certain circumstances the loan payable amount is repayable on demand to Accord.

The interest cost during the three and six months ended December 31, 2019 was $228,241 and $503,332 respectively (2018 $170,056 and $323,161 respectively)

7 9% Non-convertible debentures payable

In December, 2017 the company re-financed the 12% debentures. The terms of the refinancing were as follows:

1. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with a maturity date of December 31, 2021;
2. The 9% debentures bear interest of 9% per annum payable semi-annually;
3. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
4. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
5. Restructuring bonus payment of $180 for each $1,000 of 9% debentures payable on December 31, 2021; and
6. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units consisting of principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company.

The units were issued as follows:

1. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
2. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

On October 28, 2019 the company closed a financing whereby it issued additional $200 units of 9% debentures for gross proceeds of $200,000. The additional 200 units of 9% debentures was a related party transaction and the purchase was on terms and conditions applicable to the other subscribers of 9% debentures. Pursuant to the financing the company issued 21,648,800 fully paid common shares. The fair value of the 9% debentures issued was determined to be $46,181 based on a discounted cash flow of the interest and principal obligations of the 9% debentures. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the refinancing. As a result, the fair value less the financing costs of $40,702 has been recognized into income.

Movement on 9% debentures

	Debt portion
	$
Balance at June 30, 2019	$ 5,095,949
Fair value of $200,000 9% debentures on issuance in October 2019	$ 153,819
Restructuring bonus - due 2021 - charge for the period	$ 126,627
Accretion charge for the period	$ 159,126
Balance at December 31, 2019	**$ 5,535,522**

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. The significant financial covenants of the 9% debentures require the company to meet, on a quarterly basis, (i) a defined level of designated current assets, and (ii) a defined level of interest coverage. The company is also required to meet a defined level of designated assets supported by a third party valuation every 60 days. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in default on its interest coverage financial coverage at June 30, 2019. The company was in default on all three financial covenants at September 30, 2019 and at December 31, 2019. In addition, the company did not pay the interest due December 15, 2019 for the period June 16, 2019 to December 15, 2019.As a result the 9% debentures have been classified as a current liability. The company is in discussion with the primary holder of the 9% debentures who is also the primary shareholder of the company (Note 10) to obtain waivers to the events of default.

This is in addition to the interest the company did pay for the period December 16, 2018 to June 15, 2018 which was payable June 15, 2019. The company obtained a waiver to this event of default on June 21, 2019. As compensation, the company agreed to issue an aggregate of 75 million fully paid common shares to the debentures holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder, prior to July 15, 2019. The company issued the fully paid common shares on July 10, 2019. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the agreement.

Stated interest, restructuring bonus and accretion charges are as follows:

	Period ended December 31, 2019			Period ended December 31, 2018		
	Stated interest	Restructuring bonus	Accretion charge	Stated interest	Restructuring bonus	Accretion charge
	$	$	$	$	$	$
9% debentures	$ 255,022	$ 126,627	$ 159,126	$ 252,211	$ 125,163	$ 147,398
	$ 255,022	$ 126,627	$ 159,126	$ 252,211	$ 125,163	$ 147,398

8 Share capital

Authorized and Issued share capital.

No change in the authorized share capital since June 30, 2019.

The company issued 75,000,000 fully paid common shares to its debentures holders during three months ended September 30, 2019. The company issued on October 28, 2019, 21,648,800 fully paid common shares upon closing the issuance of 200 units of 9% debentures. The circumstances are described in Note 7. 878,948,614 common shares issued and outstanding at December 31, 2019 (June 30, 2019, 782,299,614).

9 Share-based payments

Employee stock options

The company has a stock option plan for directors, officers, employees and consultants. The number of employee stock options issuable per the company's stock option plan is 16,688,546.

There were nil employee stock options outstanding at December 31, 2018, June 30, 2019 and December 31, 2019.

The number of employee stock options available for future issuance as at June 30, 2019 and December 31, 2019 was 16,688,546.

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.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at June 30, 2019 and December 31, 2019.

Potentially Dilutive Securities

No potentially dilutive securities exist as at December 31, 2019.

10 Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company (note 7), on terms and conditions applicable to the other holders of 12% debentures. The holdings of 9% debentures by related parties are tabulated:

	At December 31, 2019	At June 30, 2019
	$	$
Director, Chief Executive Officer - K. Ambrose	$ 500,000	$ 500,000
Director - W.Polley - Chairman of Board of Directors*	$ -	$ 50,000
Director - M. Lavine	$ 500,000	$ 500,000
Chief Financial Officer - M.Sabharwal	$ 115,000	$ 115,000
	$ 1,115,000	**$ 1,165,000**
* W. Polley resigned as a Director effective December 31, 2019		

Generation PMCA Corp and Generation IACP Inc. (together "Generation") [formerly Trapeze Capital Corp. and Trapeze Asset Management Inc.]

Generation is the principal shareholder of the company by virtue of their holding as of December 31, 2019 approximately 37% common shares of the company (as of May 14, 2020 approximately 37%) and approximately 47% of the 9% debentures (as of May 14, 2020 approximately 47%), on behalf of their managed accounts.

11 Commitments and contingencies

Commitments

As at December 31, 2019, the company is committed to minimum payments with respect to existing leases for equipment:

	Equipment		Total	
	$		$	
Not later than one year	$	21,420	$	21,420
Later than one year and not later than five years	$	4,590	$	4,590
Later than five years	$	-	$	-
Total	**$**	**26,010**	**$**	**26,010**

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

Legal matters

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

12 Earnings per share

Basic EPS is calculated by dividing the net income (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.

	Three months ended December 31, 2019	Three months ended December 31, 2018	Six months ended December 31, 2019	Six months ended December 31, 2018
	$	$	$	$
Net profit/(loss) and comprehensive profit/(loss)	$ (522,327)	$ (4,828)	$ (1,054,733)	$ (29,575)
Basic and Diluted EPS				
Average number of issued common shares during the year	872,594,962	782,299,614	861,278,810	782,299,614
Basic EPS	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**
There are no potentially dilutive common shares outstanding at December 31, 2019 and 2018. Hence Diluted EPS not computed				

13 Nature of expenses

	Period ended December 31, 2019	Period ended December 31, 2018
	$	$
Direct expenses		
Costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; and b) cost of sales of digital marketing services	$ 218,923	$ 741,623
Expense for provision against impaired accounts receivable and transaction credits	189,098	78,950
	$ 408,021	**$ 820,573**
Selling and Marketing, and General & Administrative		
Salaries and wages including travel	$ 972,412	$ 1,547,882
Professional fees	51,499	129,146
Facilities, processing, and office expenses	134,064	290,629
Other	47,029	39,433
	$ 1,205,004	**$ 2,007,090**

14 Segment reporting

The company's reportable segments include: (1) Merchant cash advance ("MCA") program, (2) CIBC/TD program, (3) Aeroplan program and (4) Caesars program. Where applicable, corporate and other activities are reported separately as Corporate. The CIBC/TD program and Caesars program ended in fiscal year ended June 30, 2019.

The above noted programs are described in Note 1.

Financial information by reportable segment for period ended December 31, 2019 and 2018 is tabulated.

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

For the period ended December 31, 2019

	MCA program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	1,273,316	416,663	-	-	1,689,979
Direct expenses	168,791	239,230	-	-	408,021
	1,104,525	177,433	-	-	1,281,958
Selling & marketing	285,330	93,368	-	-	378,698
General & administrative	622,581	203,726	-	-	826,307
Earnings (loss) from operations before depreciation, amortization and interest	196,614	(119,661)	-	-	76,953
Stated interest - loan payable	503,332	-	-	-	503,332
Interest - Lease	15,768	5,160			20,928
Stated interest - Non convertible debentures payable	192,146	62,876	-	-	255,022
Non-cash interest - Non convertible debentures payable - accretion charges and restructuring bonus	215,301	70,452	-	-	285,753
	(729,933)	(258,150)	-	-	(988,082)
Depreciation - Right of use asset	43,360	14,189			57,549
Depreciation and amortization	10,986	3,595	-	-	14,581
Issuance of debentures	-	-	-	5,479	5,479
Segment profit/(loss)	(784,279)	(275,934)	-	5,479	(1,054,733)

For the period ended December 31, 2018

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	3,181,801	467,909	9,277	-	3,658,987
Direct expenses	570,715	234,751	15,107	-	820,573
	2,611,086	233,158	(5,830)	-	2,838,414
Selling & marketing	800,618	1,582	53,264	-	855,464
General & administrative	1,001,437	147,269	2,920	-	1,151,626
Earnings (loss) from operations before depreciation, amortization and interest	809,031	84,307	(62,014)	-	831,324
Stated interest - loan payable	323,161	-	-	-	323,161
Stated interest - Non convertible debentures payable	219,319	32,253	639	-	252,211
Non-cash interest - Non convertible debentures payable - accretion charges and restructuring bonus	237,015	34,855	691	-	272,561
	29,536	17,199	(63,344)	-	(16,609)
Depreciation and amortization	11,275	1,658	33	-	12,966
Segment profit/(loss)	18,261	15,541	(63,377)	-	(29,575)

15 Leases

The company has adopted IFRS 16 from its accounting period beginning July 1, 2019 and the adoption is reflected in these interim financial statements. The adoption is with respect to the company's head office lease. The company has certain equipment leases and IFRS 16 has not been adopted for these leases since about 62% of the lease payments, totalling $37,808 due as at June 30, 2019, are payable within 12 months and the balance of the obligations are not considered material. These obligations are disclosed in note 11 Commitments and contingencies. The company's head office lease is for a five year term from August 2017. In computing the right of use asset and lease liability the company has determined its fixed and variable payment obligations and used a discount rate reflective of the borrowing rate for the asset and the company's financial condition. To give effect to the right of use asset and lease liability in these financial statements the following adjustments have been made to the balances brought forward at July 1, 2019

	Deficit	Right of use asset	Lease liability
Reported per financial statements for year ended June 30, 2019	(34,840,656)	-	-
IFRS 16 adjustment	(35,218)	345,294	380,512
Re-stated at June 30, 2019	(34,875,874)	345,294	380,512

For the six months ended December 31, 2019, the lease payment is $77,855, depreciation of the right to use asset is $57,549 and lease interest is $20,928

16 Subsequent events

a. The company is under a cease trade order issued by the Ontario Securities Commission for not filing its year ended June 30, 2019, three months ended September 30, 2019, and three and six months ended December 31, 2019 documents by the due dates of October 28, 2019, November 29, 2019, and February 29, 2020 respectively.

b. On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. The government in Canada has ordered the closure of all non-essential businesses and this partial disruption, even if temporary, may impact the Company's future sales, ability to raise capital, and it's overall business by delaying receipt of principal and fee payments from merchants. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

17 Comparatives

Certain comparatives have been amended to conform to presentation in the current period.

Aeroplan is a Registered Trademark of Aeroplan Inc

SCHEDULE C

ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the three and six month periods ended December 31, 2019 and 2018

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 21, 2020. 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 months periods ended December 31, 2019 compared to the three and six month periods ended December 31, 2018. 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, 2019, and the interim consolidated financial statements and the related notes for the three and six months ended December 31, 2019 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 meets working capital needs of merchants. 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.

For the better part of fiscal year ended June 30, 2019 ("Fiscal 2019") the company developed and managed merchant based loyalty programs for Canadian Imperial Bank of Commerce ("CIBC") and The Toronto Dominion Bank ("TD") through its CIBC/TD program. During the three months ended September 30, 2019 the company completed the transition from the CIBC/TD program, commenced during the latter half of Fiscal 2019, to MCA. During the next three months ended December 31, 2019 the company was managing this portfolio. The activities of the six months ended December 1, 2019 are reflected in the financial performance and have a bearing on the outlook.

Since the company was providing working capital to merchants as part of its product offerings under the CIBC/TD program it was an easy transition to a merchant cash advance product and positioned the company for growth in a growth market. The transition started end February 2019 and was complete by end of August 2019. The MCA product and pricing were created to generate interest revenue and to minimize the loss of marketing revenues of the CIBC/TD program. The company was able to transition about 95% of merchants availing working capital as part of the CIBC/TD program to the MCA program. A high conversion ratio reflected the trusted relationship with merchants, higher credit limits, and transparency and pricing of Advantex's MCA business model. From transition to date hereof Advantex has managed it's delinquencies at historical five year trends, relying on the relationships of its account managers with the merchants combined with the robustness of its due diligence.

The company is a trusted name in the MCA space with a portfolio of about 250 merchants with an average merchant tenure of about five years. In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future receivables and company earns its revenue, per contract terms, as it collects against the pre-purchased receivables.

The company shall also continue to drive revenue from over 100 merchants participating in the Aeroplan program. It has a decade old relationship with Aeroplan which was recently purchased by Air-Canada. Merchants are able to leverage a powerful currency to market their business, specific products and services to the Aeroplan membership which is able to accelerate earning aeroplan miles. Advantex earns its revenue in the Aeroplan program from selling aeroplan miles, at an agreed price per consumer reward, to participating merchants.

The holders of 9% non-convertible debentures payable ("9% debentures") supported the company through the transition. The company did not pay the 9% debentures interest of $250,155, due June 15, 2019 for the period December 16, 2018 to June 15, 2019. The company obtained a waiver from the debenture holders to this event of default on June 21, 2019. As compensation, the company agreed to issue an aggregate of 75 million fully paid common shares to the debentures holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder, prior to July 15, 2019. The company issued the fully paid common shares on July 10, 2019. The company did not pay the interest of $250,155 due December 15, 2019 for the period June 16, 2019 to December 15, 2019. The company was in default on its interest coverage financial coverage at June 30, 2019 and subsequent to year ended June 30, 2019 is in default on all its financial covenants. The company is in discussion with the primary holder of the 9% debentures who is also the primary shareholder of the company (see Section Related Parties for details) to obtain waivers to the events of default. The primary holder of the 9% debentures and common shares holds the position on behalf of its managed accounts, is acting as the security agent for all 9% debenture holders and has a decade + relationship with the company.

In October 2019 the company raised $200,000 by way of issuance of 200 units of 9% debentures. The additional 200 units of 9% debentures was a related party transaction and the purchase was on terms and conditions applicable to the other subscribers of 9% debentures.

Advantex's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol ADX. Due to operational constraints - managing the transition being a significant factor - Advantex was not in a position to timely file the Fiscal 2019 annual financial statements and related financial documents and the Ontario Securities Commission ("OSC") issued a cease trade order. Upon completion of the filing the Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents the company will apply to the OSC to lift the cease trade order.

Summary – Three and six months ended December 31, 2019

The financial performance for the three and six months ended December 31, 2019 reflects operations of MCA and Aeroplan programs compared to CIBC/TD and Aeroplan in the corresponding period previous period.

The financial highlights for the three and six months ended December 31, 2019 ("Q2 Fiscal 2020" and "YTD Fiscal 2020" respectively) compared to three and six months ended December 31, 2018 ("Q2 Fiscal 2019" and "YTD Fiscal 2019" respectively) are summarized in the tabulation.

	Q2 Fiscal 2020	Q2 Fiscal 2019	YTD Fiscal 2020	YTD Fiscal 2019
	$	$	$	$
Revenues				
MCA program	$ 653,856	$ -	$ 1,273,316	$ -
CIBC/TD program	-	1,572,589	-	3,181,801
Aeroplan program	237,080	236,962	416,663	467,909
Caesars program	-	3,302	-	9,277
	$ 890,936	**$ 1,812,853**	**$ 1,689,979**	**$ 3,658,987**
Gross profit	**$ 646,805**	**$ 1,436,791**	**$ 1,281,958**	**$ 2,838,414**
Gross margin	72.6%	79.3%	75.9%	77.6%
Earnings from operations before depreciation, amortization and interest	**$ 19,530**	**$ 435,237**	**$ 76,953**	**$ 831,324**
Loss and Comprehensive loss before non-recurring item	**$ (527,806)**	**$ (4,828)**	**$ (1,060,212)**	**$ (29,575)**
Net loss and Comprehensive loss	**$ (522,327)**	**$ (4,828)**	**$ (1,054,733)**	**$ (29,575)**

Income Statement – Q2 Fiscal 2020 and YTD Fiscal 2020 compared to Q2 Fiscal 2019 and YTD Fiscal 2019

Q2 Fiscal 2020 compared to Q2 Fiscal 20119

The $921,917 drop in the company's revenues reflected mainly the transition from CIBC/TD program to MCA. Q2 Fiscal 2020 MCA revenues were $653,856 (2019 $nil). Q2 Fiscal 2020 CIBC/TD program revenues were $nil compared to $1,572,589 for Q2 Fiscal 2019.

The $789,986 drop in the company's gross profit reflected mainly the transition from CIBC/TD program to MCA. Q2 Fiscal 2020 MCA gross profit was $551,191 (2019 $nil). Q2 Fiscal 2020 CIBC/TD program gross profit was $nil compared to $1,324,688 for Q2 F 2019. MCA gross margin for Q2 Fiscal 2020 at 84.3% tracks CIBC/TD program (Q2 Fiscal 2019 at 84.2%).

Selling expenses were $197,210 lower compared to Q2 Fiscal 2019. This 50.8% drop tracked the 50.9% drop in revenues. The main component of selling expenses was payroll costs and the lower headcount reflected the changed nature of business, MCA vs. CIBC/TD program.

General & Administrative (G&A) expenses were $177,069 lower compared to Q2 Fiscal 2019 reflecting lower: (i) payroll costs ($96,691), and (ii) other overheads ($80,378). The reduction in payroll costs primarily reflected right sizing and supporting the business level. Reduction in other overheads primarily reflected adoption of IFRS 16, Leases to account for the head office lease obligations. This resulted in elimination of rent paid of $38,927 from G&A with corresponding set-up of expenses for non-cash interest on lease of $10,464 and depreciation expense on account of right of use asset of $28,774.

Decrease of $415,707 compared to Q2 Fiscal 2019 in earnings from operations before depreciation, amortization and interest reflects lower gross profit partially offset by lower Selling/G&A expenses.

Stated interest cost was higher by $60,997. The increase reflects higher interest paid of $58,185 on loan payable (Q2 Fiscal 2020 $228,241 compared to $170,056 for Q2 Fiscal 2019) which is primarily a reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable.

Q2 Fiscal 2020 reflects higher non-cash interest of $18,697 compared to Q2 Fiscal 2019. The non-cash interest is restructuring bonus of $64,046 (2019 $62,582), and accretion charges of $81,073 (2019 $74,304) reflecting terms of the 9% debentures. Q2 Fiscal 2020 reflects adoption from July 1, 2019 of IFRS 16, Leases resulting in interest cost of $10,464 on the company's head office lease (2019 $nil).
Depreciation and amortization expense was higher by $27,578 primarily reflecting adoption from July 1, 2019 of IFRS 16, Leases which set-up depreciation expense of $28,775 on right of use asset (company's head office lease).

The above factors are reflected in a net loss of $522,327 compared to $4,828 for Q2 Fiscal 2019.

YTD Fiscal 2020 compared to YTD Fiscal 2019

The $1,969,008 drop in the company's revenues reflected mainly the transition from CIBC/TD program to MCA. YTD Fiscal 2020 MCA revenues were $1,273,316 (2019 $nil). YTD Fiscal 2020 CIBC/TD program revenues were $nil compared to $3,181,801 for YTD Fiscal 2019.

The $1,556,456 drop in the company's gross profit reflected mainly the transition from CIBC/TD program to MCA. YTD Fiscal 2020 MCA gross profit was $1,104,525 (2019 $nil). YTD Fiscal 2020 CIBC/TD program revenues were $nil compared to $2,611,086 for YTD F 2019. MCA gross margin for YTD Fiscal 2020 at 86.7% betters CIBC/TD program (YTD Fiscal 2019 at 82.1%).

Selling expenses were $476,766 lower compared to YTD Fiscal 2019. This 55.7% drop tracked the 53.8% drop in revenues. The main component of selling expenses was payroll costs and the lower headcount reflected the changed nature of business, MCA vs. CIBC/TD program.

General & Administrative (G&A) expenses were $325,319 lower compared to YTD Fiscal 2019 reflecting lower: (i) payroll costs ($186,677), and (ii) other overheads ($138,642). The reduction in payroll costs primarily reflected right sizing and supporting the business level. Reduction in other overheads primarily reflected adoption of IFRS 16, Leases to account for the head office lease obligations. This resulted in elimination of rent paid of $77,855 from G&A with corresponding set-up of expenses for non-cash interest on lease of $20,928 and depreciation expense on account of right of use asset of $57,549.

Decrease of $754,371 compared to YTD Fiscal 2019 in earnings from operations before depreciation, amortization and interest reflects lower gross profit partially offset by lower Selling/G&A expenses.

Stated interest cost was higher by $182,982. The increase reflects higher interest paid of $180,171 on loan payable (YTD Fiscal 2020 $503,332 compared to $323,161 for YTD Fiscal 2019) which is primarily a reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable.

YTD Fiscal 2020 reflects higher non-cash interest of $34,120 compared to YTD Fiscal 2019. The non-cash interest is restructuring bonus of $126,627 (2019 $125,163), and accretion charges of $159,126 (2019 $147,398) reflecting terms of the 9% debentures. YTD Fiscal 2020 reflects adoption from July 1, 2019 of IFRS 16, Leases resulting in interest cost of $20,928 on the company's head office lease (2019 $nil).

Depreciation and amortization expense was higher by $59,164 primarily reflecting adoption from July

1, 2019 of IFRS 16, Leases which set-up depreciation expense of $57,549 on right of use asset (company's head office lease).

The above factors are reflected in a net loss of $1,054,733 compared to $29,575 for YTD Fiscal 2019.

Balance Sheet – December 31, 2019 compared to December 31, 2018

Transaction credits, which represent balance of working capital advanced to merchants, were about 94.0% of total assets at end of both periods. Transaction credits, net of provision for delinquent accounts, of $6,821,914 at December 31, 2019 compared to $6,656,069 at December 31, 2018. The transition to MCA was completed by August 2019 and December 31, 2019 position primarily reflected the collection MCA program dues. The 2018 position under the CIBC/TD program reflected collections of dues from and deployment of transaction credits with merchants.

Loan payable of $6,050,069 at December 31, 2019 compared to $5,482,636 at December 31, 2018. 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%. During YTD Fiscal 2019 cash surplus to immediate requirements was applied to loan payable, reducing the loan payable and consequently the interest cost. Such cash at December 31, 2018 was $175,000. Timing of collection from and deployment of advances to merchants also effects the balance at period ends.

Accounts payable and accrued liabilities at December 31, 2019 at $2,772,671 compared to $2,167,288 at December 31, 2018. The balance at December 2019 reflects accrued and unpaid 9% debentures interest of $526,646.

Outlook

The outlook from the MD&A dated May 21, 2020 for year ended June 30, 2019 is reproduced.

The company believes the MCA business is a growth industry because institutional lenders are not available to independent merchants, the engines of significant economic activity. Although there are several competitors in the MCA space the company believes the transparency, pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital.

The Aeroplan program the company operates is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2020. The two parties continue to work while discussing future terms and direction and the company believes it shall be able to secure a multi-year 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 Covid-19 pandemic is a challenge and an opportunity for the company. Challenge because it has created additional uncertainty to the company's business continuity and also put on hold discussions which were underway with some parties to raise growth capital. Opportunity because merchant's will need the company's products even more once life returns to normal - marketing to bring customers to their establishments and working capital to help re-start and re-build their operations.

To fund growth of MCA program beyond where the portfolio is as of date hereof and thereby continue its current operations, 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 on economic terms. While the company believes it has the support of the holders of 9% debentures and Accord, there can be no assurance of their continued support and the terms of such support if the company cannot attract debt and or equity to grow the MCA portfolio and move towards break-even and profitability. While the company believes it has a scale-able and profitable MCA business model in a growth industry, has years of experience in the MCA industry, low delinquency and it offers an attractive opportunity for investors there can be no guarantee of a successful outcome, the economic terms, the time-line to the outcome.

In the event of on-going support from its financial partners, Aeroplan, timely raise of growth capital on terms that the company can accommodate, the company expects to achieve financial stability and provide value to the 9% debenture holders and shareholders but cautions that the road to recovery, made more arduous by Covid-19 pandemic, will be take time and will be gradual.

Results of Operations

	Q2 Fiscal 2020	Q2 Fiscal 2019	YTD Fiscal 2020	YTD Fiscal 2019
	$	$	$	$
Revenues	**$ 890,936**	**$ 1,812,853**	**$ 1,689,979**	**$ 3,658,987**
Direct expenses - Cost of cardholder rewards and marketing merchants to cardholders	121,159	334,884	218,923	741,623
Direct expenses - Expense for provision against delinquent accounts	122,972	41,178	189,098	78,950
Gross profit	**$ 646,805**	**$ 1,436,791**	**$ 1,281,958**	**$ 2,838,414**
Selling and General & Administrative	627,275	1,001,554	1,205,005	2,007,090
Earnings from operations before depreciation, amortization and interest	**$ 19,530**	**$ 435,237**	**$ 76,953**	**$ 831,324**
Cash interest on loan payable and debentures	357,157	296,161	758,354	575,372
Earnings (loss) from operations before depreciation, amortization and non-cash interest on debentures (accretion charges)	**$ (337,627)**	**$ 139,076**	**$ (681,401)**	**$ 255,952**
Depreciation - Right of use asset	28,775	-	57,549	-
Depreciation and amortization	5,821	7,018	14,581	12,966
Interest - Lease	10,464	-	20,928	-
Non cash interest expense on debentures	145,120	136,886	285,753	272,561
Loss and Comprehensive loss before non-recurring item	**$ (527,806)**	**$ (4,828)**	**$ (1,060,212)**	**$ (29,575)**
Issuance of debentures	$ 5,479	$ -	$ 5,479	$ -
Net loss and Comprehensive loss	**$ (522,327)**	**$ (4,828)**	**$ (1,054,733)**	**$ (29,575)**
Basic and Diluted profit/(loss) per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

		At December 31, 2019	At June 30, 2019	Increase/ (Decrease)
		$	$	$
Current assets		$ 7,036,419	$ 9,756,497	$ (2,720,078)
Total assets		$ 7,324,793	$ 10,117,046	$ (2,792,253)
Shareholders' deficiency		$ (7,357,053)	$ (6,302,320)	$ 1,054,733

The change in current assets primarily reflected decrease in transaction credit, net of provision for delinquent accounts, of $2,652,085.

The change in transaction credits reflected 1. Completion of transition of merchants participating in the CIBC/TD program to the MCA, and 2. Collection of dues from merchants transitioned as at June 30, 2019 and post June 30, 2019 to MCA.

The decline in cash and cash equivalents partially represents investment of 10% which the company has to put into each $ of working capital advanced to merchants and partially being used by operations. The cash balances also reflected the timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants.

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

On the current liabilities side, the main change is on account of loan payable. The loan payable balance at December 31, 2019 at $6,050,069 was down $2,366,007 compared to June 30, 2019 and reflected the drop in transaction credits. Loan payable supports 90% investment in transaction credits.

The movement in the shareholders' deficit reflects net loss during YTD Fiscal 2020.

Extracts from the Statement of Cash Flow

		YTD Fiscal 2020	YTD Fiscal 2019	Change
		$	$	$
Net profit/(loss)		$ (1,054,733)	$ (29,575)	$ (1,025,158)
Adjustments for non cash expenses		332,630	285,527	47,103
Income after adjustments for non cash expenses		$ (722,103)	$ 255,952	$ (978,055)
Changes in working capital		2,900,492	(1,807,813)	4,708,305
Net cash generated from / (used in) financing activities supporting working capital		(2,166,007)	1,055,246	(3,221,253)
Net cash provided by / (used in) operations		$ 12,382	$ (496,615)	$ 508,997
Net cash provided by / (used in) investing activities		(77,810)	(2,810)	(75,000)
Increase (Decrease) in cash and cash equivalents		(65,428)	$ (499,425)	$ 433,997
Cash and cash equivalents at start of period		$ 119,636	$ 635,836	$ (516,200)
Cash and cash equivalents at end of period		$ 54,208	$ 136,411	$ (82,203)

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2020 the significant item was the decrease of $2,652,085 in transaction credits and reflected a combination of transition of merchants participating in the CIBC/TD program to the MCA program and collection of dues from merchants transitioned as at June 30, 2019 and post June 30, 2019 to MCA. YTD Fiscal

2019, the significant items were increase in transaction credits, net of provision for delinquent accounts, of $1,063,643 and decrease in accounts payable and accrued liabilities of $676,430. While the merchant participation at December 31, 2018 was lower compared to June 30, 2018 there was an increase in transaction credits and this reflected higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflected settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring.

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.

Financing activities. During YTD Fiscal 2020 the primary change was the decrease in loan payable reflecting above noted decrease in transaction credits. YTD 2019 reflected the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization.

Investing activities. The capital expenditures during YTD Fiscal 2020 and YTD Fiscal 2019 were nominal and the company expects capital expenditures for rest of Fiscal 2020 to be similar to the prior two fiscal years. Wherever possible the company will use leasing and cloud hosting opportunities.

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, 2019, and have been included to provide additional analysis for the reader.

Revenue

The company's revenue for Q2 Fiscal 2020 and YTD Fiscal 2020 is derived from merchants participating in the MCA program, and the Aeroplan program which the company has been operating for about a decade.

During Q2 Fiscal 2019 and YTD Fiscal 2019 the company operated CIBC/TD, Aeroplan and Caesars programs.

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

The Aeroplan program operates the Re-seller and Processing products.

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

Processing. The company processes issuance of aeroplan miles for Aeroplan customers. Revenue is recognized at the agreed price per aeroplan mile processed by the company.

The CIBC/TD program operated the following two products:

Advance Purchase Marketing ("APM"): The company acquired the rights to cash flow from future designated CIBC and TD credit card transactions at a discount from participating merchants (transaction credits on consolidated statement of financial position) and promoted the merchant by way of targeted marketing to holders of designated CIBC/TD credit cards, issued consumer rewards to consumers when they completed purchases at participating merchants, and provided merchants with business intelligence connected to the spending behaviour of consumers. The company's revenue was from the purchases completed at the participating merchants using designated CIBC and TD credit cards, net of the company's costs to acquire the transaction credits. Proceeds from the amount spent on above noted CIBC/TD credit cards at participating merchants were received by the company and a predetermined portion applied to reduce the transaction credit balance.

Marketing Only: The company did not acquire the rights to cash flows of merchants. In all other respects Marketing Only was similar to APM. Revenue was earned in the form of an agreed marketing fee for every purchase completed using CIBC/TD credit card (as defined under APM) at participating merchants.

The Caesars program operated the Participation fee product. The company marketed participating merchants to Caesars Total Rewards members and the merchant issued total rewards loyalty points to Total Rewards members completing a qualifying transaction at the merchant. The merchant paid an agreed monthly fee to Advantex.

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 receivables are purchased from merchants.

The revenues from the Aeroplan Re-seller product 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 drivers for revenues from the CIBC/TD program were:

1. Number of participating merchants;
2. Market penetration of the CIBC/TD credit cards;
3. Economic environment;
4. Mix of merchants in terms of their volume of CIBC/TD credit card transactions; and
5. Participation levels in APM and Marketing Only. The fees that a merchant would pay for participation in the APM product was higher compared to Marketing Only.

The revenues from the Caesars program were dependent on the number of participating merchants.

The revenue trends are provided in the tabulation.

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	$	$	$	$
Revenues						
MCA program	$ 653,856	$ -	$ 653,856	$ 1,273,316	$ -	$ 1,273,316
CIBC/TD program	-	1,572,589	(1,572,589)	-	3,181,801	(3,181,801)
Aeroplan program	237,080	236,962	118	416,663	467,909	(51,246)
Caesars program	-	3,302	(3,302)	-	9,277	(9,277)
	$ 890,936	**$ 1,812,853**	**$ (921,917)**	**$ 1,689,979**	**$ 3,658,987**	**$ (1,969,008)**

MCA program

The revenue was earned from merchants transitioned from primarily the CIBC/TD APM product as of June 30, 2019 and those transitioned during Q1 Fiscal 2020. The transition to MCA was completed during Q1 Fiscal 2020.

Aeroplan program

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	%	$	$	%
Revenue - Re-seller	$ 237,081	$ 205,624	15.3%	$ 416,663	$ 404,585	3.0%
Revenue - Processing (no Direct Expenses)	-	31,338		-	63,324	
	$ 237,081	$ 236,962		$ 416,663	$ 467,909	

Changes in re-seller revenues primarily reflected change in merchant participation. The company re-organized the sales and account management – into one unit for MCA and Aeroplan - towards end of calendar 2019 to drive sales and merchant engagement in the program.

The company processed issuance of aeroplan miles for an Aeroplan customer. This was the source of processing revenue. Aeroplan's contract with the customer ended May 2019 which ended this revenue stream.

CIBC/TD program and Caesars program

These programs ended during Fiscal 2019.

Direct Expenses

The MCA direct expenses are provision against transaction credits.

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.

The CIBC/TD program direct expenses included costs of consumer rewards which the company purchased from CIBC and TD, the cost of marketing and advertising on behalf of merchants, cost of sales of digital marketing services and provision against receivables.

Caesars program direct expenses were costs of consumer rewards which the company purchased from Caesars and provision against receivables.

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 653,856	$ -		$ 1,273,316	$ -	
CIBC/TD program	-	1,572,589		-	3,181,801	
Aeroplan program	237,080	236,962		416,663	467,909	
Caesars program	-	3,302		-	9,277	
	$ 890,936	**$ 1,812,853**	**-50.9%**	**$ 1,689,979**	**$ 3,658,987**	**-53.8%**
Direct expenses						
MCA program	$ 102,665	$ -		$ 168,791	$ -	
CIBC/TD program	-	247,901		-	570,715	
Aeroplan program	141,466	117,326		239,230	234,751	
Caesars program	-	10,835		-	15,107	
	$ 244,131	**$ 376,062**	**-35.1%**	**$ 408,021**	**$ 820,573**	**-50.3%**

The MCA program expense during Q2 Fiscal 2020 and YTD Fiscal 2020 for delinquent transaction credit was to expectations. Due to Covid-19 there is uncertainty connected to continuity of merchants and consequently it is difficult to estimate future delinquencies.

Aeroplan program

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	%	$	$	%
Revenue - Re-seller	$ 237,081	$ 205,624	15.3%	$ 416,663	$ 404,585	3.0%
Revenue - Processing (no Direct Expenses)	-	31,338		-	63,324	
	$ 237,081	$ 236,962		$ 416,663	$ 467,909	
Direct expenses						
Consumer rewards	$ 141,466	$ 117,326		$ 239,230	$ 234,751	
	141,466	$ 117,326	20.6%	$ 239,230	$ 234,751	1.9%

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

CIBC/TD and Caesars programs ended during Fiscal 2019.

Gross Profit

The decline in gross profit primarily reflected end of CIBC/TD program in Fiscal 2019 partially offset by operation of the replacement MCA program.

Company decline in revenues – Q2 Fiscal 2020 (50.9%) and YTD Fiscal 2019 (53.8%) was reflected in gross profit declines.

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	%	$	$	%
MCA program	$ 551,191	$ -		$ 1,104,525	$ -	
CIBC/TD program	-	1,324,688		-	2,611,086	
Aeroplan program	95,614	119,636		177,433	233,158	
Caesars program	-	(7,533)		-	(5,830)	
	$ 646,805	**$ 1,436,791**	**-55.0%**	**$ 1,281,958**	**$ 2,838,414**	**-54.8%**

Selling Expenses

Selling expenses include expenses arising from remuneration of sales staff, transaction processing and other selling activities. The significant component is cost of sales staff.

Selling expenses dropped in line with revenues.

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 653,856	$ -		$ 1,273,316	$ -	
CIBC/TD program	-	1,572,589		-	3,181,801	
Aeroplan program	237,080	236,962		416,663	467,909	
Caesars program	-	3,302		-	9,277	
	$ 890,936	**$ 1,812,853**	**-50.9%**	**$ 1,689,979**	**$ 3,658,987**	**-53.8%**
Selling expenses						
MCA program	$ 139,689	$ -		$ 285,330	$ -	
CIBC/TD program	-	364,408		-	800,618	
Aeroplan program	51,146	-		93,368	1,582	
Caesars program	-	23,637		-	53,264	
	$ 190,835	**$ 388,045**	**-50.8%**	**$ 378,698**	**$ 855,464**	**-55.7%**
Remuneration of sales staff	$ 183,621	$ 344,694	**-46.7%**	$ 370,295	$ 749,354	**-50.6%**
Remuneration as % of selling expenses	96.2%	88.8%		97.8%	87.6%	

The company re-organized the sales and account management – into one unit for MCA and Aeroplan - towards end of calendar 2019 to drive sales and merchant engagement in the 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).

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	%	$	$	%
Change in revenues			**-50.9%**			**-53.8%**
G&A						
Compensation for non-sales staff	$ 280,757	$ 385,654	-27.2%	$ 556,491	$ 751,374	-25.9%
Severances	-	(8,206)		-	(8,206)	
All other G&A expenses	155,683	236,061		269,816	408,458	
	$ 436,440	**$ 613,509**	**-28.9%**	**$ 826,307**	**$ 1,151,626**	**-28.2%**

The reduction in compensation primarily reflected right sizing and supporting the business level. Reduction in other overheads primarily reflected adoption of IFRS 16, Leases to account for the head office lease obligations. This resulted in elimination of rent paid of $38,928 (Q2 Fiscal 2020) and $77,855 (YTD Fiscal 2020) from G&A with corresponding set-up of expenses for non-cash interest on lease of $10,464 (Q2 Fiscal 2020) and $20,968 (YTD Fiscal 2020) and depreciation expense on account of right of use asset of $28,775 (Q2 Fiscal 2020) and $57,549 (YTD Fiscal 2020).

Interest Expense

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	%	$	$	%
Stated ("Cash") interest expense						
Loan payable	$ 228,241	$ 170,056		$ 503,332	$ 323,161	
9% debentures	128,916	126,105		255,022	252,211	
	357,158	296,161	**20.6%**	758,354	575,372	**31.8%**
Interest - Lease	10,464	-		20,928	-	
Non-cash interest - 9% debentures - restructuring bonus	64,046	62,582		126,627	125,163	
Non cash interest (accretion charge) on 9% debentures	$ 81,073	$ 74,304		$ 159,126	$ 147,398	
	$ 512,741	**$ 433,047**	**18.4%**	**$ 1,065,035**	**$ 847,933**	**25.6%**

Stated interest expense. Increase in loan payable interest expense is a reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each $ of merchant cash advance and loan payable facility to fund the balance.

Non-cash interest. The company adopted from July 1, 2019 IFRS 16, Leases resulting in set-up of interest cost on the company's head office lease (2019 $nil) as explained in section G&A.

Net Profit/(Loss)

Highlights are tabulated:

	Q2 Fiscal 2020	Q2 Fiscal 2019	Inc./(Dec)	YTD Fiscal 2020	YTD Fiscal 2019	Inc./(Dec)
	$	$	$	$	$	$
Revenues	$ 890,936	$ 1,812,853	$ (921,917)	$ 1,689,979	$ 3,658,987	$ (1,969,008)
Gross margin	72.6%	79.3%		75.9%	77.6%	
Gross profit	$ 646,805	$ 1,436,791	$ (789,986)	$ 1,281,958	$ 2,838,414	$ (1,556,456)
Earnings from operations before depreciation, amortization and interest	$ 19,530	$ 435,237	$ (415,707)	$ 76,953	$ 831,324	$ (754,371)
Loss and comprehensive loss	$ (527,806)	$ (4,828)	$ 522,979	$ (1,060,212)	$ (29,575)	$ 1,030,637
Net loss and comprehensive loss	$ (522,327)	$ (4,828)	$ 517,500	$ (1,054,733)	$ (29,575)	$ 1,025,158
Basic and Diluted profit/(loss) per share	$ (0.00)	$ (0.00)		$ (0.00)	$ (0.00)	

<u>Q2 Fiscal 2020 compared to Q2 Fiscal 2019</u>

The $921,917 drop in the company's revenues reflected mainly the transition from CIBC/TD program to MCA. Q2 Fiscal 2020 MCA revenues were $653,856 (2019 $nil). Q2 Fiscal 2020 CIBC/TD program revenues were $nil compared to $1,572,589 for Q2 Fiscal 2019.

The $789,986 drop in the company's gross profit reflected mainly the transition from CIBC/TD program to MCA. Q2 Fiscal 2020 MCA gross profit was $551,191 (2019 $nil). Q2 Fiscal 2020 CIBC/TD program gross profit was $nil compared to $1,324,688 for Q2 F 2019.

Selling expenses were $197,210 lower compared to Q2 Fiscal 2019. This 50.8% drop tracked the 50.9% drop in revenues.

General & Administrative (G&A) expenses were $177,069 lower compared to Q2 Fiscal 2019 reflecting lower: (i) payroll costs ($96,691), and (ii) other overheads ($80,378).

Decrease of $415,707 compared to Q2 Fiscal 2019 in earnings from operations before depreciation, amortization and interest reflects lower gross profit partially offset by lower Selling/G&A expenses.

Interest costs were higher. A reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable.

Depreciation and amortization expense was higher by $27,578 primarily reflecting adoption of IFRS 16, Leases which set-up depreciation expense of $28,775 on right of use asset (company's head office lease).

The losses of the two periods reflected the above factors which are explained in the respective sections earlier in this document.

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

The $1,969,008 drop in the company's revenues reflected mainly the transition from CIBC/TD program to MCA. YTD Fiscal 2020 MCA revenues were $1,273,316 (2019 $nil). YTD Fiscal 2020

CIBC/TD program revenues were $nil compared to $3,181,801 for Q1 Fiscal 2019.

The $1,556,456 drop in the company's gross profit reflected mainly the transition from CIBC/TD program to MCA. YTD Fiscal 2020 MCA gross profit was $551,191 (2019 $nil). YTD Fiscal 2020 CIBC/TD program gross profit was $nil compared to $2,611,086 for YTD F 2019.

Selling expenses were $476,766 lower compared to YTD Fiscal 2019. This 55.7% drop tracked the 53.8% drop in revenues.

General & Administrative (G&A) expenses were $325,319 lower compared to YTD Fiscal 2019 reflecting lower: (i) payroll costs ($186,677), and (ii) other overheads ($138,642).

Decrease of $754,371 compared to YTD Fiscal 2019 in earnings from operations before depreciation, amortization and interest reflects lower gross profit partially offset by lower Selling/G&A expenses.

Interest costs were higher. A reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable.

Depreciation and amortization expense was higher by $59,164 primarily reflecting adoption of IFRS 16, Leases which set-up depreciation expense of $57,549 on right of use asset (company's head office lease).

The losses of the two periods reflected the above factors which are explained in the respective sections earlier in this document.

Working Capital and Liquidity Management

	Q2 Fiscal 2020	Q2 Fiscal 2019	YTD Fiscal 2020	YTD Fiscal 2019
	$	$	$	$
Funds available to expand the CIBC/TD programs APM product (Transaction credits on the balance sheet) and meet working capital needs				
Net profit/(loss)	$ (522,327)	$ (4,828)	$ (1,054,733)	$ (29,575)
Adjustments for non cash expenses	143,997	143,904	332,630	285,527
Income after adjustment for non cash expenses	(378,330)	139,076	(722,103)	255,952
Cash balances at start of the period	73,417	302,537	119,636	635,836
Inc. 9% debentures	200,000	-	200,000	-
Inc./(dec) in loan payable	(1,187,652)	849,150	(2,366,007)	1,055,246
	$ (1,292,565)	**$ 1,290,763**	**$ (2,768,474)**	**$ 1,947,034**
Utilization of funds				
Cash balances at end of periods	$ 54,208	$ 136,411	$ 54,208	$ 136,411
Inc./(dec) in transaction credits	(1,228,037)	728,667	(2,652,085)	1,063,643
Decrease in Accounts payable	(186,840)	400,604	(245,842)	676,430
Changes in all other working capital items	29,177	25,081	(2,565)	67,740
Investing activities	38,927	-	77,810	2,810
	$ (1,292,565)	**$ 1,290,763**	**$ (2,768,474)**	**$ 1,947,034**

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2020 the significant item was the decrease of $2,652,085 in transaction credits and reflected a combination of transition of merchants participating in the CIBC/TD program to the MCA program and collection of dues from merchants transitioned as at June 30, 2019 and post June 30, 2019 to MCA. YTD Fiscal 2019, the significant items were increase in transaction credits, net of provision for delinquent accounts, of $1,063,643 and decrease in accounts payable and accrued liabilities of $676,430. While the merchant participation at December 31, 2018 was lower compared to June 30, 2018 there was an increase in transaction credits and this reflected higher pre-purchase of future sales at a discount (transaction credits) from high volume established merchants. Decrease in accounts payable and accrued liabilities since June 30, 2018 reflected settlement of severances, continuing settlement of accounts payable and accrued liabilities following the restructuring.

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.

Financing activities. During YTD Fiscal 2020 the primary change was the decrease in loan payable reflecting above noted decrease in transaction credits. YTD Fiscal 2019 reflected the change in the loan payable balance consequent to 1. changes in transaction credits purchased from existing merchant portfolio and 2. cash surplus to immediate requirements being used to reduce loan payable utilization.

Investing activities. The capital expenditures during YTD Fiscal 2020 and YTD Fiscal 2019 were nominal and the company expects capital expenditures for rest of Fiscal 2020 to be similar to the prior two fiscal years. Wherever possible the company will use leasing and cloud hosting opportunities.

The company does not have the wherewithal to re-pay its legacy suppliers i.e. those providing services connected to CIBC/TD program and those suppliers not essential to operating the new business model. It will have to reach settlement accommodation with these suppliers. The company has payment plans in place with suppliers critical to ongoing operations.

Cash balances at the end of a quarter/year reflect cash generated/(used) by operations [profit/(loss) before depreciation of property, plant and equipment, and amortization of intangible assets; and non-cash interest on debentures], the other factors are timing difference between the company's ongoing collection of transaction credits from and deploying advances to merchants, payments of accounts payable, funds from Affinity partners towards marketing initiatives. The additional consideration at September 30, 2018 is the cash raised by the company following the close of restructuring with its financial partners and where cash surplus to immediate operating requirements was used to reduce the loan payable and consequently the interest cost. Balance of such cash at September 30, 2018 was $450,000.

The company's operations are funded by debt – loan payable and 9% debentures (see Sections Loan Payable and 9% Non-Convertible Debentures Payable) in this document. Both the partnerships are set-up for maturity/expiry in December 2021.

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 does not have the 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% debenture holders.

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.

The company's future success is dependent on retaining its existing relationships with Aeroplan, Accord and holders of 9% debentures and it believes it has their support, and access to additional working capital in the form of debt and or equity.

The company has adopted IFRS 16, Leases from July 1, 2019. The lease for its head office is reflected under IFRS 16, Leases in the interim financial statements effective July 1, 2019. There are leases for equipment which are primarily due within the next 12 months. The details are provided in document under Contractual obligations. Except for these leasing arrangements the company does not participate in off balance sheet financing arrangements.

The interim consolidated financial statements for the three and six months ended December 31, 2019 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 in the normal course 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 $3,357,053 and negative working capital of $7,441,958 as at December 31, 2019. The company is also in breach of its covenants on its debentures (section 9% Non-Convertible Debentures Payable). Also, due to the termination of its agreements with CIBC and TD during Fiscal 2019 as well as the potential financial impact from COVID-19 there is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including payments to its suppliers and payment of interest on the 9% debentures. These material uncertainties cast significant doubt on the validity of the going concern assumption and the company's ability to continue as a going concern.

The interim 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 interim 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.

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 will adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% debentures, Air-Canada, ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. The company is exploring its eligibility to secure relief provided by various government programs but no assurance can be given on a successful outcome.

Contractual Obligations

Contractual obligations as at December 31, 2019 were due as follow:

	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 6,050,069	$ 6,050,069	$ -	$ -
9% debentures	$ 5,759,000	$ -	$ 5,759,000	$ -
Operating leases	$ 26,010	$ 21,420	$ 4,590	$ -
	$ 11,835,079	**$ 6,071,489**	**$ 5,763,590**	**$ -**

In addition, 9% debenture interest of $1,562,067 is payable for the period December 16, 2018 to maturity on December 31, 2021 (interest is paid semi-annually, June 15 and December 15). The company also has a liability of restructuring bonus for $1,036,620 to the holders of the 9% debentures payable on December 31, 2021.

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

Furthermore, in August 2017 the company renewed its lease for the company's head office for five year term ending August 31, 2022.

Loan Payable

The loan payable is a line of credit facility with Accord to be used exclusively to fund the merchants participating in the APM product in the business segments available to the company under its agreements with CIBC, TD and Aimia, and MCA product. As security, Accord has first charge to all amounts due from merchants funded from the loan payable.

The loan payable was established in December 2007. The current term of the loan payable is due to expire in December 2021. The agreement is subject to automatic renewal thereafter for periods of one year unless earlier terminated by either party prior to end of term.

During the current term the interest rate is equivalent to prime rate of a certain Canadian bank plus 9.05%. Furthermore, during the current term the co-funding arrangement is 90:10, whereby Accord funds 90% of each dollar of amounts funded to merchants. The company funds 10%.

The facility has a limit of $8.5 million.

Interest is calculated daily on the amount outstanding and charged monthly.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The company had utilized $6.1 million of the facility at December 31, 2019 (at June 30, 2019 $8.4 million).

9% Non-convertible Debentures Payable

In December, 2017 the company re-financed the 12% debentures. The terms of the refinancing were as follows:

7. Holders of existing 12% debentures were issued, on dollar for dollar basis, 9% non-convertible debentures payable ("9% debentures") with a maturity date of December 31, 2021;
8. The 9% debentures bear interest of 9% per annum payable semi-annually;
9. Cancelation of accrued and unpaid interest on 12% debentures for period January 1, 2017 to December 21, 2017;
10. Cancelation of penalty of $103,180 payable to holders of 12% debentures;
11. Restructuring bonus payment of $180 for each $1,000 of 9% debentures payable on December 31, 2021; and
12. 108,244 common shares of the company for each $1,000 of 9% debentures.

The 9% debentures and common shares were issued as units. The company issued 5,559 units consisting of principal amount of $5,559,000 9% debentures and 601,728,396 common shares of the company.

The units were issued as follows:

3. Principal amount of $5,159,000 9% debentures and 558,430,796 common shares of the company issued to holders of 12% debentures; and
4. Principal amount of $400,000 new investment in 9% debentures and 43,297,600 common shares of the company.

The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% debentures require the company to meet financial covenants. The significant financial covenants of the 9% debentures require the company to meet, on a quarterly basis, (i) a defined level of designated current assets, and (ii) a defined level of interest coverage. The company is also required to meet a defined level of designated assets supported by a third party valuation every 60 days. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them.

The company was in default on its interest coverage financial coverage at June 30, 2019. The company was in default on all three financial covenants at September 30, 2019 and subsequent to September 30, 2019. As a result the 9% debentures have been classified as a current liability.

In addition, the company did not pay the interest due June 15, 2019 for the period December 16, 2018 to June 15, 2018. The company obtained a waiver to this event of default on June 21, 2019. As compensation, the company agreed to issue an aggregate of 75 million fully paid common shares to the debentures holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder, prior to July 15, 2019. The company issued the fully paid common shares on July 10, 2019. The common shares were valued at $nil based on the estimated market value of the common shares at the date of the agreement.

The company did not pay the interest of $250,155 due December 15, 2019 for the period June 16, 2019 to December 15, 2019. The company is in discussion with the primary holder of the 9% debentures who is also the primary shareholder of the company (see Section Related Parties for details) to obtain waivers to the events of default connected to payment of interest due December 15, 2019 and breach of financial covenants.

Summary of Quarterly Results

12 month period ended December 31, 2019					
In $ millions except for per share amounts	Q3	Q4	Q1	Q2	Total
	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	
Revenue	1.4	1.1	0.8	$ 0.9	$ 4.2
Percent of annual revenue	33.3%	26.2%	19.0%	21.4%	100.0%
Net income/(loss)	(0.4)	(0.5)	(0.5)	$ (0.5)	$ (1.9)
Loss per share - Basic and Diluted	-	-	-	$ -	$ -
12 month period ended December 31, 2018					
In $ millions except for per share amounts	Q3	Q4	Q1	Q2	Total
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	
Revenue	$ 1.7	$ 1.9	$ 1.8	$ 1.8	$ 7.2
Percent of annual revenue	23.6%	26.4%	25.0%	25.0%	100.0%
Net income/(loss)	$ (0.1)	$ (0.3)	$ -	$ -	$ (0.4)
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 two periods under review. The company expects to secure lease arrangements for the bulk of equipment requirements. The company is not contemplating material capital commitments during fiscal year ending June 30, 2020.

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 4 to the audited consolidated financial statements for year ended June 30, 2019. The adoption of IFRS 9 and IFRS 15, applicable for the company's fiscal year which commenced July 1, 2018, had no material impact on the company's consolidated financial statements for the three months ended September 31, 2018. The adoption of IFRS 16 from July 1, 2019 resulted in a material adjustment to its financial statements to recognize the asset and lease obligation related to the lease of its premises.

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. The company's interim consolidated financial statements for the three and months ended December 31, 2019 carry going concern note. The note is also carried in the Working Capital and Liquidity Management section 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 the fair value of the 9% debentures. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

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

Under the CIBC/TD program's APM product the company acquired the rights to cash flow from future designated credit card transactions at a discount from participating merchants ("transaction credits" on consolidated statement of financial position).

Under the MCA program the company acquires the rights to cash flow from future receivables 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 180-365 days. Until these transaction credits have been extinguished through collections from participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days. 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 merchant and the company's historical experience on recoveries.

For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

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

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

	At December 31, 2019	At June 30, 2019
	$	$
Transaction credits	$ 7,148,498	$ 9,713,908
Accounts receivable	114,509	115,550
Allowance	(331,428)	(244,829)
Per statement of financial position	$ 6,931,579	$ 9,584,629
Maximum exposure to credit risk	$ 6,931,579	$ 9,584,629

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

	At December 31, 2019	At June 30, 2019
	$	$
Impaired transaction credits	$ 314,867	$ 111,463
Allowance	(266,964)	(105,616)
Impaired transaction credits not allowed for	$ 47,903	$ 5,847
The company carries a general allowance towards transaction credits of	$ 59,620	$ 134,293

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, 2019 and December 31, 2018.

16,688,546 stock options were available for future issuance at December 31, 2019 and December 31, 2018.

There was no stock based compensation expense during YTD Fiscal 2020 and YTD Fiscal 2019.

Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized, subject to approval by the shareholders of the company, the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board.

The shareholders of the company approved the RSU Plan at the Annual and Special Meeting of the Shareholders held on February 28, 2018.

The maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan shall not exceed 32,000,000 common shares. The company has not granted any RSUs under the RSU plan as at December 31, 2018.

Outstanding Share Data

The company issued 75,000,000 fully paid common shares to its debentures holders during three months ended September 30, 2019. The company issued on October 28, 2019, 21,648,800 fully paid common shares upon closing the issuance of 200 units of 9% debentures. The circumstances are described in section 9% Non-Convertible Debentures Payable. 878,948,614 common shares issued and outstanding at December 31, 2019 (June 30, 2019, 782,299,614).

Potentially Dilutive Securities

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

Related party transactions

Directors and Officers

In December 2017 the related parties holding 12% debentures were issued units comprising 9% debentures and common shares of the company, on terms and conditions applicable to the other holders of 12% debentures. The holdings of 9% debentures by related parties are tabulated:

	At December 31, 2019	At June 30, 2019
	$	$
Director, Chief Executive Officer - K. Ambrose	$ 500,000	$ 500,000
Director - W.Polley - Chairman of Board of Directors*	$ -	$ 50,000
Director - M. Lavine	$ 500,000	$ 500,000
Chief Financial Officer - M.Sabharwal	$ 115,000	$ 115,000
	$ 1,115,000	**$ 1,165,000**
* W. Polley resigned as a Director effective December 31, 2019		

Generation PMCA Corp and Generation IACP Inc. (together "Generation") [formerly Trapeze Capital Corp. and Trapeze Asset Management Inc.]

Generation is the principal shareholder of the company by virtue of their holding as of December 31, 2019 approximately 37% common shares of the company (as of May 14, 2020 approximately 37%) and approximately 47% of the 9% debentures (as of May 14, 2020 approximately 47%), on behalf of their managed accounts.

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% debentures which is the source of general working capital, the MCA program is dependent on the support of Accord which provides the loan payable enabling the company to use it to fund 90% of each $ of merchant cash advance, and Aeroplan agreement which was due to expire April 30, 2019 and was extended to April 30, 2020; the two parties continue to work while discussing future terms and direction.

The company was in default on its interest coverage financial coverage at June 30, 2019 and subsequent to year ended June 30, 2019 is in default on all its financial covenants. The company did not pay the interest of $250,155 due December 15, 2019 for the period June 16, 2019 to December 15, 2019. The company is in discussion with the primary holder of the 9% debentures who is also the primary shareholder of the company (see Section Related Parties for details) to obtain waivers to the events of default connected to payment of interest due December 15, 2019 and breach of financial covenants. The primary holder of the 9% debentures and common shares holds the position on behalf of its managed accounts, is acting as the security agent for all 9% debenture holders and has a decade + relationship with the company.

In certain circumstances the loan payable amount is repayable on demand to Accord.

The Aeroplan agreement can be terminated by Air- Canada – owner of the Aeroplan Loyalty - under certain conditions during its term.

The company's audited consolidated financial statements carry a going concern note (Note 2) as do the interim consolidated financial statements for the three and six months ended December 31, 2019. The note is also carried in the Working Capital and Liquidity Management Section in this document.

Covid-19 pandemic has created additional uncertainty to the company's business continuity and this could affect its relationships with Accord, holders of 9% debentures and Air-Canada.

General Risks and Uncertainties

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% debentures (see sections Loan Payable and 9% Non-Convertible Debentures Payable in this document). Both the partnerships are set-up for maturity/expiry in December 2021. The risks connected to the two sources of debt are explained in Section Economic Dependence.

To fund growth and thereby continue its current operations, 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 does not have the 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% debenture holders. The 9% 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% debentures agreement and, as a result, the 9% debentures holders would have the right to waive the event of default, demand immediate payment of the 9% debentures in full or modify the terms and conditions of the 9% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% debentures, the 9% debentures holders would have the right to realize upon a part or all of the security held by them. Consequently, general market conditions or the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet 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. Any debt structure would need to recognize the general security interest over the company's assets held by the 9% debentures holders.

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 receivables 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 180-365 days. Until these transaction credits have been extinguished through collections from participating merchants, there is a credit risk, and an increase in credit risk associated with the longer time frame approaching and/or exceeding 365 days. 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 merchant and the company's historical experience on recoveries. Deterioration in either the credit environment or the company's monitoring processes and a resulting increase in bad debts would adversely impact the financial status of the company thereby affecting 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% 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% debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05%, 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. The year ended June 30, 2019, the company incurred interest expense of $796,782 on utilization of loan payable. Had the interest rate, for the year ended June 30, 2019, been 10% higher the interest expense on loan payable would have been $876,460, an increase of $79,678.

The company believes the MCA business is a growth industry because institutional lenders are not available to 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, pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital.
Both competition and regulation, however carry the possibility of adversely affecting the company's revenue and costs.

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 dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2020. The company believes it shall be able to secure a multi-year renewal.

The Aeroplan program the company develops and manages for Aeroplan 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 coronavirus 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 loyalty systems, 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.

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 will adversely affect the company's: collection of accounts receivable and transaction credits; revenues, cash flows and liquidity; ability to meet obligations on due dates; ability to retain relationships with Accord, holders of 9% debentures, Air-Canada; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. The company is exploring its eligibility to secure relief provided by various government programs but no assurance can be given on a successful outcome.

In addition to those factors noted above, 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 the MCA business is a growth industry; belief it has a competitive MCA product; belief it can growth its MCA portfolio provided it has growth capital available to it; belief it has a scale-able and profitable MCA business mode; belief it has the ability to manage delinquencies and collections of transaction credits; belief it has the support of its current providers of capital; belief merchant participation is primary driver of growth across all programs; belief that timely and economic access to growth capital alone is adequate for growth of the business and achieve financial stability; belief it offers an attractive opportunity for investors; expectation of time-line to recovery, financial stability and providing value to 9% debenture holders and shareholders; belief it can pass on a portion of any significant adverse interest rate movement on its loan payable to merchants; belief it will be able to secure a multi-year renewal of its agreement with Aeroplan; belief Aeroplan program gives it a competitive advantage in MCA space; expectation of capital expenditures during fiscal year ending June 30, 2020; belief capital expenditure needs are better served by leasing and using could vs. purchasing; expectation of negotiating economic settlement accommodation with its suppliers; belief it has support of its staff; belief in the appropriateness of its tax filings; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company, including certain assumptions and expectations of Management. With respect to the forward-looking information contained in this Management Discussion and Analysis, the company has made assumptions regarding, among other things, continued support from its provider of loan payable and holders of 9% debentures; renewal of its agreement with Aeroplan and 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 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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