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, 2020 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, 2020.

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
N/A	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

The Company closed a $250,000 financing on March 16, 2021 by way of senior secured non-convertible debentures. The financing was conducted in accordance with the terms of the partial revocation order issued by the Ontario Securities Commission. Refer to news releases of February 25, 2021 and March 16, 2021 available on www.sedar.com, www.advantex.com and under the Company's profile on CSE. Refer to Subsequent event note #17 in the attached interim consolidated financial statements.

(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, 2020 there was no change in the authorized share capital compared to June 30, 2020. The authorized share capital as at June 30, 2020 is disclosed in note 8(a) to the audited consolidated financial statements for year ended June 30, 2020 which are available under the Issuers profile on www.sedar.com.

(b) As at December 31, 2020 and June 30, 2020 there were issued and outstanding as follows:

i) 878,948,414 common shares at December 31, 2020 and June 30, 2020, and
ii) 461,887 class A preference shares at December 31, 2020 and June 30, 2020.

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

(c) As at December 31, 2020 no stock options, restricted share units, warrants and convertible securities were outstanding.

(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**
David Moscovitz	**Director, Chairman of the Compensation and Governance Committee**
Kelly Ambrose	**Director, CEO, President, and Secretary, Chairman of the Board of Directors, Member of the Audit Committee, Member of the Compensation and Governance Committee**
Mukesh Sabharwal	**CFO and VP**

For information: The directors were elected at the special and annual meeting of shareholders held on December 24, 2020.

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, 2020 and 2019 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: March 31, 2021.

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, 2020	Date of Report YY/MM/D 2021/03/31
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. (416) 992-9005
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, 2020

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, 2020	At June 30, 2020
		$	$
Assets			
Current assets			
Cash		$ 39,585	$ 166,601
Accounts receivable		228,893	118,901
Transaction credits	5	2,250,789	3,923,917
Prepaid expenses and sundry assets		57,383	58,781
		$ 2,576,650	**$ 4,268,200**
Non-current assets			
Right of use asset	15	$ 75,816	$ 98,562
		$ 75,816	**$ 98,562**
Total assets		**$ 2,652,466**	**$ 4,366,762**
Liabilities			
Current liabilities			
Loan payable	6	$ 2,843,889	$ 4,369,006
Lease liability		68,078	64,452
Loan	16	60,000	40,000
Accounts payable and accrued liabilities		2,626,661	2,364,759
9% Non convertible debentures payable	7	7,189,799	6,611,576
		$ 12,788,427	**$ 13,449,793**
Non-current Liabilities			
Lease liability	15	$ 49,708	$ 84,679
		$ 49,708	**$ 84,679**
Shareholders' deficiency			
Share capital	8	$ 24,530,555	$ 24,530,555
Contributed surplus		4,117,170	4,117,170
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(38,786,011)	(37,768,052)
Total deficiency		**$ (10,185,669)**	**$ (9,167,710)**
Total liabilities and deficiency		**$ 2,652,466**	**$ 4,366,762**

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)
(expressed in Canadian dollars)

	Note	Three months ended December 31		Six months ended December 31	
		2020	2019	2020	2019
		$	$	$	$
	18		Amended		Amended
Revenues	14				
Marketing activities		$ 194,122	$ 237,081	$ 307,080	$ 416,663
Interest income		192,804	653,855	391,618	$ 1,273,316
		$ 386,926	**$ 890,936**	**$ 698,698**	**$ 1,689,979**
Direct expenses	13/14	166,148	244,131	256,592	408,021
		220,778	646,805	442,106	1,281,958
Operating expenses					
Selling and marketing	13/14	109,795	190,835	256,960	378,698
General and administrative	13/14	220,553	455,951	383,250	865,326
Earnings/(Loss) from operations before depreciation, amortization and interest		**(109,570)**	**19**	**(198,104)**	**37,934**
Stated interest expense - loan payable, and debentures	6/7	225,124	357,157	471,965	758,354
Interest - Lease	15	3,532	4,976	7,492	9,952
Non-cash interest expense (accretion charges), restructuring bonus and amortization of transaction costs	7	159,539	147,524	317,652	288,158
Depreciation of right of use asset	15	11,373	16,333	22,746	32,668
Depreciation of property, plant and equipment		-	5,821	-	14,581
Net (loss) and comprehensive (loss)		**$ (509,138)**	**$ (531,792)**	**$ (1,017,959)**	**$ (1,065,779)**
(Loss) per share					
Basic and Diluted	12	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (34,840,656)**	**$ (6,267,102)**
Reported at December 31, 2019 as adjustment to deficit on account of adoption of IFRS 16 Leases at July 1, 2019	-	-	-	-	(35,218)	(35,218)
Reported Net (loss) and comprehensive (loss)	-	-	-	-	(1,054,733)	(1,054,733)
Reported as balance at December 31, 2019	3,815	24,526,740	4,090,382	(47,383)	(35,930,607)	(7,357,053)
Adjustments on account of amendments made at year end June 30, 2020 to initial computations on adoption of IFRS 16 Leases at July 1, 2019, and initial recording on issuance of $200,000 9% debentures in October 2019						
Reversal of adjustment made to deficit at July 1, 2019 - IFRS 16 Leases	-	-	-	-	35,218	35,218
Recording of contributed surplus - 9% debentures	-	-	26,788	-	-	26,788
Increase in Reported Net (loss) and comprehensive (loss)	-	-	-	-	(11,046)	(11,046)
Amended Balance - December 31, 2019	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (35,906,435)**	**$ (7,306,093)**
Balance - July 1, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (37,768,052)**	**$ (9,167,710)**
Net (loss) and comprehensive (loss)	-	-	-	-	(1,017,959)	(1,017,959)
Balance - December 31, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (38,786,011)**	**$ (10,185,669)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow (unaudited)
(expressed in Canadian dollars)

	Note	Six months ended December 31, 2020	Six months ended December 31, 2019
		$	$
	18		Amended
Operational activities			
Net (loss) for the period		$ (1,017,959)	$ (1,065,779)
Adjustments for:			
Accrued and unpaid 9% debentures interest		260,571	255,022
Interest - Lease	15	7,492	9,952
Depreciation of right of use asset	15	22,746	32,668
Depreciation of property, plant and equipment		-	14,581
Loss on disposal of property, plant & equipment		-	45
Accretion charge - non-convertible debentures payable	7	174,404	158,400
Restructuring bonus - non-convertible debentures payable	7	133,855	126,627
Amortization of transaction costs - non-convertible debentures payable	7	9,393	3,131
		(409,499)	(465,353)
Changes in items of working capital			
Accounts receivable		(109,992)	965
Transaction credits		1,673,128	2,652,085
Prepaid expenses and sundry assets		1,398	1,600
Accounts payable and accrued liabilities		261,902	(9,180)
		1,826,436	2,645,470
Net cash provided by operating activities		**$ 1,416,938**	**$ 2,180,117**
Financing activities			
Payment for lease	15	$ (38,837)	$ (38,835)
Gross proceeds - non-convertible debentures payable	7	-	200,000
Transaction costs - non-convertible debentures payable		-	(40,703)
Proceeds from loan - Canada Emergency Business Account		20,000	-
(Decrease) of loan payable	6	(1,525,117)	(2,366,007)
Net cash (used in) financing activities		**$ (1,543,954)**	**$ (2,245,545)**
(Decrease) in cash during the period		**$ (127,016)**	**$ (65,428)**
Cash at beginning of period		166,601	119,636
Cash at end of period		**$ 39,585**	**$ 54,208**
Additional information			
Interest paid		$ 211,394	$ 503,332
Cash		$ 39,585	$ 54,208

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

1 General information

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

During three and six months ended December 31, 2020 and 2019 the company's core business was its merchant cash advance program. Under this program, the company provides merchants with working capital through the pre-purchase, at a discount, of merchants' future receivables.

The company also has an agreement with Aeroplan Inc. owned by Air Canada ("AC") to operate as a re-seller of aeroplan points to merchants. Aeroplan members are eligible to earn aeroplan points on purchases at merchants who have acquired aeroplan points from the company. The original five year term of the agreement ended April 30, 2019, was extended to April 2020 and since then has been extended to April 30, 2021; 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 as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $10,185,669 and negative working capital of $10,211,777 as at December 31, 2020. The company is also in breach of its covenants on its debentures, and has not paid the interest due on its debentures since December 15, 2018 (note 7). There is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including meeting payroll, payments to its suppliers, payment of interest on the 9% debentures and payment of interest on the loan payable. Failure to make payments to suppliers may lead to termination of agreements with entities such as Aeroplan Inc. and the denial of services required by the company to operate. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries and since the debentures are in default, the holders of the 9% debentures have the right to demand re-payment and realize upon a part or all of the security held by them. The loan payable supports the company's merchant cash advance program, is a demand facility and if the company cannot pay interest it would be in default and the provider has the right to demand re-payment. These material uncertainties cast significant doubt on the company's ability to continue as a going

concern.

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

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, 2020, 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 March 31, 2021.

4 Summary of significant accounting policies

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

Details of accounting policies are available in note 4 to the audited consolidated financial statements for year ended June 30, 2020.

5 Transaction credits

Under the MCA program the company provides merchants with working capital and in return acquires the rights to their future receivables at a discount ("transaction credits").

These transaction credits are estimated to be fully extinguishable within 365 days. 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 customer and the company's historical experience on recoveries.

Due to the uncertainties created by covid-19 pandemic, for the unimpaired transaction credits the company has estimated loss based on historical loss rate supplemented by a forecast loss rate. This forecast loss rate is based on the company's knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The transaction credits and the allowance is as follows:

	At December 31, 2020	At June 30, 2020
	$	$
Transaction credits	$ 3,312,964	$ 4,918,115
Allowance	(1,062,175)	(994,198)
Per statement of financial position	**$ 2,250,789**	**$ 3,923,917**

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

	At December 31, 2020	At June 30, 2020
	$	$
Impaired transaction credits	$ 479,065	$ 353,108
Allowance	(479,065)	(353,108)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This provision at December 31, 2020 and June 30, 2020 includes a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 583,111	$ 641,090

Movement on allowance for impaired transaction credits

	At December 31, 2020	At December 31, 2019
	$	$
Balance brought forward at start of period	**$ 994,198**	**$ 239,909**
Allowance created during the period	67,500	187,100
Impaired accounts recovered/(written off) against allowance	477	(100,425)
Balance carried forward at end of period	**$ 1,062,175**	**$ 326,584**

6 Loan payable

	At December 31, 2020	At June 30, 2020
	$	$
Balance at start of period	**$ 4,369,006**	**$ 8,416,076**
(Decrease) in borrowing	(1,525,117)	(4,047,070)
Balance at end of period	**$ 2,843,889**	**$ 4,369,006**

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

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.

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

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March to June. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of December 31, 2020 and date hereof the company has fully utilized this facility.

The interest cost during the three and six months ended December 31, 2020 was $94,839 and $211,394 respectively (2019 $228,241 and $503,332 respectively).

7 9% Non-convertible debentures payable

In December, 2017 the company re-financed its 12% debentures as 9% Non-convertible debentures payable ("9% debentures") maturing December 31, 2021. The 9% debentures bear interest at 9% per annum payable semi-annually, and carry the right to receive restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021.

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 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 also issued 21,648,800 common shares. In addition, the company incurred $40,703 of transaction costs related to the transaction and these are being amortized to maturity date

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. 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 covenant at June 30, 2019. The company was in default on all its financial covenants at September 30, 2019 and continues to be in default in subsequent quarters. In addition, the company did not pay the interest due December 15, 2020 for the period June 16, 2020 to December 15, 2020, due June 15, 2020 for the period December 16, 2019 to June 15, 2020 and 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 did not pay interest due June 15, 2019 for the period December 16, 2018 to June 15, 2019. The company obtained a waiver to this event of default on June 21, 2019. As compensation, the company issued 75 million common shares to the debenture holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder. 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.

Movement on 9% debentures

	Debt portion	Accrued and Unpaid interest	Total
	$	$	$
Balance at June 30, 2019	**$ 5,095,949**	**$ 271,624**	**$ 5,367,573**
Fair value of 9% debentures issued October 2019	153,818		
Accretion charge for the period	158,400	-	158,400
Restructuring bonus for the period	126,627	-	126,627
Amortization of transaction costs	3,131	-	3,131
Interest for the period	-	255,022	255,022
Balance at December 31, 2019	**$ 5,537,925**	**$ 526,646**	**$ 6,064,571**
Balance at June 30, 2020	**$ 5,827,191**	**$ 784,385**	**$ 6,611,576**
Accretion charge for the period	174,404	-	174,404
Restructuring bonus for the period	133,855	-	133,855
Amortization of transaction costs	9,393	-	9,393
Interest for the period	-	260,571	260,571
Balance at December 31, 2020	**$ 6,144,843**	**$ 1,044,956**	**$ 7,189,799**

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

	Period ended December 31, 2020			Period ended December 31, 2019		
	Stated interest	Restructuring bonus	Accretion charge	Stated interest	Restructuring bonus	Accretion charge
	$	$	$	$	$	$
Three months ended December 31	$ 130,285	$ 66,927	$ 87,916	$ 128,916	$ 64,046	$ 80,347
Six months ended December 31	$ 260,571	$ 133,855	$ 174,404	$ 255,022	$ 126,627	$ 158,400

In addition, during six months ended December 31, 2020 costs include $9,393 amortization of transaction costs incurred for the $200,000 raised in October 2019 (2019 $3,131).

8 Share capital

Authorized and Issued share capital.

No change in the authorized share capital since June 30, 2020.

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, 2019, June 30, 2020 and December 31, 2020.

The number of employee stock options available for future issuance as at June 30, 2020 and December 31, 2020 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, 2020 and December 31, 2020.

Potentially Dilutive Securities

No potentially dilutive securities exist as at December 31, 2020.

10 Related party transactions

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 12% debentures were purchased by the related parties on terms and conditions applicable to the other subscribers. In October 2019 related parties purchased 200 units of 9% debentures (note 7) on terms and conditions applicable to existing holders of 9% debentures.

The holdings of 9% debentures by related parties are tabulated:

	December 31, 2020	December 31, 2020	June 30, 2020	June 30, 2020
	$		$	
	9% debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 500,000	95,523,818	$ 500,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz (c)	9,000	1,168,971	-	-
Chief Financial Officer - M.Sabharwal	115,000	27,498,576	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	2,669,120	321,629,458	2,669,120	321,629,458
Herbert Abramson (b)	106,000	11,560,814	106,000	11,560,814
	$ 3,899,120	530,896,455	$ 3,890,120	529,727,484
Total issued and outstanding 9% debentures and common shares	$ 5,759,000	878,948,414	$ 5,759,000	878,948,414
% held by parties in tabulation	67.7%	60.4%	67.5%	60.3%
(a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the following securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms				
(b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company				
(c) David Moscovitz was elected director of the company at the annual and special meeting of shareholders held on December 24, 2020				

11 Commitments and contingencies

Commitments

As at December 31, 2020 the company is committed to minimum payments with respect to existing leases for equipment:

	Equipment	Total
	$	$
Not later than one year	$ 4,590	$ 4,590
Total	**$ 4,590**	**$ 4,590**

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

Note 15 Leases carries the company's commitment with respect to its head office lease.

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.

	Three months ended December 31, 2020	Three months ended December 31, 2019	Six months ended December 31, 2020	Six months ended December 31, 2019
	$	$	$	$
Net (loss) and comprehensive (loss)	$ (509,138)	$ (531,792)	$ (1,017,959)	$ (1,065,779)
Basic and Diluted EPS				
Average number of issued common shares during the period	878,948,414	872,594,962	878,948,414	861,278,810
Basic EPS	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**
There are no potentially dilutive common shares outstanding at December 31, 2020 and 2019. Hence Diluted EPS not computed				

13 Nature of expenses

	Period ended December 31, 2020	Period ended December 31, 2019
	$	$
Direct expenses		
Costs of cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty program	$ 183,850	$ 218,923
Expense for provision against impaired accounts receivable and transaction credits	72,742	189,098
	$ 256,592	**$ 408,021**
Selling and Marketing, and General & Administrative		
Salaries and wages including travel	$ 499,057	$ 972,412
Professional fees	60,586	51,499
Facilities, processing, and office expenses	68,530	173,084
Other	12,037	47,029
	$ 640,210	**$ 1,244,024**

14 Segment reporting

The company's reportable segments include: (1) MCA program, and (2) Aeroplan program. Where applicable, corporate and other activities are reported separately as Corporate.

The programs are described in Note 1.

Financial information by reportable segment for period ended December 31, 2020 and 2019 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, 2020

	MCA program	Aeroplan program	Corporate	Total
	$	$	$	$
Revenues	391,618	307,080	-	698,698
Direct expenses	72,742	183,850	-	256,592
	318,876	123,230	-	442,106
Selling & marketing	144,025	112,934.74	-	256,960
General & administrative	214,810	168,440	-	383,250
(Loss) from operations before depreciation, amortization and interest	(39,960)	(158,144)	-	(198,104)
Stated interest - loan payable	211,394	-	-	211,394
Stated interest - Non convertible debentures payable	146,049	114,522	-	260,571
Interest - Lease	4,199	3,293	-	7,492
Non-cash interest - Non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	178,043	139,609	-	317,652
Depreciation of right of use asset	12,749	9,997		22,746
Segment (loss)	(592,394)	(425,565)	-	(1,017,959)

For the period ended December 31, 2019

	MCA program	Aeroplan 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	651,981	213,345	-	865,326
Earnings (loss) from operations before depreciation, amortization and interest	167,214	(129,280)	-	37,934
Stated interest - loan payable	503,332	-	-	503,332
Stated interest - Non convertible debentures payable	192,146	62,876	-	255,022
Interest - Lease	7,498	2,454		9,952
Non-cash interest - Non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	217,113	71,045	-	288,158
Depreciation of right of use asset	24,614	8,054	-	32,668
Depreciation of property, plant and equipment	10,986	3,595	-	14,581
Segment (loss)	(788,476)	(277,303)	-	(1,065,779)

15 Leases

The company adopted IFRS 16 with respect to its head office lease (note 1).

Movement is tabulated:

	Right of use asset	Lease liability
Balance at June 30, 2020	$98,562	$149,131
Depreciation for the period	(22,746)	-
Interest payments	-	7,492
Lease payments	-	(38,837)
Balance at December31, 2020	$75,816	$117,786
Current		$ 68,078
Long-term		49,708
		$117,786

The undiscounted lease liability is as follows:

	Base rent
Due 12 months ended December 31, 2021	$ 77,671
Due 12 months ended December 31, 2022	51,779
Total	$129,450

16 Government subsidies

The company has availed Covid-19 pandemic relief measures.

Amount of $230,220 received under the Canada Emergency Wage Subsidy is reflected as a reduction of the salaries and wages disclosed in note 13.

The company received $40,000 under the Canada Emergency Business Account. In December 2020 the company applied for and received an additional $20,000 under this subsidy. $20,000 of this loan of $60,000 is forgivable provided the loan is re-paid by December 31, 2022. There is no interest on the $60,000 loan provided it is re-paid by December 31, 2022. Beginning on January 1, 2023, interest will accrue on the balance of the loan at the rate of 5% per annum.

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

The company is receiving assistance towards its rent payments from October 2020 under the Canada Emergency Rent Subsidy. Subsidy of $22,281 is reflected as a reduction of rent included in facilities, processing and office expenses disclosed in note 13.

17 Subsequent events

The Ontario Securities Commission ("OSC") issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the failure-to-file cease trade order issued against the company on November 1, 2019 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner.

The company applied for the Partial Revocation Order to complete a financing (the "Financing") whereby, through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("New Debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the New Debentures. The New Debentures are on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2021. The FFCTO continues to apply in all other respects.

The company previously obtained the requisite consents from the holders of the 9% debentures to complete the Financing.

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

The company closed the $250,000 Financing on March 16, 2021 by way of senior secured non-convertible debentures. The Financing was conducted in accordance with the terms of the partial revocation order issued by the OSC. The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

The proceeds of the Financing will be used to pay for: (i) the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; (ii) legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the Financing; (iii) operational and general administrative expenses; (iv) payment of accounts payable incurred in the ordinary course of business; and (v) partial funding of its Merchant Cash Advance business as public health restrictions are gradually eased in Canada.

18 Comparatives

Amendments were made at year end June 30, 2020 to initial computations on adoption of IFRS 16 Leases at July 1, 2019, and initial recording of amounts upon issuance of $200,000 9% debentures in October 2019. This resulted in adjustments to amounts reported at December 31, 2019; increase in the reported net loss for six months ended December 31, 2019 of $11,046, decrease in reported total assets by $113,515, decrease in total liabilities by $164,475, and increase in contributed surplus of $26,788. These consolidated financial statements reflect amended amounts. Additional details are provided in the management discussion and analysis for year ended June 30, 2020 under section Amendments to Amounts Reported in Interim Financial Statements of Fiscal 2020.

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, 2020 and 2019

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 March 31, 2021. MD&A is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the company during the three and six month periods ended December 31, 2020 compared to the three and six month periods ended December 31, 2019. 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, 2020, and the interim consolidated financial statements and the related notes for the three and six months ended December 31, 2020 which are available on www.sedar.com. All dollar amounts are stated in Canadian Dollars, which is the company's presentation and functional currency, unless otherwise noted. Certain dollar amounts have been rounded and may not tie directly to the interim and audited consolidated financial statements.

Overall Performance

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

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

The six month period ended December 31, 2019 ("YTD Fiscal 2020") saw the operation of the new business model, MCA program, following completion of transition to MCA during three months ended September 30, 2019 ("Q1 Fiscal 2020"). The three and six month periods ended December 31, 2020 ("Q2 Fiscal 2021" and "YTD Fiscal 2021" respectively) were shaped by the devastating impact of the Covid-19 pandemic.

<u>Transition to MCA program and operating program</u>

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

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 credits on the consolidated statement of financial position.

MCA program was the core business of the company during YTD Fiscal 2020 and YTD Fiscal 2021.
Impact of Covid-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus, Covid-19, as a global pandemic. The government in Canada ordered the closure of all non-essential businesses. Practically all of the company's customers, small independent merchants, operate in the non-essential business segments. Since March 2020 until date hereof the restrictions have flexed between lockdowns and limited relaxation across Canada resulting in a devastating impact on the company's Q2 Fiscal 2021 and YTD Fiscal 2021 performance and further deterioration of its financial position since June 30, 2020 and September 30, 2020.

Restrictions led to decline in the ability of the company's merchants to pay the contracted amounts per MCA agreements. It also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment and this in turn led to decline in MCA program transaction credits and participating merchants. The two factors led to a sharp decline in company's MCA revenues. Similarly the company's re-seller program ("Aeroplan program") dependent on agreement with Aeroplan Inc., operator of Aeroplan Loyalty Program owned by Air-Canada was impacted. Participating merchants either stopped or curtailed their loyalty marketing activities leading to decline in revenues from this program.

Q2 Fiscal 2021 and YTD Fiscal 2021 revenues at $386,926 and $698,698 respectively declined $504,010 (56.6%) and $991,281 (58.7%) respectively compared to corresponding periods in the previous year. Consequently the company was left with a weak balance sheet after further working capital deterioration during the Covid-19 pandemic.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve during year ended June 30, 2020 ("Fiscal 2020") against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Q2 Fiscal 2021 and YTD Fiscal 2021.

The company availed federal government Covid-19 pandemic relief measures during Fiscal 2020 and continues to do so as of date hereof. To manage its costs the company had to lay-off of some staff and the remaining staff including the management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy. The company received $40,000 under the Canada Emergency Business Account. In December 2020 the company applied for and received an additional $20,000 under this subsidy. The company's landlord applied for Canada Emergency Commercial Rent Assistance program. Since October 2020 the company is accessing the Canada Emergency Rent Subsidy ("CERS").

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

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

The upshot was the company: a) fell into arrears with monthly interest payments to Accord Financial Inc. ("Accord") provider of credit facility (see Section Loan Payable) which is the source of 90% of funds for the MCA program, and other suppliers/service providers, b) did not have the funds to pay

for the audit so did not timely file the Fiscal 2020 annual financial statements and related documents by due date of October 28, 2020, and c) had diminished capacity – both in terms of access to capital and as a consequence of the credit environment to maintain its MCA portfolio.

Accord allowed the company to defer payment of interest from March to June. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of December 31, 2020 and date hereof the company has fully utilized this facility.

The company has a decade old relationship with Aeroplan. The current five year term of the agreement ended April 30, 2019 which was extended to April 30, 2020 and thereafter – in July 2020 - has been extended to April 30, 2021; the two parties continue to work while discussing future terms and direction. 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 points. Advantex earns its revenue in the Aeroplan program from selling aeroplan points, at an agreed price per aeroplan point, to participating merchants. During Q2 Fiscal 2021 and YTD Fiscal 2021 and corresponding periods in the previous year the company had about 100 participating merchants. The agreement can be terminated by Aeroplan under certain conditions, including the company being in default on payments and not being able to cure default within stipulated timeline during its term. The company and Aeroplan had established a payment plan to enable the company to settle arrears. Primarily due to Covid-19 the company could not keep up with payments under the payment plan. The company and Aeroplan re-established the payment plan. As of date hereof the company is in arrears with respect to the payment plan as well as amounts due on current invoices of past couple of months. Advantex and Aeroplan are negotiating a revised payment plan.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9 debentures") (see Section 9% Non-convertible Loan Payable) with no ability to cure the default.

Since the company was not in a position to timely file the Fiscal 2019 annual financial statements and related financial documents the Ontario Securities Commission ("OSC") issued a cease trade order on November 1, 2019. While the company remedied filing situation on May 21, 2020 by filing filed Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents it did not as noted above, timely file its Fiscal 2020 annual financial statements and related financial documents. The company also did not timely file its interim financial statements and related financial documents for three months ended September 30, 2020 and three and six months ended December 31, 2020. Consequently the company's common shares which are listed on the Canadian Securities Exchange ("CSE") under the symbol ADX continue to be under a cease trade order.

Capital Raise Developments post December 31, 2020

The Ontario Securities Commission ("OSC") issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the failure-to-file cease trade order issued against the company on November 1, 2019 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner.

The company applied for the Partial Revocation Order to complete a financing (the "Financing") whereby, through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("New Debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the New

Debentures. The New Debentures are on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2021. The FFCTO continues to apply in all other respects.

The company previously obtained the requisite consents from the holders of the 9% debentures to complete the Financing.

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

The company closed the $250,000 Financing on March 16, 2021 by way of senior secured non-convertible debentures. The Financing was conducted in accordance with the terms of the partial revocation order issued by the OSC. The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

The proceeds of the Financing will be used to pay for: (i) the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; (ii) legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the Financing; (iii) operational and general administrative expenses; (iv) payment of accounts payable incurred in the ordinary course of business; and (v) partial funding of its Merchant Cash Advance business as public health restrictions are gradually eased in Canada.

Next steps

Upon bringing its disclosure record to current status the company will apply to the OSC for full revocation of the FFCTO.

Simultaneously, the company will be seeking growth capital.

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 to fund growth of MCA program. 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.

The company is aware given the FFCTO and the financial difficulties it faces there is no guarantee that capital will be available to the company at economic terms, if at all, once the FFCTO has been revoked or at all.

Outlook

The outlook from the MD&A dated March 31, 2021 for year ended June 30, 2020 is reproduced in its entirety as it is applicable to this MD&A dated March 31, 2021.

"The company believes its core business - MCA - is a growth industry because institutional lenders are not available to independent merchants, likely even more so because of Covid-19 pandemic. Independent merchants are 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.

As of date hereof, primarily due to Covid pandemic, the company's MCA portfolio has declined to

about 100 merchants. The company believes if it has capital to grow this business it has the ability to initially go back to pre Covid pandemic level of about 250 merchants and expand beyond significantly thereafter. The growth of company's MCA portfolio is essential to bring financial stability.

The loyalty marketing service the company provides is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program. The current agreement ends April 30, 2021. The two parties continue to work while discussing future terms and direction and the company expects to secure a multi-year renewal upon attaining financial stability. 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.

As discussed above in section Capital Raise Developments post June 30, 2020 the company obtained approval of the OSC and closed a raise of $250,000 by way of a 9% Non-Convertible Debenture. The funds are to enable the company to bring to current status its public disclosure record, apply for a full revocation of the cease trade order, operate and maintain its client base at existing level while it seeks growth capital.

The company shall be looking to timely raise growth capital raise by way of either debt and or equity which it believes is necessary to secure the on-going support from its current partners, grow the MCA program, achieve financial stability followed by a gradual growth phase.

The company's consolidated financial statements for Fiscal 2020 and Section Working Capital and Liquidity Management in this document carry a going concern note. In the event the company cannot secure growth capital in a timely manner it will cease operations."

Information respecting Capital Raise Developments post June 30, 2020 noted above is available under section Capital Raise Developments post December 31, 2020 in this document. The company's interim consolidated financial statements for three and six months ended December 31, 2020 and Section Working Capital and Liquidity Management in this document carry also a going concern note.

Summary – Three and six months ended December 31, 2019

Q2 Fiscal 2021 and YTD Fiscal 2021 financial performance reflects impact of Covid-19.

During Q2 Fiscal 2021, YTD Fiscal 2021 and corresponding periods in the previous year the company operated MCA and Aeroplan programs.

Amendments were made at year end June 30, 2020 to initial computations on adoption of IFRS 16 Leases at July 1, 2019 and initial recording on issuance of $200,000 9% debentures in October 2019. This resulted in adjustments to amounts reported at December 31, 2019; increase in the reported net loss for three and six months ended December 31, 2019 of $9,465 and $11,046 respectively, decrease in reported total assets by $113,515, decrease in total liabilities by $164,475, and increase of $26,788 in contributed surplus. The consolidated financial statements for three and six months ended December 31, 2020 reflect amended amounts for December 31, 2019. Additional details are provided in the management discussion and analysis for year ended June 30, 2020 under section Amendments to Amounts Reported in Interim Financial Statements of Fiscal 2020. All comparisons in this document are to amended amounts for three and six months ended December 31, 2019.

The financial highlights for Q2 Fiscal 2021 and YTD Fiscal 2021 compared to corresponding periods in the previous year are summarized in the tabulation:

	Q2 Fiscal 2021	Q2 Fiscal 2020	YTD Fiscal 2021	YTD Fiscal 2020
	$	$	$	$
Revenues				
MCA program	$ 192,804	$ 653,856	$ 391,618	$ 1,273,316
Aeroplan program	194,122	237,080	307,080	416,663
	$ 386,926	**$ 890,936**	**$ 698,698**	**$ 1,689,979**
Gross profit	**$ 220,778**	**$ 646,805**	**$ 442,106**	**$ 1,281,958**
Gross margin	57.1%	72.6%	63.3%	75.9%
Earnings (loss) from operations before depreciation, amortization and interest	**$ (109,570)**	**$ 19**	**$ (198,104)**	**$ 37,934**
Net (loss) and Comprehensive (loss)	**$ (509,138)**	**$ (531,792)**	**$ (1,017,959)**	**$ (1,065,779)**

Income Statement – Q2 Fiscal 2021 and YTD Fiscal 2021 compared to Q2 Fiscal 2020 and YTD Fiscal 2020

Q2 Fiscal 2021 compared to Q2 Fiscal 2020

The $504,010 drop in the company's revenues to $386,926 reflects the impact of Covid-19. MCA program revenues declined $461,051 (70.5%) and Aeroplan program revenues declined $42,959 (18.1%).

The $426,027 drop in the company's gross profit to $220,778 reflects mainly decline in revenues. MCA program gross profit declined $382,094 (72.0%) and Aeroplan program gross profit declined $43,933 (37.9%).

Selling expenses were $81,040 lower, a 42.5% drop. To offset some of the financial impact of Covid-19 since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy ("CEWS"). The CEWS received for sales and administration staff is reflected in G&A (see Section G&A). In addition, the headcount was lower by three, two of whom was on lay-off.

General & Administrative ("G&A") were $235,398 lower, a 51.6% drop. To offset some of the financial impact of Covid-19 pandemic, administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. In addition, two staff are on lay-off. The results for Q2 Fiscal 2021 reflect CEWS of $89,165. Staff remuneration including travel expenses are the main component of SG&A. The company also received CERS during Q2 Fiscal 2021 of $22,281.

Q2 Fiscal 2021 reflects a loss from operations before depreciation, amortization and interest of $109,570. Q2 Fiscal 2020 reflects marginal earnings from operations before depreciation, amortization and interest of $19. The deterioration of $109,589 reflects lower gross profit partially offset by lower Selling/G&A expenses.

Stated interest cost was lower by $132,033. The decrease reflects lower interest paid of $133,402 on loan payable (Q2 Fiscal 2021 $94,839 compared to $228,241 for Q2 Fiscal 2020) which is a reflection of lower utilization of loan payable. Average loan payable balance during Q2

Fiscal 2021 was $3,263,768 compared to $6,795,067 during Q2 Fiscal 2020. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q2 Fiscal 2021. While the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment.

Q2 Fiscal 2021 non cash interest at $163,071 is higher by $10,571. Accretion charges and restructuring bonus relating to 9% debentures for Q2 Fiscal 2021 was higher by $10,450 partially reflecting issuance of $200,000 9% debentures in October 2019.

The depreciation for right of use asset was lower ($11,373 vs. $16,333) reflecting write-off due to its partial impairment at June 30, 2020. At end of Fiscal 2020 the property, plant and equipment were fully depreciated. Consequently depreciation and amortization expense was lower by $5,821.

The above factors are reflected in a lower net loss. Q2 Fiscal 2021 $509,138 vs. Q2 Fiscal 2020 $531,792.

<u>YTD Fiscal 2021 compared to YTD Fiscal 2020</u>

The $991,281 drop in the company's revenues to $698,698 reflects the impact of Covid-19. MCA program revenues declined $881,698 (69.2%) and Aeroplan program revenues declined $109,583 (26.3%).

The $839,852 drop in the company's gross profit to $442,106 reflects mainly decline in revenues. MCA program gross profit declined $765,342 (70.6%) and Aeroplan program gross profit declined $74,510 (37.7%).

Selling expenses were $121,738 lower, a 32.1% drop. To offset some of the financial impact of Covid-19 since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration with assistance from CEWS. The CEWS received for sales and administration staff is reflected in G&A (see Section G&A). In addition, the headcount was lower reflecting lay-off and termination.

General & Administrative ("G&A") were $482,076 lower, a 55.7% drop. To offset some of the financial impact of Covid-19 pandemic, administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. In addition lower headcount reflecting lay-off. The results for YTD Fiscal 2021 reflect CEWS of $230,220. Staff remuneration including travel expenses are the main component of SG&A. The company also received CERS during YTD Fiscal 2021 of $22,281.

YTD Fiscal 2021 reflects a loss from operations before depreciation, amortization and interest of $198,104. YTD Fiscal 2020 reflects earnings from operations before depreciation, amortization and interest of $37,934. The deterioration of $236,038 reflects lower gross profit partially offset by lower Selling/G&A expenses.

Stated interest cost was lower by $286,389. The decrease reflects lower interest paid of $291,938 on loan payable (YTD Fiscal 2021 $211,394 compared to $503,332 for YTD Fiscal 2020) which is a reflection of lower utilization of loan payable. Average loan payable balance during YTD Fiscal 2021 was $3,638,123 compared to $7,529,397 during YTD Fiscal 2020. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during YTD Fiscal 2021. While the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment.

YTD Fiscal 2021 non cash interest at $325,144 is higher by $27,034. Accretion charges and

restructuring bonus relating to 9% debentures for YTD Fiscal 2021 was higher by $23,232 partially reflecting issuance of $200,000 9% debentures in October 2019.

The depreciation for right of use asset was lower ($22,746 vs. $32,668) reflecting write-off due to its partial impairment at June 30, 2020. At end of Fiscal 2020 the property, plant and equipment were fully depreciated. Consequently depreciation and amortization expense was lower by $14,581.

The above factors are reflected in a lower net loss. YTD Fiscal 2021 $1,017,959 vs. YTD Fiscal 2020 $1,065,779.

Balance Sheet – December 31, 2020 compared to December 31, 2019

Transaction credits (net of provision for delinquent accounts) were about 84.9% of total assets at end of YTD Fiscal 2021 (YTD Fiscal 2020 93.1%). Transaction credits represent balance receivable of working capital advanced to merchants. Transaction credits, net of provision for delinquent accounts, of $2,250,789 at December 31, 2020 were $4,571,125 lower compared to $6,821,914 at December 31, 2019. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment. In addition, the balance at December 31, 2020 reflects an additional general reserve for potential delinquent transaction credits on account of Covid-19. The general reserve at December 31, 2020 is $583,111 (December 31, 2019 $59,620). Consequently the total provision for delinquent transaction credits at December 31, 2020 was $1,062,175 (December 31 2019 $326,584). Both of the foregoing factors are reflected in lower transaction credits at December 31, 2020. December 31, 2019 reflects transition of merchants participating in the CIBC/TD program to the MCA program (commenced during year ended June 30, 2019 and completed during Q1 Fiscal 2020) and collections during YTD Fiscal 2020. Under the MCA program the working capital advances of merchants being transitioned were refreshed to new higher credit limits.

Loan payable of $2,843,889 at December 31, 2020 was $3,206,180 lower compared to $6,050,069 at December 31, 2019. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. The loan payable balance at December 31, 2020 also includes amounts payable under the working capital overdraft provided by Accord. The loan payable balance at December 31, 2020 (net of working capital overdraft) and December 31, 2019 primarily reflects the change in transaction credits (grossed up for general reserve) at the end of the two periods.

9% debentures reflect accrued and unpaid interest of $1,044,956 for the period December 16, 2018 until December 31, 2020 ($526,646 at December 31, 2019 for period December 16, 2018 until December 31, 2019). The company does not have the ability to pay the interest.

Results of Operations

	Q2 Fiscal 2021	Q2 Fiscal 2020	YTD Fiscal 2021	YTD Fiscal 2020
	$	$	$	$
Revenues	**$ 386,926**	**$ 890,936**	**$ 698,698**	**$ 1,689,979**
Direct Expenses - Cost of cardholder rewards and marketing in connection with merchant based loyalty	122,133	121,159	183,850	218,923
Direct Expenses - Expense for provision against delinquent accounts	44,015	122,972	72,742	189,098
Gross profit	**$ 220,778**	**$ 646,805**	**$ 442,106**	**$ 1,281,958**
Selling and General & Administrative	330,348	646,786	640,210	1,244,024
Earnings (loss) from operations before depreciation, amortization and interest	**$ (109,570)**	**$ 19**	**$ (198,104)**	**$ 37,934**
Cash interest on loan payable and debentures	225,124	357,157	471,965	758,354
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (334,694)**	**$ (357,138)**	**$ (670,069)**	**$ (720,420)**
Depreciation - Right of use asset	11,373	16,333	22,746	32,668
Depreciation and amortization	-	5,821	-	14,581
Interest - Lease	3,532	4,976	7,492	9,952
Non cash interest expense on 9% debentures - accretion, performance bonus, amortization of transaction costs	159,539	147,524	317,652	288,158
Net (loss) and Comprehensive (loss)	**$ (509,138)**	**$ (531,793)**	**$ (1,017,959)**	**$ (1,065,779)**
Basic and Diluted (loss) per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

		At December 31, 2020	At June 30, 2020	Increase/ (Decrease)
		$	$	$
Current assets		$ 2,576,650	$ 4,268,200	$ (1,691,550)
Total assets		$ 2,652,466	$ 4,366,762	$ (1,714,296)
Shareholders' deficiency		$ (10,185,669)	$ (9,167,710)	$ 1,017,959

The change in current assets primarily reflected decrease in transaction credit, net of provision for delinquent accounts, of $1,673,128.

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

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

On the current liabilities side, the main change is on account of loan payable. Loan payable supports 90% investment in transaction credits. The loan payable balance at December 31, 2020 also includes amounts payable under the working capital overdraft provided by Accord (December 31, 2020 $460,000 vs. June 30, 2020 $184,098). The loan payable balance at December 31, 2020 at $2,843,889 was down $1,525,117 compared to June 30, 2020. The loan payable balance at December

31, 2020 and June 30, 2020 (net of working capital overdraft) primarily reflects the change in transaction credits (grossed up for general reserve – see credit risk under section Critical Accounting Estimates) at the end of the two periods.

The 9% debentures accrued and unpaid interest increased $260,571.
The movement in the shareholders' deficit reflects net loss during YTD Fiscal 2021.

Extracts from the Statement of Cash Flow

		YTD Fiscal 2021	YTD Fiscal 2020	Change
		$	$	$
Net (loss)		$ (1,017,959)	$ (1,065,779)	$ 47,820
Adjustments for non cash expenses		608,461	600,426	8,035
(Loss) after adjustments for non cash expenses		$ (409,499)	$ (465,353)	$ 55,855
Changes in working capital		1,826,436	2,645,470	(819,034)
Net (used by) financing activities		(1,543,954)	(2,245,545)	701,591
Net cash (used in) operations		$ (127,016)	$ (65,428)	$ (61,588)
Net cash provided by / (used in) investing activities		-	-	-
(Decrease) in cash		(127,016)	$ (65,428)	$ (61,588)
Cash at start of period		$ 166,601	$ 119,636	$ 46,965
Cash at end of period		$ 39,585	$ 54,208	$ (14,623)

Adjustments for non cash expenses. A significant item for YTD Fiscal 2021 and YTD Fiscal 2020 is accrued and unpaid 9% debentures interest (YTD Fiscal 2021 $260,571 vs. YTD Fiscal 2020 $255,022). Furthermore, charges for Accretion and Restructuring bonus respecting 9% debentures were $308,259 (YTD Fiscal 2020 $285,027).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2021 the significant item was the decrease of $1,673,128 in transaction credits. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment. This is the primary reason for the decline in transaction credits. 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 (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned as at June 30, 2019 and post June 30, 2019 to MCA. Collection was the primary activity during three months ended December 31, 2019. The collections exceeded the issuance of advances to the merchants transitioned during the three and six months ended December 31, 2019.

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. It is currently negotiating a revised payment plan with Aeroplan because it, as of date hereof, is in arrears, due to Covid-19, with respect to its present payment plan as well as amounts due on current invoices of past couple of months.

Financing activities. During YTD Fiscal 2021 the primary change was the decrease of $1,525,117 in loan payable which is primarily due to above noted decrease in transaction credits. Furthermore, the loan payable balance during YTD Fiscal 2021 also includes amounts payable under the working capital overdraft provided by Accord (December 31, 2020 $460,000 vs. June 30, 2020 $184,098). During YTD Fiscal 2020 the primary change was the decrease in loan payable which is primarily due

to above noted decrease in transaction credits.

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

The presentations in Results of Operations section are not set out in accordance with International Financial Reporting Standards ("IFRS"). The presentations are extracts from the interim consolidated financial statement for the three and six months ended December 31, 2020, and have been included to provide additional analysis for the reader.

Revenue

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

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future 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 credits 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 points to small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan point, when the participating merchant issues aeroplan points to an Aeroplan member completing a qualifying transaction at the merchant.

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

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.

Economic activity and Covid-19 restrictions have an impact on both MCA and Aeroplan programs.

A significant factor in the Q2 Fiscal 2021 and YTD Fiscal 2021 revenues was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

	Q2 Fiscal 2021	Q2 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	$	$	$	$
Revenues						
MCA program	$ 192,804	$ 653,855	$ (461,051)	$ 391,618	$ 1,273,316	$ (881,698)
Aeroplan program	194,122	237,081	(42,959)	307,080	416,663	(109,583)
	$ 386,926	**$ 890,936**	**$ (504,010)**	**$ 698,698**	**$ 1,689,979**	**$ (991,281)**

MCA program

Since the start of the Covid-19 pandemic on an on and off basis most of the participating merchants either were mandated by the law to close operations or operate with restrictions. The company reduced the contracted collections from merchants so as not to stress the merchants' cash flows. Furthermore the company did not give any significant additional working capital advances to merchants - both on account of its diminished working capital availability and the credit environment – leading to reduction in transaction credits and participating merchants. Average number of merchants during Q2 Fiscal 2021 and YTD Fiscal 2021 about 150 compared to about 250 during corresponding periods in the previous year.

The above two factors led to a sharp decline in revenues.

Aeroplan program

In both periods the revenue was from re-seller activity. Revenue decline primarily reflects economic impact of Covid-19 pandemic on participating merchants and their ability to carry on with loyalty marketing activity using this program.

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.

	Q2 Fiscal 2021	Q2 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 192,804	$ 653,855		$ 391,618	$ 1,273,316	
Aeroplan program	194,122	237,081	-18.1%	307,080	416,663	-26.3%
	$ 386,926	**$ 890,936**	**-56.6%**	**$ 698,698**	**$ 1,689,979**	**-58.7%**
Direct expenses						
MCA program	$ 44,015	$ 122,972		$ 72,742	$ 189,098	
Aeroplan program	122,133	121,159	0.8%	183,850	218,923	-16.0%
	$ 166,148	**$ 244,131**	**-31.9%**	**$ 256,592**	**$ 408,021**	**-37.1%**

MCA program

The evaluation of collectability of transaction credits is done on an individual customer basis. For specifically identified transaction credit balances that are impaired an expected loss is estimated. The

amount of the estimates is determined based on the status of the customer and the company's historical experience on recoveries.

Due to the uncertainties created by Covid-19 pandemic, for the unimpaired transaction credits the company has estimated loss based on historical loss rate supplemented by a forecast loss rate. This forecast loss rate is based on the company's knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. The methodology to include forecast rate was commenced in the 3 months ended March 31, 2020.

The company continued to monitor credit risk along above methodology during Q2 Fiscal 2021 and YTD Fiscal 2021.

Aeroplan program

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

Gross Profit

The decline in gross profit (65.9% and 65.5%) reflects primarily decline in revenues (56.6% and 58.7%).

	Q2 Fiscal 2021	Q2 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
MCA program	$ 148,789	$ 530,883		$ 318,876	$ 1,084,218	
Aeroplan program	71,989	115,922		123,230	197,740	
	$ 220,778	**$ 646,805**	**-65.9%**	**$ 442,106**	**$ 1,281,958**	**-65.5%**

	Q2 Fiscal 2021	Q2 Fiscal 2020		YTD Fiscal 2021	YTD Fiscal 2020
MCA program	77.2%	81.2%		81.4%	85.1%
Aeroplan program	37.1%	48.9%		40.1%	47.5%
Company	57.1%	72.6%		63.3%	75.9%

Selling Expenses

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

To offset some of the financial impact of Covid-19 since April 1, 2020, sales staff are receiving 85% of their pre pandemic remuneration with assistance from CEWS. The CEWS received for sales and administration staff is reflected in G&A (see Section G&A). In addition, the headcount was lower by three, two of whom was on lay-off (during Q2 Fiscal 2021) - the headcount was lower by two, one of whom was on lay-off (during three months ended September 30, 2020).

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

	Q2 Fiscal 2021	Q2 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 192,804	$ 653,855		$ 391,618	$ 1,273,316	
Aeroplan program	194,122	237,081		307,080	416,663	
	$ 386,926	**$ 890,936**	**-56.6%**	**$ 698,698**	**$ 1,689,979**	**-58.7%**
Selling expenses						
MCA and Aeroplan programs	$ 109,795	$ 190,835		$ 256,960	$ 378,698	
	$ 109,795	**$ 190,835**	**-42.5%**	**$ 256,960**	**$ 378,698**	**-32.1%**
Cost of sales staff	$ 108,135	$ 183,621	**-41.1%**	$ 246,862	$ 370,295	**-33.3%**
Cost as % of selling expenses	98.5%	96.2%		96.1%	97.8%	

General and Administrative Expenses ("G&A")

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

	Q2 Fiscal 2021	Q2 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Change in revenues			**-56.6%**			**-58.7%**
G&A						
Compensation for non-sales staff	$ 228,968	$ 280,757	-18.4%	$ 464,746	$ 556,491	-16.5%
Directors fees	8,125	16,250		16,250	32,500	
CEWS - for sales and non-sales staff	(89,165)	-		(230,220)	-	
CERS	(22,281)	-		(22,281)	-	
All other G&A expenses, incl staff travel	94,907	158,944		154,755	276,336	
	$ 220,553	**$ 455,951**	**-51.6%**	**$ 383,250**	**$ 865,326**	**-55.7%**

To offset some of the financial impact of Covid-19 pandemic, administration staff including management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration.

The CEWS reflected in tabulation is received for sales and non-sales staff.

All other G&A expenses

Reduction in expenses is primarily a reflection of the minimization of costs to cope with the sharp decline in revenues due to Covid-19 pandemic. It also reflects receipt of CERS of $22,281 during Q2 Fiscal 2021.

Interest Expense

The interest expense is tabulated:

	Q2 Fiscal 2021	Q2 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Stated ("Cash") interest expense						
Loan payable	$ 94,839	$ 228,241		$ 211,394	$ 503,332	
9% debentures	130,285	128,916		260,571	255,022	
	$ 225,124	$ 357,157	**-37.0%**	$ 471,965	$ 758,354	**-37.8%**
Non-cash interest expense						
Interest - Lease	$ 3,532	$ 4,976		$ 7,492	$ 9,952	
Accretion charge on 9% debentures	87,916	80,347		174,404	158,400	
Restructuring bonus on 9% debentures	66,927	64,046		133,855	126,627	
Amortization of transaction costs on 9% debentures	4,696	3,131		9,393	3,131	
	$ 163,071	$ 152,500		$ 325,144	$ 298,110	
	$ 388,195	**$ 509,657**	**-23.8%**	**$ 797,109**	**$ 1,056,464**	**-24.5%**

Stated interest. The lower interest on loan payable is a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during Q2 Fiscal 2021 and YTD Fiscal 2021 was $3,263,768 and $3,638,123 respectively compared to $6,795,067 and $7,529,397 respectively in the corresponding periods previous year. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q2 Fiscal 2021 and YTD Fiscal 2021. While the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment.

Non-cash interest.

Accretion charges and restructuring bonus relating to 9% debentures are higher partially reflecting issuance of $200,000 9% debentures in October 2019.

The company adopted from July 1, 2019 IFRS 16, Leases resulting in set-up of interest cost on the company's head office lease.

Net Profit/(Loss)

Highlights are tabulated:

	Q2 Fiscal 2021	Q2 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	$	$	$	$
Revenues	$ 386,926	$ 890,936	$ (504,010)	$ 698,698	$ 1,689,979	$ (991,281)
Gross margin	57.1%	72.6%		63.3%	75.9%	
Gross profit	$ 220,778	$ 646,805	$ (426,027)	$ 442,106	$ 1,281,958	$ (839,852)
Earnings/(loss) from operations before depreciation, amortization and interest	$ (109,570)	$ 19	$ (109,589)	$ (198,104)	$ 37,934	$ (236,038)
Net (loss) and comprehensive (loss)	$ (509,138)	$ (531,792)	$ (22,654)	$ (1,017,959)	$ (1,065,779)	$ (47,820)
Basic and Diluted profit/(loss) per share	$ (0.00)	$ (0.00)		$ (0.00)	$ (0.00)	

Q2 Fiscal 2021 and YTD Fiscal 2021 compared to corresponding periods in the previous year

The detailed analysis of the above tabulated items is provided in Sections - *Income Statement* – Q2 Fiscal 2021 and YTD Fiscal 2021 compared to Q2 Fiscal 2020 and YTD Fiscal 2020, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Highlights are provided:

- The decline in revenues reflects impact of Covid-19 pandemic.
- Gross profit primarily reflects the decline in revenues.
- Selling, General and Administrative ("SG&A") expenses were lower. The lower SG&A expenses primarily reflect Covid-19 pandemic lay-off of some staff and the remaining staff including the management, since April 1, 2020, receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy. Receipt of CERS was a factor during Q2 Fiscal 2021. Staff remuneration including travel expenses are the main component of SG&A.
- As disclosed in above tabulation, (loss) from operations before depreciation, amortization and interest compared with earnings in the corresponding periods in the previous year. The SG&A savings offset to some extent the decline in gross profit.
- Stated interest cost was significantly lower reflecting lower utilization of loan payable which is used to fund 90% of the MCA program advances (transaction credits).
- The non-cash interest expense, comprising expense for 9% debentures charges for accretion, restructuring bonus and amortization of transaction costs related to $200,000 9% debentures raised in October 2019 was higher primarily on account of $200,000 raised in October 2019.
- The depreciation for right of use asset was lower reflecting write-off due to its partial impairment at June 30, 2020. At end of Fiscal 2020 the property, plant and equipment were fully depreciated. Consequently depreciation and amortization expense was lower.
- The result is a small decrease in net loss.

Working Capital and Liquidity Management

	Q2 Fiscal 2021	Q2 Fiscal 2020	YTD Fiscal 2021	YTD Fiscal 2020
	$	$	$	$
Funds available to expand the MCA program (Transaction credits on the balance sheet) and meet working capital needs				
Net (loss)	$ (509,138)	$ (531,792)	$ (1,017,959)	$ (1,065,779)
Adjustments for non cash expenses	304,729	303,570	608,461	600,426
(Loss) after adjustment for non cash expenses	(204,409)	(228,222)	(409,499)	(465,353)
Cash balances at start of the period	56,799	73,417	166,601	119,636
Inc. 9% debentures	-	159,297	-	159,297
Proceeds from loan - Canada Emergency Business Account	20,000	-	20,000	-
Inc./(dec) in loan payable	(817,747)	(1,187,652)	(1,525,117)	(2,366,007)
	$ (945,357)	**$ (1,183,160)**	**$ (1,748,014)**	**$ (2,552,427)**
Utilization of funds				
Cash balances at end of periods	$ 39,585	$ 54,208	$ 39,585	$ 54,208
Inc./(dec) in transaction credits	(939,253)	(1,228,037)	(1,673,128)	(2,652,085)
Decrease in Accounts payable	(185,125)	(57,924)	(261,902)	9,180
Changes in all other working capital items	120,017	29,177	108,594	(2,565)
Investing activities	-	-	-	-
Change in other financing items	19,419	19,416	38,837	38,835
	$ (945,357)	**$ (1,183,160)**	**$ (1,748,014)**	**$ (2,552,427)**

Adjustments for non cash expenses. A significant item for YTD Fiscal 2021 and YTD Fiscal 2020 is accrued and unpaid 9% debentures interest (YTD Fiscal 2021 $260,571 vs. YTD Fiscal 2020 $255,022). Furthermore, charges for Accretion and Restructuring bonus respecting 9% debentures were $308,259 (YTD Fiscal 2020 $285,027).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During YTD Fiscal 2021 the significant item was the decrease of $1,673,128 in transaction credits. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment. This is the primary reason for the decline in transaction credits. 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 (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned as at June 30, 2019 and post June 30, 2019 to MCA. Collection was the primary activity during three months ended December 31, 2019. The collections exceeded the issuance of advances to the merchants transitioned during the three and six months ended December 31, 2019.

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. It is currently negotiating a revised payment plan with Aeroplan because it, as of date hereof, is in arrears, due to Covid-19, with respect to its present payment plan as well as amounts due on current invoices of past couple of months.

Financing activities. During YTD Fiscal 2021 the primary change was the decrease of $1,525,117 in loan payable which is primarily due to above noted decrease in transaction credits. Furthermore, the loan payable balance during YTD Fiscal 2021 also includes amounts payable under the working capital overdraft provided by Accord (December 31, 2020 $460,000 vs. June 30, 2020 $184,098). During YTD Fiscal 2020 the primary change was the decrease in loan payable which is primarily due to above noted decrease in transaction credits.

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

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

Cash balances at the end of periods reflect cash (used) by operations [(loss) after adjustment for non cash expenses – see above tabulation], payments of accounts payable, collection of transactions, and deployment of advances with merchants (YTD Fiscal 2020. Not significant activity YTD Fiscal 2021 due to diminished availability of working capital).

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.

Impact of Covid-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus, Covid-19, as a global pandemic. The government in Canada ordered the closure of all non-essential businesses. Practically all of the company's customers, small independent merchants, operate in the non-essential business segments. Since March 2020 until date hereof the restrictions have flexed between lockdowns and limited relaxation across Canada resulting in a devastating impact on the company's three months ended December 31, 2020 ("Q2 Fiscal 2021") and YTD Fiscal 2021 performance and further deterioration of its financial position since June 30, 2020 and September 30, 2020.

Restrictions led to decline in the ability of the company's merchants to pay the contracted amounts per MCA agreements. It also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment and this in turn led to decline in MCA program transaction credits and participating merchants. The two factors led to a sharp decline in company's MCA revenues. Similarly the company's re-seller program ("Aeroplan program") dependent on agreement with Aeroplan Inc., operator of Aeroplan Loyalty Program owned by Air-Canada was impacted. Participating merchants either stopped or curtailed their loyalty marketing activities leading to decline in revenues from this program.

Q2 Fiscal 2021 and YTD Fiscal 2021 revenues at $386,926 and $698,698 respectively declined $504,010 (56.6%) and $991,281 (58.7%) respectively compared to corresponding periods in the previous year. Consequently the company was left with a weak balance sheet after further working

capital deterioration during the Covid-19 pandemic.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve during year ended June 30, 2020 ("Fiscal 2020") against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Q2 Fiscal 2021 and YTD Fiscal 2021.

The company availed federal government Covid-19 pandemic relief measures during Fiscal 2020 and continues to do so as of date hereof. To manage its costs the company had to lay-off of some staff and the remaining staff including the management, since April 1, 2020, are receiving 85% of their pre pandemic remuneration with assistance from Canada Emergency Wage Subsidy. The company received $40,000 under the Canada Emergency Business Account. In December 2020 the company applied for and received an additional $20,000 under this subsidy. The company's landlord applied for Canada Emergency Commercial Rent Assistance program. Since October 2020 the company is accessing CERS.

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

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

The upshot was the company: a) fell into arrears with monthly interest payments to Accord Financial Inc. ("Accord") provider of credit facility (see Section Loan Payable) which is the source of 90% of funds for the MCA program, and other suppliers/service providers, b) did not have the funds to pay for the audit so did not timely file the Fiscal 2020 annual financial statements and related documents by due date of October 28, 2020, and c) had diminished capacity – both in terms of access to capital and as a consequence of the credit environment to maintain its MCA portfolio.

Accord allowed the company to defer payment of interest from March to June. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of December 31, 2020 and date hereof the company has fully utilized this facility.

The company has a decade old relationship with Aeroplan. The current five year term of the agreement ended April 30, 2019 which was extended to April 30, 2020 and thereafter – in July 2020 - has been extended to April 30, 2021; the two parties continue to work while discussing future terms and direction. The agreement can be terminated by Aeroplan under certain conditions, including the company being in default on payments and not being able to cure default within stipulated timeline during its term. The company and Aeroplan had established a payment plan to enable the company to settle arrears. Primarily due to Covid-19 the company could not keep up with payments under the payment plan. The company and Aeroplan re-established the payment plan. As of date hereof the company is in arrears with respect to the payment plan as well as amounts due on current invoices of past couple of months. Advantex and Aeroplan are negotiating a revised payment plan.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9 debentures") (see Section 9% Non-convertible Loan Payable) with no ability to cure the default.

Due to lack of funds to pay for the audit the company did not timely file its financial statements and

related financial documents for year ended June 30, 2020.

Raise of capital after December 31, 2020

The Ontario Securities Commission ("OSC") issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the failure-to-file cease trade order issued against the company on November 1, 2019 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner.

The company applied for the Partial Revocation Order to complete a financing (the "Financing") whereby, through its managed accounts and principals, Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") would subscribe for $200,000 of senior secured non-convertible debentures of the company bearing interest at 9% per annum and maturing on December 31, 2025 ("New Debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the New Debentures. The New Debentures are on the same terms and rank pari passu with 9% debentures bearing interest at 9% per annum and maturing on December 31, 2021. The FFCTO continues to apply in all other respects.

The company previously obtained the requisite consents from the holders of the 9% Debentures to complete the Financing.

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

The company closed the $250,000 Financing on March 16, 2021 by way of senior secured non-convertible debentures. The Financing was conducted in accordance with the terms of the partial revocation order issued by the OSC. The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

The proceeds of the Financing will be used to pay for: (i) the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; (ii) legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the Financing; (iii) operational and general administrative expenses; (iv) payment of accounts payable incurred in the ordinary course of business; and (v) partial funding of its Merchant Cash Advance business as public health restrictions are gradually eased in Canada.

Next steps

Upon bringing its disclosure record to current status the company will apply to the OSC for full revocation of the FFCTO.

Simultaneously, the company will be seeking growth capital.

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 to fund growth of MCA program. 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. Even with the $250,000 raise the company has very limited ability to fund the growth of MCA at 10%. The growth of MCA portfolio is essential to bring financial stability.

The company is aware given the FFCTO and the financial difficulties it faces there is no guarantee

that capital will be available to the company at economic terms, if at all, once the FFCTO has been revoked or at all.

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

Off Balance sheet financing arrangements

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

There are leases for equipment 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.

Going Concern

The consolidated financial statements for the three and six months ended December 31, 2020 have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the company will be able to realize its assets and settle its liabilities as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $10,185,669 and negative working capital of $10,211,777 as at December 31, 2020. The company is also in breach of its covenants on its debentures, and has not paid the interest due on its debentures since December 15, 2018 (section 9% Non convertible Debentures Payable). There is uncertainty surrounding the company's ability to generate cash flows sufficient to meet its operational needs including meeting payroll, payments to its suppliers, payment of interest on the 9% debentures and payment of interest on the loan payable. Failure to make payments to suppliers may lead to termination of agreements with entities such as Aeroplan Inc. and the denial of services required by the company to operate. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries and since the debentures are in default, the holders of the 9% debentures have the right to demand re-payment and realize upon a part or all of the security held by them. The loan payable supports the company's merchant cash advance program, is a demand facility and if the company cannot pay interest it would be in default and the provider has the right to demand re-payment. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

Contractual obligations as at December 31, 2020 were due as follow:

	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 2,843,889	$ 2,843,889	$ -	$ -
9% debentures	5,759,000	5,759,000	-	-
Canada Emergency Business Account	60,000	-	60,000	-
Head office lease	129,450	77,671	51,779	-
Operating leases	4,590	4,590	-	-
	$ 8,796,929	**$ 8,685,150**	**$ 111,779**	**$ -**

In addition, there is a contractual obligation to holders of 9% debenture for interest of $1,561,848 payable for the period December 16, 2018 to maturity on December 31, 2021. 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 company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease. The expense related to above operating leases, and to head office lease in Fiscal 2019 is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

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

Loan Payable

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

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

The current term 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%. Interest is calculated daily on the amount outstanding and charged monthly. The company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

The company had utilized $2.8 million of the facility at December 31, 2020 30, 2020 (at June 30, 2020 $4.4 million).

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March to June. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of December 31, 2020 and date hereof the company has fully utilized this facility.

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

9% Non-convertible Debentures Payable

In December, 2017 the company re-financed its 12% debentures as 9% Non-convertible debentures payable ("9% debentures") maturing December 31, 2021. The 9% debentures bear interest at 9% per annum payable semi-annually, and carry the right to receive restructuring bonus payment of $180 for each $1,000 of 9% debentures on December 31, 2021.

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 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 also issued 21,648,800 common shares.

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 three financial covenants. 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 continues to be in default in subsequent quarters. In addition, the company did not pay the interest, due semi-annually, since December 16, 2018. Except for the waiver obtained on June 21, 2019 to event of default respecting non-payment of interest due June 15, 2019 for the period December 16, 2018 to June 15, 2019, the company is in default on its interest payments. Due to events of default – breaches of financial covenants and not making the interest payments - the 9% debentures have been classified as a current liability.

As compensation for the June 21, 2019 waiver of event of default the company issued 75 million common shares to the debenture holders to be distributed on a pro-rata basis of the principal amount of the 9% debentures held by each holder. 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.

As of December 31, 2020 the accrued and unpaid interest since December 16, 2018 is $1,044,956.

Summary of Quarterly Results

In millions of dollars except per share amounts					
12 month period ended December 31, 2020					
In $ millions except for per share amounts	Q3	Q4	Q1	Q2	Total
	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	
	Amended				
Revenue	0.7	0.2	0.3	$ 0.4	$ 1.6
Percent of annual revenue	43.8%	12.5%	18.8%	24.9%	100.0%
Net (loss)	(1.0)	(0.9)	(0.5)	$ (0.5)	$ (2.9)
(Loss) per share - Basic and Diluted	$ -	$ -	$ -	$ -	$ -
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%	21.5%	100.0%
Net (loss)	$ (0.4)	$ (0.5)	$ (0.5)	$ (0.5)	$ (1.9)
(Loss) per share - Basic and Diluted	$ -	$ -	$ -	$ -	$ -

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company's plan is to continue a gradual move of its entire IT infrastructure into the cloud. The company does not expect significant capital expenditures during period ending June 30, 2021.

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, 2020.

Contingent liabilities

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

Going concern

The company assesses the going concern assumption on a quarterly basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The company has prepared a financial forecast based on its expectation regarding ability to access additional sources of working capital in the form of either debt or equity to stabilize its financial situation and support growth of its core business, the MCA program, renewal of its agreement with Aeroplan ending April 2021, market for its programs and its ability to expand its existing MCA and Aeroplan programs upon access to additional working capital, continued access to existing sources of debt, obtaining waivers and debt amendments, ability to reach and fulfil settlement accommodation with suppliers, the estimated impact of Covid-19 to its business.

The company's audited consolidated financial statements for year ended June 30, 2020, three months ended September 30, 2020 and three and six months ended December 31, 2020 carry a going concern note (Note 2). The note is also carried in the Section Working Capital and Liquidity Management in this document.

Financial instruments – fair value

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

A significant amount of estimation was applied in evaluation of the fair value of the 9% 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 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 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 customer and the company's historical experience on recoveries.

Due to the uncertainties created by Covid-19 pandemic, for the unimpaired transaction credits the company has estimated loss based on historical loss rate supplemented by a forecast loss rate. This forecast loss rate is based on the company's knowledge of its customers and its evaluation of the impact of the pandemic on individual customers' ability to operate. Recoveries are only recorded when objective verifiable evidence supports the change in the original provision.

The Covid-19 pandemic restrictions have impacted economic activity and this will affect the collectability of the transaction credits. As of date hereof the federal and provincial governments are

easing the restrictions in phases. However, there is considerable uncertainty related to the vaccination roll-out, re-opening, the pace and extent of economic recovery and hence the evaluation of collectability of transaction credits.

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

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

	At December 31, 2020	At June 30, 2020
	$	$
Transaction credits	$ 3,312,964	$ 4,918,115
Accounts receivable	233,278	123,286
Allowance	(1,066,560)	(998,583)
Per statement of financial position	$ 2,479,682	$ 4,042,818
Maximum exposure to credit risk	$ 2,479,682	$ 4,042,818

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

	At December 31, 2020	At June 30, 2020
	$	$
Impaired transaction credits	$ 479,065	$ 353,108
Allowance	(479,065)	(353,108)
Impaired transaction credits not allowed for	$ -	$ -
The company carries a general allowance towards transaction credits. This provision at December 31, 2020 and June 30, 2020 includes a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 583,111	$ 641,090

Stock Options

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

There was nil outstanding employee stock options at December 31, 2020 and December 31, 2019.

16,688,546 stock options were available for future issuance at December 31, 2020 and December 31, 2019.

There was no stock based compensation expense during Q2 Fiscal 2021 and YTD Fiscal 2021 and corresponding periods in the previous year.

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, 2020.

Outstanding Share Data

There is no change since June 30, 2020.

At December 31, 2020 issued and outstanding: 461,887 Class A preference shares and 878,948,414 common shares.

Additional details on share capital provided in note 8 to the audited consolidated financial statements for year ended June 30, 2020.

Potentially Dilutive Securities

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

Related party transactions

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

	December 31, 2020	December 31, 2020	June 30, 2020	June 30, 2020
	$		$	
	9% debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 500,000	95,523,818	$ 500,000	95,523,818
Director - M. Lavine	500,000	73,514,818	500,000	73,514,818
Director - D. Moscovitz (c)	9,000	1,168,971	-	-
Chief Financial Officer - M.Sabharwal	115,000	27,498,576	115,000	27,498,576
R. Abramson, GIACP, GPMCA (a)	2,669,120	321,629,458	2,669,120	321,629,458
Herbert Abramson (b)	106,000	11,560,814	106,000	11,560,814
	$ 3,899,120	530,896,455	$ 3,890,120	529,727,484
Total issued and outstanding 9% debentures and common shares	$ 5,759,000	878,948,414	$ 5,759,000	878,948,414
% held by parties in tabulation	67.7%	60.4%	67.5%	60.3%
(a) Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the following securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms				
(b) Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company				
(c) David Moscovitz was elected director of the company at the annual and special meeting of shareholders held on December 24, 2020				

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. The Aeroplan program is dependent on agreement with Aeroplan. The term of the agreement was due to expire April 30, 2019, was extended to April 30, 2020 and thereafter was extended to April 30, 2021; the two parties continue to work while discussing future terms and direction.

The company was in default on its 9% debentures financial covenants and on interest payments. These defaults are described in Section 9% Non-Convertible Debentures Payable. The company does not have the ability to cure the defaults. 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.

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed

the company to defer payment of interest from March to June. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. This is a general working capital facility. The interest rate is similar to the loan payable. As of date hereof the company has fully utilized this facility. Non-payment of interest on due dates if not cured within time period stipulated in the agreement, would constitute an event of default and would be one, amongst certain other circumstances, where the loan payable is repayable on demand to Accord.

The Aeroplan agreement can be terminated by Air- Canada – owner of the Aeroplan Loyalty Program under certain conditions, including the company being in default on payments and not being able to cure default within stipulated timeline during its term. The company and Aeroplan had established a payment plan to enable the company to settle arrears. Primarily due to Covid-19 the company could not keep up with payments under the payment plan. The company and Aeroplan re-established the payment plan. As of date hereof the company is in arrears with respect to the payment plan as well as amounts due on current invoices of past couple of months. Advantex and Aeroplan are negotiating a revised payment plan.

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 Aeroplan.

The company's consolidated financial statements for 3 months ended September 30, 2020 in note 2 and audited consolidated financial statements for Fiscal 2020 carry a going concern note (Note 2). The note is also carried in the Working Capital and Liquidity Management Section in this document. The company also carried a going concern note for Fiscal 2019.

General Risks and Uncertainties

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

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% 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 continuity of the two sources of debt are explained in Section Economic Dependence.

Covid-19 pandemic has created additional uncertainty to the company's business continuity. The uncertainty stems from unknown duration of the crisis and its adverse effect on the economy in general and the company's merchants' in particular. This 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, Aeroplan; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. As of date hereof the company has applied for and received relief under some government programs, and continues to explore its eligibility under various other government programs but no assurance can be given on successful outcomes.

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

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each $ of merchant cash advance and a loan payable facility to fund the balance. However, for access to a loan payable facility in excess of the current $8.5 million provided by Accord the company needs

to put in higher % as co-fund. The company has limited ability to fund the growth of MCA at 10%. The growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% debenture holders. The 9% debentures are secured by a general security interest over the assets of the company and its subsidiaries. Since the company is in default on financial covenants and on interest payments the 9% debentures holders 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, and it being under a FFCTO and there being no assurance that the FFTCO may be revoked, 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.

Given its current financial position of the company there is uncertainty connected to continuity of loan payable provided by Accord. Non-payment of interest on due date, if not cured within time period stipulated in the agreement, would constitute an event of default and would be one, amongst certain other circumstances, where the loan payable is repayable on demand to Accord.

If the company is not successful in raising additional debt financing and or equity, its ability to expand its MCA program and increase revenue may be impeded, resulting in reduced growth in cash flows from operations. This could affect the company's liquidity and working capital position, and ability to continue as a going concern. 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 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. Covid-19 has created a deterioration in the MCA space and has adversely impacted the financial position of the company. Both factors are likely to adversely reflect on the company's credit environment and 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. During the year ended June 30, 2020, the company incurred interest expense of $807,189 on utilization of loan payable. Had the interest rate, for the year ended June 30, 2020, been 10% higher the interest expense on loan payable would have been $887,908, an increase of $80,719.

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 of its pricing and its go-to market strategy give it an ability to grow its MCA portfolio if it has access to growth capital. Competition, regulation, and the as yet undeterminable adverse impact of Covid-19 pandemic on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and in turn its 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 is due to end April 30, 2021. The Aeroplan agreement can be terminated by Air- Canada – owner of the Aeroplan Loyalty - under certain conditions, including the company being in default on payments, during its term. As explained in Section Economic Dependence in this document as of date hereof the company is in arrears with respect to its payment plan as well as amounts due on current invoices of past couple of months. Advantex and Aeroplan are negotiating a revised payment plan.

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

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

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

In the ordinary course of business, the company is subject to ongoing audits by tax authorities. While the company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The company regularly reviews the potential for adverse outcomes in respect of tax matters and believes that any ultimate disposition of a reassessment will not have a material adverse impact on its liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome

materially differ from existing provisions, the company's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

Forward-Looking Information

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

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

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

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any

forward-looking information, whether as a result of new information, future events or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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