LISTING STATEMENT

ADVANTEX MARKETING INTERNATIONAL INC.

October 28, 2021

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2. Corporate Structure

2.1 Advantex Marketing International Inc. (the "**Company**"), 600 Alden Road, Suite 606, Markham, Ontario, L3R 0E7.

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

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

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

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

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

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

3. General Development of the Business

3.1 The general development of the Company's business for the fiscal year ended June 30, 2021 compared with the corresponding period in the previous year is disclosed in the Management Discussion and Analysis for the fiscal years ended June 30, 2021 and 2020 (the "**MD&A**"), which is attached hereto as Schedule "A".

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

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

3.3 As at June 30, 2021, the Company is committed to minimum payments with respect to existing leases for equipment and premises. Notes 12 and 17 to the Consolidated Financial Statements for the year ended June 30, 2021 (the "**FS**"), which is attached hereto as Schedule "B", discloses Commitments and Contingencies of the Company.

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

For a discussion on uncertainty, please see the "Working Capital and Liquidity Management", "Economic Dependence", "General Risks and Uncertainties" and "Forward Looking Information" sections of the MD&A. The FS for year ended June 30, 2021 carry a Going Concern note.

4. Narrative Description of the Business

4.1 The Narrative Description of the Business can be found in the "NARRATIVE DESCRIPTION OF THE BUSINESS" section of the AIF, updated by the MD&A and by the monthly Form 7 filed by the Company with the CSE (together the "**Disclosure**"). The Disclosure includes a discussion on the method of distribution of the Company's principle services (all of which are at the commercial production stage), the method of producing services, the number of employees (at June 30, 2021 12 employees), a description of contracts and partnerships on which the Company is substantially dependent and a description of the competitive conditions (which is further described in the "Economic Dependence" and "General Risks and Uncertainties" section of the MD&A).

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

On November 1, 2019 the Ontario Securities Commission ("OSC") issued a Cease Trade Order because the Company did not file by due date its annual financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the financial year ended June 30, 2019. The Company did not file its interim financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the three months ended September 30, 2019, and three and six months ended December 31, 2019 by the due dates. The Company remedied the filing issue when it filed the documents for the above referred three periods on May 21, 2020. It filed its documents for three and nine months ended March 31, 2020 on timely basis on June 26, 2020. Because the cease trade order was in effect for more than 30 days the Company has to apply for a revocation.
The Company did not file by due date of October 28, 2020 its annual financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the financial year ended June 30, 2020. The Company did not file by due date its interim filings for three months ended September 30, 2020, and interim filings for three and six months ended December 31, 2020. It remedied the filing issue for the three periods when it filed the documents on March 31, 2021. The Company filed on May 28, 2021 its interim filings for the three and nine months ended March 31, 2021.
In May 2021 the Company applied for revocation of the failure to file cease trade order and on June 24, 2021 the OSC issued the revocation order.

The Company's efforts to source capital to meet its reporting obligations, continue operations and for growth are described in section Capital Raise Developments in the MD&A. The MD&A provides commentary on the Company's financial performance for the fiscal year ended June 30, 2021 compared with corresponding period in the previous year, covering revenues, direct expenses, gross profit, selling expenses, general & administrative expenses, interest expense, and net income. The MD&A provides commentary on the Company's capital and liquidity management.

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

The Company reported a net loss and comprehensive loss of $2,091,967 for its fiscal year ended June 30, 2021 compared with a net loss and comprehensive loss of $2,927,396 for fiscal year ended June 30, 2020.

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

4.3 The Company is not an Issuer with mineral projects.

4.4 The Company does not have Oil and Gas Operations.

5. Selected Consolidated Financial Information

5.1 The FS provides the financial position of the Company as at June 30, 2021 and June 30, 2020, and the financial performance and cash flows for the years ended June 30, 2021 and June 30, 2020, in accordance with International Financial Reporting Standards ("IFRS"). Note 2b ("Basis of preparation"), and note 3 ("Summary of significant accounting policies") to the FS detail the basis of preparation of the FS. The Company's auditors, BDO Canada LLP, report is attached to the FS.

5.2 The "Summary of Quarterly Results" section of the MD&A provides highlights of selected financial information for the four quarters ended June 30, 2021, compared with corresponding periods in the previous year. The MD&A provides a narrative on the fourth quarter of the fiscal year ended June 30, 2021 in the section "Fourth Quarter of Fiscal 2021 (Q4 F2021) vs. Fourth Quarter of Fiscal 2020 (Q4 F2020)". The interim financial statements for the three month period ended September 30, 2020, three and six month periods ended December 31, 2020, and three and nine month periods ended March 31, 2021, which are attached hereto as Schedule "C", provide narrative on the Company's performance for the first nine months of the fiscal year ended June 30, 2021.

5.3 A discussion of the Company's dividend policy can be found in the "DIVIDENDS" section of the AIF. The Company did not declare dividends for the fiscal year ended June 30, 2021 and fiscal year ended June 30, 2020.

6. Management's Discussion and Analysis

Annual MD&A

6.1 The MD&A is for the fiscal years ended June 30, 2021 and June 30, 2020 and is prepared based on information available to the Company as at October 28, 2021. The MD&A is for the most recently completed fiscal year ended June 30, 2021.

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

Selected Annual Financial Information

6.3 Please see section 5.1 for selected annual financial information.

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

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

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

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

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

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

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

6.11 Fourth Quarter - A discussion of the fourth quarter events or items that affected the Company's financial condition can be found in the M&DA under the section "Fourth Quarter of Fiscal 2021 (Q4 F2021) vs. Fourth Quarter of Fiscal 2020 (Q4 F2020)".

6.12 Proposed Transactions – The Management Information Circular dated July 19, 2021 (available under the Company's profile on www.sedar.com) to do with Special Meeting of the shareholders held on August 26, 2021 discloses the transactions. The financing transaction was completed in September 2021. The Company expects to go through the other transactions in due course.

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

6.14 Financial Instruments and Other Instruments

As at June 30, 2021 the Company has two sources of debt capital, which are described in the MD&A under sections "Loan Payable", and 9% Non Convertible Debentures Payable". The narrative in these sections and notes 5, and 6 to the FS, covers the terms, the usage of the funds provided by these instruments, and the debt and equity components.

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

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

Interim MD&A

6.15 Date – The latest interim MD&A of the Company is for the three and nine month periods ended March 31, 2021 and 2020, and was prepared based on information available to the Company as at May 28, 2021.

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

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

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

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

6.20 Negative cash-flow –

Per consolidated statement of cash flow in the FS, for year ended June 30, 2021 the Company reported net cash generated by operating activities of $1.8 million, and net cash generated by operating activities for year ended June 30, 2020 of $4.0 million.

However, loss before non-cash expenses is the Company's assessment of cash used by its operating activities prior to changes in working capital items. The loss before non-cash expense for year ended June 30, 2021 was $0.8 million compared to a loss for year ended June 30, 2020 of $1.7 million.

The significant change in cash during year ended June 30, 2021:

1. Net loss and loss before non-cash expenses of $2.1 million and $0.8 million respectively;

2. Changes in working capital of $2.6 million. This change and the loss before non-cash expenses of $0.8 million result in net cash generated from operating activities of $1.8 million.

   Transaction credits, a decline of $2.2 million, was the primary reason for change in working capital;

3. Financing activities. There was a decline of $1.9 million. The primary reason was decrease in Loan payable of $2.0 million reflecting decline in Transaction credits; and

4. There was no investment in purchase of property, plant and equipment.

The significant change during year ended June 30, 2020:

1. Net loss and loss before non-cash expenses of $2.9 million and $1.7 million respectively;

2. Changes in working capital of $5.7 million. This change and the loss before non-cash expenses of $1.7 million result in net cash generated from operating activities of $4.0 million.

   Transaction credits, a decrease of $5.6 million, was the primary reason for the change in working capital.

3. Financing activities. There was a decrease of $3.9 million. The primary reason was decrease in Loan payable of $4.0 million reflecting decrease in Transaction credits; and

4. There was no investment in purchase of property, plant and equipment, and intangible assets.

* Loss before non-cash expenses is a non-GAAP financial measure which does not have any standardized meaning prescribed by the issuer's GAAP and is unlikely to be comparable to similar measures presented by other issuers. It is provided as additional information to assist readers in understanding a component of the Company's financial performance; as it is the Company's assessment of the cash used by its operating activities prior to changes in working capital items. Loss before non-cash expenses is arrived at after adding back expenses not affecting cash – accrued and unpaid interest on 9% non convertible debentures payable; depreciation of property, plant and equipment; accretion charge, restructuring bonus, and amortization of transaction costs related to 9% non convertible debentures payable; amortization and interest costs related to adoption of IFRS 16 Leases with respect to the Company's head office lease; and impairment of right of use asset related to head office lease. These are disclosed in the FS under the section consolidated statements of cash flow and consolidated statements of loss and comprehensive loss.

Additional details are provided in the consolidated statements of cash flow and consolidated statements of loss and comprehensive loss which form a part of FS and Working Capital and Liquidity Management section of MD&A.

6.21 The Company has no significant equity investee. See Section 12, Principal Shareholders

7. Market for Securities

7.1 The Company's common shares are currently traded under the symbol ADX on the Canadian Securities Exchange (the "**CSE**"). The Company was under a failure to file Cease Trade Order since November 1, 2019 and until June 23, 2021. The OSC issued a revocation order on June 24, 2021 (see 4.1 for additional details). Trading is currently suspended. As explained in the Management Information Circular dated July 19, 2021 it is a condition of the CSE that the Company complete a share consolidation. The Company received requisite approval from its shareholders to carry out a share consolidation. The Company expects to complete a share consolidation and upon its completion shall apply to CSE for resumption of trading.

8. Consolidated Capitalization

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

Between July 1, 2019 and June 30, 2020 the Company issued 75 m common shares in July 2019 and 21.648 m common shares in October 2019.

Between July 1, 2020 and June 30, 2021 the Company did not issue any common shares.

The Company issued 6,053,768,037 common shares in September 2021. Details are available in note 9 to FS.

9. Options to Purchase Securities

9.1 Information concerning options to purchase securities of the Company as at June 30, 2021, is tabulated in the FS under note 8a, 8b and 8c ("Share-based payments"). Since the Listing Statement dated March 31, 2021 and up to date hereof:

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

No employee stock options and restricted share units were exercised during the fiscal year ended June 30, 2021 and as of date hereof.

10. Description of the Securities

10.1 General

Common Shares

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

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

Class A Preference Shares

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

any dividends other than or in excess of the non-cumulative dividends at the rate of eight per cent (8%) per annum hereinbefore provided for.

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

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

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

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

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

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

Class B Preference Shares

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

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

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

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

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

Class C Preference Shares

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

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

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

except upon the surrender of the certificate for such shares to receive payment thereof out of the monies deposited.

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

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

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

Miscellaneous

If the Company resolves to amend its Articles:

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

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

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

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

10.2 Debt securities - Debt securities are not being listed.

10.3 *Intentionally left blank.*

10.4 Other securities – No other securities are being listed.

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

10.6 Other attributes:

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

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

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

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

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

10.7 Prior Sales – During the fiscal year ended June 30, 2021 the Company did not issue securities which are not issued or quoted in any market place, as described in the FS under note 9a “Employee Stock Options”.

10.8 Stock Exchange Price:

The Company was under a under a Cease Trade Order from November 1, 2019 until issuance of revocation order on June 24, 2021 by the OSC - see Section 4.1 in this document for additional details. The trading of the Company's shares on CSE is suspended as of date hereof – see Section 7.1 in this document for additional details. There is no trade since November 2019 until date hereof.

11. [1] Escrowed Securities

ESCROWED SECURITIES[1]

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

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

[2]No other classes of shares are outstanding

12. Principal Shareholders

The Company closed a financing in September 2021. The Company issued common shares pursuant to this financing. The financing was a related party transaction. The financing is described in the FS and MD&A.

As of September 7, 2021 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, 4,457,903,852 representing 64.3% of the issued and outstanding common shares. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms.

As of September 7, 2021 Herbert Abramson beneficially owns 1,130,310,814 representing 16.3% of the issued and outstanding common shares. Herbert Abramson is Chairman and portfolio manager of both firms.

13. Directors and Officers

13.1 The following table sets out the directors and executive officers of the Company, including the date when they took their position. For the principal occupation of each director listed please refer to the "ELECTION

OF DIRECTORS" section of the Information Circular dated November 13, 2020 ("**IC**"). For the principal occupation of Chief Financial Officer please refer to the "DIRECTORS AND OFFICERS" section of the AIF. The information related to common shares is prior to issuances in September 2021 to Kelly Ambrose and Mukesh Sabharwal; the holdings after these issuances are disclosed under Section 13.3.

Name	Position	Municipality	Since	# of common shares/% holding of Company issued and outstanding
Kelly E. Ambrose	President, Chief Executive Officer, Secretary and Director	Thornhill, Ontario	Director since January 26, 2006 Officer since October 19, 2005	95,523,818/10.9%
Marc B. Lavine	Director	Paris, France	Director since December 18, 2013	73,514,818/8.4%
David Moscovitz	Director	Toronto, Ontario	Director since December 24, 2020	1,168,971/0.1%
Mukesh Sabharwal	Vice President & Chief Financial Officer	Brampton, Ontario	Officer since February 6, 2008	27,498,576/3.1%

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

13.3 As of date of this Listing Statement:

(a) Kelly E. Ambrose beneficially owns 762,737,471 common shares (11.0% of all issued common shares);

(b) Marc Lavine beneficially owns 73,514,818 common shares (1.1% of all issued common shares)

(c) David Moscovitz beneficially owns 1,168,971 (0.0% of all common shares)

(d) Mukesh Sabharwal beneficially owns 155,927,960 common shares (2.2% of all issued common shares);

No other executive officer or director beneficially owns, directly or indirectly, any voting security. As a group, the directors and executive officers of the corporation as of date hereof own 14.3% of the voting securities of the Company.

13.4 As of date hereof the directors' membership in:

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

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

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

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

1. On November 1, 2019 the Ontario Securities Commission ("OSC") issued a Cease Trade Order because the Company did not file by due date its annual financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the financial year ended June 30, 2019. The Company did not file its interim financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the three months ended September 30, 2019, and three and six months ended December 31, 2019 by the due dates. The Company remedied the filing issue when it filed the documents for the above referred three periods on May 21, 2020. It filed its documents for three and nine months ended March 31, 2020 on timely basis on June 26, 2020. Because the cease trade order was in effect for more than 30 days the Company has to apply for a revocation.
The Company did not file by due date of October 28, 2020 its annual financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the financial year ended June 30, 2020. The Company did not file by due date its interim filings for three months ended September 30, 2020, and interim filings for three and six months ended December 31, 2020. It remedied the filing issue for the three periods when it filed the documents on March 31, 2021. The Company filed on May 28, 2021 its interim filings for the three and nine months ended March 31, 2021.
In May 2021 the Company applied for revocation of the failure to file cease trade order and on June 24, 2021 the OSC issued the revocation order.

The Company's efforts to source capital to meet its reporting obligations, continue operations and for growth are described in section Capital Raise Developments in the MD&A.

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

3. Except as noted above No director, officer or shareholder holding a sufficient number of securities to affect materially the control of the Company, is, or within 10 years before the date of this Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

13.6 Except as disclosed below, no director, officer, or shareholder holding sufficient securities to affect materially the control of the Company, has:

(a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory

authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Respecting 13.6 (a) and (b), on April 27, 2012 the Ontario Securities Commission issued a news release announcing a settlement reached between the Staff and Trapeze Asset Management Inc.

Generation PMCA Corp. and Generation IACP Inc. (together "Generation") [Ex- Trapeze Capital Corp and Trapeze Asset Management Inc. (together "Trapeze")] is a Portfolio Manager. The position as at June 30, 2021 of Generation with respect to the Company's common shares is disclosed in Section 12 of this document.

13.7 No director, officer, or shareholder holding sufficient securities to affect materially the control of the Company, or a personal holding company of any such persons has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

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

13.9 Named Executive Officers (as that term is defined in applicable securities legislation, "**NEOs**") and Directors compensation information is covered under section 15 in this document.

14. Capitalization – The Company is under a Cease Trade Order since November 1, 2019 and the OSC issued a revocation order on June 24, 2021. Trading in Company's common shares is as of date suspended pending completion of a share consolidation. See Sections 4.1 and 13.5 in this document for additional information. The Company issued common shares pursuant to a financing in September 2021. The issued and outstanding common shares as of date hereof are 6,932,716,451. Subsequent to the September 2021 issuance the majority of common shares are held by related parties – GIACP, GMPCA, R. Abramson, Herbert Abramson, the three Directors and the CFO - See Sections 12 and 13.3. The below tabulations are based on issued and outstanding at June 30, 2021. The related parties after the September 2021 issuances are the same as at June 30, 2021.

14.1

Issued Capital	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float	878,948,414	878,948,414	100.0%	100.0%
Total outstanding (A)				
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	530,896,455	530,896,455	60.4%	60.4%
Total Public Float (A-B)	348,051,959	348,051,959	39.6%	39.6%

Issued Capital	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	nil	nil		
Total Tradeable Float (A-C)	878,948,414	878,948,414	100.0%	100.0%

Note:

1. Re: A. As at June 30, 2020 and is per disclosure in note 7 and 8 of the FS.
2. Re: B. As at June 30, 2021 is per disclosure in note 9 of the FS.

Public Securityholders (Registered)

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

Class of Security

Size of Holding	Number of accounts	Total number of securities
1 – 99 securities	370	8,409
100 – 499 securities	456	112,548
500 – 999 securities	298	163,265

1,000 – 1,999 securities	See 1,000 – 4,999 securities	
2,000 – 2,999 securities	See 1,000 – 4,999 securities	
3,000 – 3,999 securities	See 1,000 – 4,999 securities	
1,000 – 4,999 securities	253	379,372
5,000 or more securities	205	347,388,365
Total		348,051,959

Unable to confirm

Note:

The above tabulation is compiled based on range report as of December 9, 2020 provided by the Company's transfer agent at the Company's request.

Public Securityholders (Beneficial)

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

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	370	8,409
100 – 499 securities	456	112,548
500 – 999 securities	298	163,265
1,000 – 1,999 securities	see 1,000 – 4,999	
2,000 – 2,999 securities	see 1,000 – 4,999	
3,000 – 3,999 securities	see 1,000 – 4,999	
1,000 – 4,999 securities	253	379,372
5,000 or more securities	213	875,408,127
Unable to confirm		2,876,693
Unable to confirm		878,948,414

Note:

1. The above information is based on range report as of December 9, 2020 provided by the Company's transfer agent at the Company's request.

Non-Public Securityholders (Registered)

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

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
	6 individuals, and 2 organizations in their capacity as portfolio managers – see note 9 to FS	530,896,455 (section 14.1)
5,000 or more securities		
	8	530,896,455

14.2 The details for any securities convertible or exchangeable into any class of listed securities, as at June 30, 2021, is provided in note 8 Share-based payments in the FS.

14.3 The movement on common shares of the Company during year ended June 30, 2021 is provided in note 7 to the FS.

15. Executive Compensation

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

16. Indebtedness of Directors and Executive Officers

Neither the Directors nor the Executive Officers of the Company were indebted to the Company as at June 30, 2021 or as of the date of this document.

17. Risk Factors

Refer to the "General Risks and Uncertainties", "Economic Dependence", "Contractual Obligations", "Working Capital and Liquidity Management" and "Critical Accounting Estimates" sections of the MD&A, and Going Concern – note 2a – to the Consolidated Financial Statements for year ended June 30, 2021.

18. Promoters

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

19. Legal Proceedings

19.1 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.

19.2

On November 1, 2019 the Ontario Securities Commission ("OSC") issued a Cease Trade Order because the Company did not file by due date its annual financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the financial year ended June 30, 2019. The Company did not file its interim financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the three months ended September 30, 2019, and three and six months ended December 31, 2019 by the due dates. The Company remedied the filing issue when it filed the documents for the above referred three periods on May 21, 2020. It filed its documents for three and nine months ended March 31, 2020 on timely basis on June 26, 2020. Because the cease trade order was in effect for more than 30 days the Company has to apply for a revocation.

The Company did not file by due date of October 28, 2020 its annual financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the financial year ended June 30, 2020. The Company did not file by due date its interim filings for three months ended September 30, 2020, and interim filings for three and six months ended December 31, 2020. It remedied the filing issue for the three periods when it filed the documents on March 31, 2021. The Company filed on May 28, 2021 its interim filings for the three and nine months ended March 31, 2021.

In May 2021 the Company applied for revocation of the failure to file cease trade order and on June 24, 2021 the OSC issued the revocation order.

Except for the Cease Trade Order there are no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof, there are no penalties or sanctions imposed by a court or regulatory body against the Company and the Company has not entered any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

20. Interest of Management and Others in Material Transactions

Except as noted in the "Transactions with Related Parties" section in the MD&A, section 12 Principal Shareholders and section 13.3 under Directors and Officers in this document, Note 19 Subsequent events to the FS, none of the directors or executive officers of the Company, or any person or company that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the common shares, or any associates or affiliates of those persons or companies referred to above has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction during the Company's last three fiscal years or during the Company's current fiscal year or, in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

21. Auditors, Transfer Agents and Registrars

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

21.2 The Company's transfer agent and registrar is AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, ON M5C 2V6.

22. Material Contracts

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

9% non convertible debentures payable

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

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

23. Interest of Experts

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

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

Name	**Beneficial ownership of securities of the Company's or related Person – as at June 30, 2021.**
Kelly E. Ambrose	95,523,818 common shares in the capital of the Company. $550,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)

Marc Lavine	73,514,818 common shares in the capital of the Company are held by Exclamation Investment Corporation. Marc Lavine exercises control and direction over Exclamation Investment Corporation $500,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
David Moscovitz	1,168,971 common shares in the capital of the Company. $9,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
Mukesh Sabharwal	27,498,576 common shares in the capital of the Company $115,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)
Randall Abramson ("R. Abramson"), along with Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA") in their capacity as portfolio managers on behalf of their respective fully managed accounts, beneficially own (directly or indirectly) or exercise control or direction over, in aggregate, the securities of the company. R. Abramson indirectly controls both GIACP and GPMCA and is a portfolio manager of both firms	321,629,458 common shares in the capital of the Company $2,669,120 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)

Herbert Abramson, Chairman and a portfolio manager of both GIACP and GPMCA, beneficially owns the securities of the company	11,560,814 common shares in the capital of the Company $106,000 9% Non-convertible Debentures of the Company ("Transactions with Related Parties" section in MD&A)

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

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

24. Other Material Facts

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

25. Financial Statements

25.1 The MD&A for the fiscal years ended June 30, 2021 and 2020 is attached as Schedule "A", the Consolidated Financial Statements for the years ended June 30, 2021 and June 30, 2020 is attached as Schedule "B", the interim MD&A for the three month period ended September 30, 2020 and 2019; the interim MD&A for the three and six month periods ended December 31, 2020 and 2019; the interim MD&A for the three and nine month periods ended March 31, 2021 and 2020 are attached as Schedule "C", the Information Circular dated November 13, 2020 is attached as Schedule "D".

CERTIFICATE OF THE ISSUER

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

Dated at Markham, Ontario

this 28 day of October, 2021.

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

On behalf of the Board of Directors

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

Schedule A
ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the fiscal years ended June 30, 2021 and 2020

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

Overall Performance

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

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

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

In the loyalty marketing program the company is a re-seller of aeroplan points. Participating merchants are able to leverage a powerful currency – aeroplan points - to market their business, specific products and

services to the Aeroplan membership which is able to accelerate earning aeroplan points. Advantex earns its revenue from selling aeroplan points, at an agreed price per aeroplan point.

Year ended June 30, 2021 ("Fiscal 2021") was shaped by the devastating adverse impact of the Covid-19 pandemic on both programs - MCA and loyalty marketing. Year ended June 30, 2020 reflected the operation of the new business model, MCA program, following completion of transition to MCA during three months ended September 30, 2019 and the impact of Covid-19 pandemic from the fourth (April to June) quarter.

Transition to MCA program

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 expire by June 30, 2019 the company commenced during the latter half of Fiscal 2019 the transition to its current MCA program. The company completed this transition during the three months ended September 30, 2019.

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 and until June 30, 2021 the restrictions flexed between lockdowns and limited relaxation across Canada resulting in a devastating adverse impact on the company's Fiscal 2021 performance and further deterioration of its financial position since June 30, 2020.

Restrictions led to decline in the ability of the company's merchants to pay the contracted amounts per MCA agreements. The company did not also give significant additional advances – both on account of 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 the company's MCA revenues. Average number of MCA merchants during Fiscal 2021 were just over 100 compared to about 250 during Fiscal 2020. Similarly the company's loyalty marketing re-seller program ("Aeroplan program") was impacted. Participating merchants either stopped or curtailed their loyalty marketing activities leading to decline in revenues from this program. Average number of merchants about 100 during Fiscal 2021 and Fiscal 2020.

Fiscal 2021 revenues at $1,229,880 declined $1,379,662 (52.9%) compared to Fiscal 2020.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve, expensing $1,022,015, during Fiscal 2020, specifically in quarters ended March 31, 2020 and June 30, 2020 against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Fiscal 2021 (expense $75,483). To date the reserves created are adequate.

The company availed federal government Covid-19 pandemic relief measures 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 ("CEWS"). The company benefited from its landlord applying for Canada Emergency Commercial Rent Assistance ("CECRA") program. Since October 2020 the company is accessing the Canada Emergency Rent Subsidy ("CERS"), successor program to CECRA. The company applied for and received $60,000 under the Canada Emergency Business Account.

Despite cutting costs and receiving government subsidies the decline in revenues was sharp and consequently Fiscal 2021 loss was $2,091,967 (Fiscal 2020 $2,927,396).

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.

Accord Financial Inc. ("Accord") (see Section Loan Payable), which is the source of 90% of funds for the MCA program, allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. As of June 30, 2021 the company owed $454,000 on this overdraft.

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 - further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. The company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. As of date hereof a payment plan is in place and the company is current with it.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9% debentures") with no ability to cure the default. With the requisite consents from holders of the 9% debentures, in March 2021 the 9% debentures maturity date was extended to

December 31, 2025 and were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. (see Sections 9% Non convertible debentures payable and Capital Raise Developments).

Since the company was not in a financial position to timely file the Fiscal 2019 annual financial statements and related financial documents the Ontario Securities Commission ("OSC") issued a failure to file cease trade order ("FFCTO") on November 1, 2019. While the company remedied filing situation on May 21, 2020 by filing Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents it did not, due to financial constraints outlined 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. As further discussed below in section Capital Raise Developments the company remedied outstanding filing requirements of continuous disclosure documents on March 31, 2021. In May 2021 the company applied to the OSC for a revocation of the FFCTO. On June 24, 2021 the OSC issued an order ("Revocation Order") revoking the FFCTO.

Capital Raise Developments

Given its financial hardship, Covid-19, termination of alternative financing options described in above in Impact of Covid-19 pandemic the company negotiated a financing of up-to $1.0 million with its principal holder of 9% debentures and common shares of the company (see section Related party transactions for information about principal holder). However, given the regulatory complications and delays connected to this financing the investors decided not to pursue the financing. Instead the company and investors agreed to pursue, subject to approval of OSC, a $250,000 raise by way of senior secured 9% non convertible debentures in order to enable the company to continue operating while it worked to obtain a full revocation of the FFCTO, and to canvass and consider other financing alternatives at the same time.

The company applied for the Partial Revocation Order to complete the $250,000 financing. The OSC issued an order dated February 25, 2021 partially revoking the FFCTO. 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 ("9% 2025 debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the 9% 2025 debentures.

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 completed the $250,000 financing on March 15, 2021.

The proceeds of the financing were to pay for the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the financing; operational and general administrative expenses; payment of accounts payable incurred in the ordinary course of business; and partial funding of its MCA business as public health restrictions were gradually eased in Canada.

Actions taken since March 16, 2021

The company filed its audited year ended June 30, 2020, three months September 30, 2020, and three and six months ended December 31, 2020 disclosure documents on March 31, 2021 and paid the late filing fees with the applicable regulatory authorities.

The company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants.

In May 2021 the company applied to the OSC for a full revocation of the FFCTO. On June 24, 2021 the OSC issued an order revoking the FFCTO.

The company held a Special Meeting of shareholders to seek requisite approval with respect to issuance of common shares for the proposed $1.0 million debenture financing, share consolidation and the increase in the existing restricted share unit plan ("RSU Plan").

On September 10, 2021 the company announced the close of a $1.0 million debenture financing ("Financing"). Through its managed accounts and principals, Generation subscribed for $975,000 of the senior secured non-convertible debentures of Advantex (9% 2025 debentures) and the company's CEO subscribed for $25,000 of the 9% 2025 debentures. Subscribers to the $1.0 million 9% 2025 debentures in September 2021 and the $250,000 9% 2025 debentures in March 2021 were issued 4,475 common shares in the capital of the company for each dollar of 9% 2025 debentures subscribed for. The company issued an aggregate of 5,593,750,000 common shares related to this Financing.

In addition, CFO of Advantex was issued 125,000,000 common shares as a retention bonus and 3,429,384 common shares in lieu of a portion of the vacation pay owed to him and CEO was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of the vacation pay owed to him ("Compensation Issuances"). The Compensation Issuances were approved by the company's shareholders at the Special Meeting.

As the Financing and the Compensation Issuances would constitute a related party transaction pursuant MI 61-101, the company relied on the financial hardship exemption from the formal valuation approval requirements of such instrument. Pursuant to the minority shareholder approval requirements of MI 61-101, the votes attached to common shares held by Generation, CEO, CFO, independent directors of the company and their respective associates were excluded from voting on the approval of the Financing and the Compensation Issuances.

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022 (see Section Loan Payable for additional details).

Next steps

The proceeds of the Financing will be used to stabilize Advantex's financial position, fund its MCA business and for general corporate purposes.

The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (see section Economic Dependence).

Outlook

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

As of date hereof, primarily due to Covid pandemic, the company's MCA portfolio has declined to about 100 merchants. The company believes with adequate capital it has the ability to initially go back to pre Covid pandemic level of about 250 merchants and expand beyond significantly thereafter. As discussed in detail in Section Capital Raise Developments the company raised $1.0 million in September 2021, to be used to stabilize its financial position, fund its MCA business and for general corporate purposes. However, the pace at which it can expand its MCA portfolio depends on the return of merchant business confidence and the availability of funds from the recent money raise to expand MCA portfolio. Return of merchant business confidence depends on the pace of roll back of public health restrictions and belief a return of restrictions is a low probability. The growth of company's MCA portfolio is essential to bring financial stability.

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

The company believes it has the support of the primary holder of 9% non convertible debentures payable, evidenced by their investment in September 2021. The company believes it has the support of Accord. The company and Accord extended the term of the agreement to June 30, 2022 amongst other accommodations (see Section Loan payable).

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

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

Twelve months ended June 30, 2021

The financial performance reflects the impact of Covid-19 pandemic described in Section Overall Performance.

The financial highlights for Fiscal 2021 compared to Fiscal 2020 are summarized in the tabulation.

	Fiscal 2021	Fiscal 2020
	$	$
Revenues		
MCA program	745,781	1,890,852
Aeroplan program	484,099	718,690
	$ 1,229,880	**$ 2,609,542**
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (424,514)**	**$ (865,263)**
Net (loss) and Comprehensive (loss)	**$ (2,091,967)**	**$ (2,927,396)**

Income Statement – Fiscal 2021 compared to Fiscal 2020

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

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

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

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

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

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

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

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

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

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

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

Balance Sheet – Fiscal 2021 compared to Fiscal 2020

Transaction credits, which represent balance due of working capital advanced to merchants, are about 88.7% of total assets at June 30, 2021 compared to 89.9% at June 30, 2020. The gradual easing of Covid-19 pandemic public health restrictions commenced late June 2021 onwards. During the fourth quarter of Fiscal 2020 and all of Fiscal 2021 the company's merchants – many of whom operate in the non-essential sectors – were either mandated by the law to close operations or operate with restrictions. Transaction credits, net of provision for delinquent accounts, of $1,726,663 at June 30, 2021 were $2,197,254 lower compared to $3,923,917 at June 30, 2020. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. Furthermore, the Covid-19 pandemic called for additional reserves for potential delinquencies. These factors led to decline in transaction credits. The transaction credits at June 30, 2021 and June 30, 2020 reflect an additional general reserve for potential delinquent transaction credits on account of Covid-19 pandemic. The general reserve at June 30, 2021 is $165,236 (June 30, 2020 $641,090). Consequently the total provision for delinquent transaction credits at June 30, 2021 was $1,061, 295 (June 30, 2020 $994,198).

Loan payable of $2,387,439 at June 30,, 2021 was $1,981,567 lower compared to $4,369,006 at June 30, 2020. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. To support the company during Covid-19 pandemic Accord provided company with a working capital overdraft. The loan payable balance at June 30, 2021 and June 30, 2020 includes amounts payable under the working capital overdraft provided by Accord (2021 $454,000 vs 2020 $184,098). The loan payable balance at June 30, 2021 and June 30, 2020 (net of working capital overdraft) primarily reflects the change in transaction credits (grossed up for general reserve) at the end of the two periods.

June 30, 2020 reflects 9% debentures and the book value reflects accrued and unpaid interest of $784,385 for the period December 16, 2018 until June 30, 2020. The company did not have the ability to pay the interest. The 9% debentures were replaced with 9% 2025 debentures with maturity date of December 31, 2025. The company issued $250,000 of additional 9% 2025 debentures in March 2021. June 30, 2021 reflects 9% 2025 debentures. Details are provided in section 9% non convertible debentures payable in this document.

Results of Operations

	Fiscal 2021	Fiscal 2020
	$	$
Revenue	**$ 1,229,880**	**$ 2,609,542**
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program	293,167	387,027
Direct Expenses - Expense for provision against delinquent accounts	75,483	1,022,015
Gross profit	**$ 861,230**	**$ 1,200,500**
Selling and General & Administrative	1,285,744	2,065,763
Earnings/(loss) from operations before depreciation, amortization, interest	**$ (424,514)**	**$ (865,263)**
Cash interest on loan payable and debentures	910,874	1,319,950
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (1,335,388)**	**$ (2,185,213)**
Depreciation of right of use asset	45,490	65,336
Depreciation of property, plant and equipment	-	15,210
Interest - Lease	13,219	19,904
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	644,798	598,733
Impairment of right of use asset	53,072	43,000
Net (loss) and comprehensive (loss)	**$ (2,091,967)**	**$ (2,927,396)**
Basic and Diluted (loss) per share	**$ -**	**$ -**

Extract from the Statement of Financial Position

	At June 30, 2020	At June 30, 2019	Increase/ (Decrease)
	$	$	$
Current assets	$ 1,946,034	$ 4,268,200	$ (2,322,166)
Total assets	$ 1,946,034	$ 4,366,762	$ (2,420,728)
Shareholders' deficiency	$ (8,012,127)	$ (9,167,710)	$ (1,155,583)

The change in current assets primarily reflects decrease in transaction credits, net of provision for delinquent accounts, of $2,197,254.

Since the start of Covid-19 pandemic the company reduced the collections from merchants so as not to stress the merchants' cash flows and it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. This is the primary reason for the 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. The loan payable balance at June 30, 2021 at $2,387,439 was down $1,981,567 compared to June 30, 2020. Loan payable supports 90% investment in transaction credits. The loan payable balance at June 30, 2021 also includes amounts payable under the working capital overdraft provided by Accord (June 30, 2021 $454,000 vs. June 30, 2020 $184,098). The loan payable balance at June 30, 2021 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.

June 30, 2020 reflects book value of the 9% debentures as current liability. The company was in default with respect to its financial covenants and interest payments. 9% debentures book value reflects accrued and unpaid interest of $784,385 for the period December 16, 2018 until June 30, 2020. The company did not have the ability to pay the interest. The 9% debentures were replaced with 9% 2025 debentures with maturity date of December 31, 2025. The company issued $250,000 of additional 9% 2025 debentures in March 2021. June 30, 2021 reflects 9% 2025 debentures. Details are provided in Section 9% non convertible debentures payable in this document.

The movement in the shareholders' deficit reflects net loss of $2,091,967 during Fiscal 2021 and recording of contributed surplus of $3,247,550 upon the issuance of 9% 2025 debentures (see Section 9% non convertible debentures payable).

Extracts from the Statement of Cash Flow

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

Adjustments for non cash expenses. A significant item for Fiscal 2021 and Fiscal 2020 is accrued and unpaid interest on 9% non convertible debentures payable (Fiscal 2021 $554,888 vs. Fiscal 2020 $512,761). Furthermore, Fiscal 2021 charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable were $631,491 (Fiscal 2020 $586,209).

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

From time to time the company enters into payment plans to settle its dues. As of date hereof there are payment plans with certain vendors. The company agreement with Aeroplan ended April 30, 2021. As of date hereof they continue to work together under the terms of the original agreement while discussing future terms

and direction. The company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter was the establishment of a payment plan to address Advantex's arrears to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it.

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

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

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

Revenue

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

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

The Aeroplan program. Here the company is a 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.

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

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

The significant factor adversely impacting Fiscal 2021 revenues was the Covid-19 pandemic. Covid-19 was a factor in the fourth quarter (April to June 2020) of Fiscal 2020.

The revenue trends are provided in the tabulation.

	Fiscal 2021	Fiscal 2020
	$	$
Revenues		
MCA program	745,781	1,890,852
Aeroplan program	484,099	718,690
	$ 1,229,880	**$ 2,609,542**

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

Average number of MCA merchants during Fiscal 2021 were just over 100 compared to about 250 during Fiscal 2020.

The above factors led to a sharp decline in Fiscal 2021 revenues compared to Fiscal 2020.

Aeroplan program

Fiscal 2021 revenue decline primarily reflects economic impact of Covid-19 pandemic on participating merchants and their diminished ability to carry on with loyalty marketing activity using this program.

Average number of merchants about 100 during Fiscal 2021 and Fiscal 2020.

Direct Expenses

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

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

	Fiscal 2021	Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 745,781	$ 1,890,852	$ (1,145,071)	-60.6%
Aeroplan program	484,099	718,690	(234,591)	-32.6%
	$ 1,229,880	**$ 2,609,542**	**$ (1,379,662)**	**-52.9%**
Direct expenses				
MCA program	$ 75,483	$ 1,022,015	$ (946,532)	-92.6%
Aeroplan program	293,167	387,027	(93,860)	-24.3%
	$ 368,650	**$ 1,409,042**	**$ (1,040,392)**	**-73.8%**

MCA program

While the company believes it has adequate provision for delinquencies as at June 30, 2021 and June 30, 2020, Covid-19 pandemic is a significant risk factor when assessing the collectability of transaction credits.

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

The company continued to monitor credit risk along above methodology during 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

Fiscal 2021 gross profit primarily reflects decline in revenues due to effects of Covid-19.

As described in section Direct Expenses Fiscal 2020 reflects a higher expense for provision for delinquencies against transaction credits. An outcome of Covid-19. This compressed MCA and the company gross profit for Fiscal 2020.

Gross profit tabulation:

	Fiscal 2021	Fiscal 2020	Inc./(Dec)
	$	$	$
MCA program	$ 670,298	$ 868,837	$ (198,539)
Aeroplan program	190,932	331,663	(140,731)
	$ 861,230	**$ 1,200,500**	**$ (339,270)**
Company gross margin	70.0%	46.0%	

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 on account of two staff on temporary lay-off – one since March 2020 and the second since September 2020. Both recalled in April 2021.

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

	Fiscal 2021	Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 745,781	$ 1,890,852	$ (1,145,071)	-60.6%
Aeroplan program	484,099	718,690	(234,591)	-32.6%
	$ 1,229,880	**$ 2,609,542**	**$ (1,379,662)**	**-52.9%**
Selling expenses				
MCA program	$ 301,284	$ 520,450	$ (219,166)	-42.1%
Aeroplan program	195,569	197,817	(2,248)	-1.1%
	$ 496,853	**$ 718,267**	**$ (221,414)**	**-30.8%**
Remuneration/expenses of sales staff	$ 488,141	$ 703,165		
Remuneration/expenses as % of selling expenses	98.2%	97.9%		

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).

	Fiscal 2021	Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues	**$ 1,229,880**	**$ 2,609,542**	**$ (1,379,662)**	**-52.9%**
G&A				
Compensation for non-sales staff	$ 894,214	$ 1,063,690	$ (169,476)	
CEWS - for sales and non-sales staff	(463,580)	(156,492)	(307,088)	
CERS	(84,442)	-	(84,442)	
All other G&A expenses, incl staff travel	442,699	440,298	2,401	
	$ 788,891	**$ 1,347,496**	**$ (558,605)**	**-41.5%**

Compensation

Since April 1, 2020, non-sales (administrative) staff, including management, are receiving 85% of their pre pandemic remuneration with assistance from CEWS. The CEWS received for sales and non-sales (administrative) staff is reflected in G&A.

Rent subsidy

Fiscal 2021 reflects receipt of CERS, successor to CECRA program.

The company in partnership with its landlord availed CECRA since the start of the program until its termination September 30, 2020.

All other G&A expenses

Fiscal 2021 is flat vs. Fiscal 2020. Defensive steps to manage costs in order to mitigate impact of Covid-19 pandemic on revenues were implemented in the fourth (April – June) quarter of Fiscal 2020.

Interest Expense

Tabulation:

	Fiscal 2021	Fiscal 2020	Inc./(Dec)
	$	$	$
Stated ("Cash") interest expense			
Loan payable	$ 355,986	$ 807,189	$ (451,203)
9% non convertible debentures payable	554,888	512,761	42,127
	$ 910,874	$ 1,319,950	$ (409,076)
Non-cash interest expense			
Interest - Lease	$ 13,219	$ 19,904	$ (6,685)
Accretion charge on 9% non convertible debentures payable	453,036	327,181	125,855
Restructuring bonus on 9% non convertible debentures payable	178,455	259,028	(80,573)
Amortization of transaction costs on 9% non convertible debentures payable	13,307	12,524	783
	$ 658,017	$ 618,637	$ 39,380
Total interest expense	**$ 1,568,891**	**$ 1,938,587**	**$ (369,696)**

Stated interest

Loan payable. The lower interest on loan payable is primarily a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during Fiscal 2021 was $3,111,104 compared to $6,307,996 during Fiscal 2020. The lower loan payable utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Fiscal 2021. While the company reduced the collections from merchants so as not to stress the merchants' cash flows during Covid-19 it also did not give significant additional advances – both on account of diminished working capital availability and the credit environment. The interest rate charged on the loan payable is at 9.05% + prime rate, so the reduction in prime rate in March 2020 also was a factor in the lower interest cost.

9% non convertible debentures payable. The company issued $250,000 of 9% non convertible debentures payable in March 2021 (principal amount outstanding at June 30, 2021 $6,009,000 vs $5,759,000 at June 30, 2020) and the interest on the higher principal amount is reflected in 9% non convertible debentures stated interest cost. In addition, Fiscal 2021 also includes interest on interest of $30,351. This reflects computation of interest on interest for the period March 15, 2021 to June 30, 2021 on outstanding interest of $1,150,383 on 9% non convertible debentures payable for the period December 16, 2018 to March 14, 2021 and is payable upon maturity of 9% non convertible debentures .

Non cash interest expense

During Fiscal 2020 and until March 14, 2021 the company was in default with respect to its financial covenants and interest payments with respect to 9% non convertible debentures payable. The company did not have the ability to pay the interest. The maturity date of the 9% non convertible debentures payable was extended to December 31, 2025. In March 2021 the company issued $250,000 of additional 9% non convertible debentures payable. (principal amount outstanding at June 30, 2021 $6,009,000 vs $5,759,000 at June 30, 2020). This resulted in amendment to the fair value of the 9% non convertible debentures payable. This is reflected in the Fiscal 2021 accretion charges as is the restructuring bonus payable connected to $250,000 9% non convertible debentures payable.

Non-recurring Item

Impairment of right of use asset respecting the head office lease. The adoption of IFRS 16 Leases at start of Fiscal 2020 resulted in creation of a right of use asset to be amortized over the life of the lease. A charge in Fiscal 2020 of $43,000 respecting partial impairment of the right of use asset and $53,072 in Fiscal 2021 respecting full impairment reflects the uncertainty around the company's ability to meet its lease payments and in securing a sub-lease primarily on account of Covid-19 pandemic. This lease expires August 31, 2022.

Net (Loss)

Highlights of Fiscal 2021 compared to Fiscal 2020 are tabulated:

	Fiscal 2021	Fiscal 2020	Inc./(Dec)
	$	$	$
Revenues	$ 1,229,880	$ 2,609,542	$ (1,379,661)
Gross profit	$ 861,230	$ 1,200,500	$ (339,270)
Earnings (loss) from operations before depreciation, amortization and interest	$ (424,514)	$ (865,263)	$ 440,749
Net (loss) and Comprehensive (loss)	$ (2,091,967)	$ (2,927,396)	$ (835,429)
Basic and Diluted loss per share	$ -	$ -	

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

Highlights are provided here:

- The decline in revenues reflects impact of Covid-19 pandemic.
- Fiscal 2020 reflect a higher expense for provision for delinquencies against transaction credits. An outcome of Covid-19. This compressed the gross profit. Controlling for the higher delinquency provision Fiscal 2021 gross profit is significantly lower and reflects the decline in revenues.
- Selling, General and Administrative ("SG&A") expenses during Fiscal 2021 were 37.8% lower vs Fiscal 2020. The lower SG&A expenses primarily reflects Covid-19 pandemic driven temporary 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 CEWS. Receipt of CERS was a factor during Fiscal 2021 while CECRA was a factor in Fiscal 2020 and Fiscal 2021. Staff remuneration including travel expenses are the main component of SG&A.
- (Loss) from operations before depreciation, amortization and interest. Fiscal 2020 reflects higher expense for provision for delinquencies against transaction credits thereby compressing the gross profit and consequently increased the loss. Fiscal 2021 reflect the outcome of decline in revenues partially offset by lower SG&A.
- 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).
- 9% non convertible debentures payable charges for accretion, restructuring bonus and amortization of transaction costs for Fiscal 2021 $644,798 (Fiscal 2020 $598,733).

- 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 for Fiscal 2020 was $35,056 lower vs Fiscal 2021.
- The above factors are reflected in the reported Fiscal 2021 loss of $2,091,967 vs. Fiscal 2020 loss of $2,927,396.

Working Capital and Liquidity Management

	Fiscal 2021	Fiscal 2020
	$	$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	$ (2,091,967)	$ (2,927,396)
Adjustments for non cash expenses	1,311,467	1,254,989
(Loss) after adjustment for non cash expenses	(780,500)	(1,672,407)
Cash balances at start of the period	166,601	119,636
(Decrease) in loan payable	(1,981,567)	(4,047,070)
Net proceeds from raise of 9% non convertible debentures payable	131,173	159,297
Proceeds from loan - Canada Emergency Business Account	20,000	40,000
Increase/(Decrease) in accounts receivable	25,811	(8,271)
	$ (2,418,482)	**$ (5,408,815)**
Utilization of funds		
Cash balances at end of periods	$ 82,606	$ 166,601
(Decrease) in transaction credits	(2,197,254)	(5,550,082)
(Increase) in accounts payable and accrued liabilities	(366,399)	(109,554)
Changes in all other working capital items	(15,106)	6,549
Change in other financing items	77,671	77,671
	$ (2,418,482)	**$ (5,408,815)**

Working Capital Movement during Fiscal 2021 and Fiscal 2020

Adjustments for non cash expenses. A significant item for Fiscal 2021 and Fiscal 2020 is accrued and unpaid interest on 9% non convertible debentures payable (Fiscal 2021 $554,888 vs. Fiscal 2020 $512,761). Furthermore, Fiscal 2021 charges for Accretion and Restructuring bonus respecting 9% non convertible debentures payable were $631,491 (Fiscal 2020 $586,209).

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

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

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

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

The company does not have the wherewithal to re-pay its legacy suppliers i.e. those who provided services connected to CIBC/TD program and those suppliers not essential to operating the new business model. The company has payment plans in place with suppliers critical to ongoing operations. The company agreement with Aeroplan ended April 30, 2021. As of date hereof they continue to work while discussing future terms and direction. The company is in arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter is the establishment of a payment plan to address Advantex's arrears to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it.

Cash balances at the end of periods reflect cash (used) by operations [(loss) after adjustment for non cash expenses – see above tabulation], payments of accounts payable, collection of transaction credits, and deployment of advances with merchants where 10% of company cash is deployed [the balance 90% coming from loan payable]. (Since fourth quarter of Fiscal 2020 until June 30, 2021 not significant activity due to diminished availability of working capital). Fiscal 2020 movement in cash also reflects net proceeds ($159, 297) from issuance in October 2019 9% non convertible debentures payable. Fiscal 2021 movement in cash reflects net proceeds ($131,173) from issuance in March 2021 of 9% non convertible debentures payable.

The company's operations are funded by debt – loan payable and effective March 15, 2021 9% 2025 debentures (see Sections Loan Payable and 9% Non-Convertible Debentures Payable) in this document.

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 and until June 30, 2021 the restrictions flexed between lockdowns and limited relaxation across Canada resulting in a devastating adverse impact on the company's Fiscal 2021 performance and further deterioration of its financial position since June 30, 2020.

Restrictions led to decline in the ability of the company's merchants to pay the contracted amounts per MCA agreements. The company did not also 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 the company's MCA revenues. Average number of MCA merchants during Fiscal 2021 were just over 100 compared to about 250 during Fiscal 2020. Similarly the company's loyalty marketing re-seller program ("Aeroplan program") was impacted. Participating merchants either stopped or curtailed their loyalty marketing activities leading to decline in revenues from this program. Average number of merchants about 100 during Fiscal 2021 and Fiscal 2020.

Fiscal 2021 revenues at $1,229,880 declined $1,379,662 (52.9%) compared to Fiscal 2020.

Given the severe adverse economic effect on small independent businesses the company took a significant reserve, expensing $1,022,015, during Fiscal 2020, specifically in quarters ended March 31, 2020 and June 30, 2020 against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Fiscal 2021 (expense $75,483). To date the reserves created are adequate.

The company availed federal government Covid-19 pandemic relief measures 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 ("CEWS"). The company benefited from its landlord applying for Canada Emergency Commercial Rent Assistance ("CECRA") program. Since October 2020 the company is accessing the Canada Emergency Rent Subsidy ("CERS"), successor program to CECRA. The company applied for and received $60,000 under the Canada Emergency Business Account.

Despite cutting costs and receiving government subsidies the decline in revenues was sharp and consequently Fiscal 2021 loss was $2,091,967 (Fiscal 2020 $2,927,396).

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.

Accord Financial Inc. ("Accord") (see Section Loan Payable), which is the source of 90% of funds for the MCA program, allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. As of June 30, 2021 the company owed $454,000 on this overdraft.

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 - further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. The company had arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. As of date hereof a payment plan is in place and the company is current with it.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9% debentures") with no ability to cure the default. With the requisite consents from holders of the 9% debentures in March 2021 the 9% debentures maturity date was extended to December 31, 2025 and were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. (see Sections 9% Non-convertible debentures payable and Capital Raise Developments).

Since the company was not in a financial position to timely file the Fiscal 2019 annual financial statements and related financial documents the Ontario Securities Commission ("OSC") issued a failure to file cease trade order ("FFCTO") on November 1, 2019. While the company remedied filing situation on May 21, 2020 by filing Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents it did not, due to financial constraints outlined 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. As further discussed below in section Capital Raise Developments the company remedied outstanding filing requirements of continuous disclosure documents on March 31, 2021. In May 2021 the company applied to the OSC for a revocation of the FFCTO. On June 24, 2021 the OSC issued an order ("Revocation Order") revoking the FFCTO.

Capital Raise Developments

Given its financial hardship, Covid-19, termination of alternative financing options described in above in Impact of Covid-19 pandemic the company negotiated a financing of up-to $1.0 million with its principal holder of 9% debentures and common shares of the company (see section Related party transactions for information about principal holder). However, given the regulatory complications and delays connected to this financing the investors decided not to pursue the financing. Instead the company and investors agreed to pursue, subject to approval of OSC, a $250,000 raise by way of senior secured 9% non convertible debentures in order to enable the company to continue operating while it worked to obtain a full revocation of the FFCTO, and to canvass and consider other financing alternatives at the same time.

The company applied for the Partial Revocation Order to complete the $250,000 financing. The OSC issued an order dated February 25, 2021 partially revoking the FFCTO. 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 ("9% 2025 debentures") and

Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the 9% 2025 debentures.

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 completed the $250,000 financing on March 15, 2021.

The proceeds of the financing were to pay for the preparation and filing of the outstanding continuous disclosure documents and late filing fees with the applicable regulatory authorities; legal expenses incurred in connection with the Partial Revocation Order, the revocation of the FFCTO and the financing; operational and general administrative expenses; payment of accounts payable incurred in the ordinary course of business; and partial funding of its MCA business as public health restrictions were gradually eased in Canada.

Actions taken since March 16, 2021

The company filed its audited year ended June 30, 2020, three months September 30, 2020, and three and six months ended December 31, 2020 disclosure documents on March 31, 2021 and paid the late filing fees with the applicable regulatory authorities.

The company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants.

In May 2021 the company applied to the OSC for a full revocation of the FFCTO. On June 24, 2021 the OSC issued an order revoking the FFCTO.

The company held a Special Meeting of shareholders to seek requisite approval with respect to issuance of common shares for the proposed $1.0 million debenture financing, share consolidation and the increase in the existing restricted share unit plan ("RSU Plan").

On September 10, 2021 the company announced the close of a $1.0 million debenture financing ("Financing"). Through its managed accounts and principals, Generation subscribed for $975,000 of the senior secured non-convertible debentures of Advantex (9% 2025 debentures) and the company's CEO subscribed for $25,000 of

the 9% 2025 debentures. Subscribers to the $1.0 million 9% 2025 debentures in September 2021 and the $250,000 9% 2025 debentures in March 2021 were issued 4,475 common shares in the capital of the company for each dollar of 9% 2025 debentures subscribed for. The company issued an aggregate of 5,593,750,000 common shares related to this Financing.

In addition, CFO of Advantex was issued 125,000,000 common shares as a retention bonus and 3,429,384 common shares in lieu of a portion of the vacation pay owed to him and CEO was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of the vacation pay owed to him ("Compensation Issuances"). The Compensation Issuances were approved by the company's shareholders at the Special Meeting.

As the Financing and the Compensation Issuances would constitute a related party transaction pursuant MI 61-101, the company relied on the financial hardship exemption from the formal valuation approval requirements of such instrument. Pursuant to the minority shareholder approval requirements of MI 61-101, the votes attached to common shares held by Generation, CEO, CFO, independent directors of the company and their respective associates were excluded from voting on the approval of the Financing and the Compensation Issuances.

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022 (see Section Loan Payable for additional details).

Next steps

The proceeds of the Financing will be used to stabilize Advantex's financial position, fund its MCA business and for general corporate purposes.

The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (see section Economic Dependence).

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

The company has a shareholders' deficiency of $8,012,127 and negative working capital of $3,304,473 as at June 30, 2021. Subsequent to June 30, 2021 the company closed a $1.0 m financing (notes 9 and 19 to the consolidated financial statements). The pandemic has created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to loan payable (note 5 to the consolidated financial statements) which supports the company's merchant cash advance program, and general working capital provided by 9% 2025 debentures (note 6 to the consolidated financial statements); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

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

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 2,387,439	$ 2,387,439	$ -	$ -
9% debentures		6,009,000	-	-	6,009,000
Canada Emergency Business Account		60,000	-	60,000	-
Head office lease		90,616	77,671	12,945	-
Operating leases		160	160	-	-
		$ 8,547,215	**$ 2,465,270**	**$ 72,945**	**$ 6,009,000**

In addition, there is a contractual obligation to holders of 9% non convertible debentures payable for interest of: a) $1,150,383 payable for the period December 16, 2018 to March 14, 2021, as holders of 9% debentures b) $2,594,406 for the period March 15, 2021 to December 31, 2025 as holders of 9% 2025 debentures, and c) interest on interest of $617,784 (interest on interest is described in section 9% Non convertible debentures payable). The company also has a liability of restructuring bonus for $1,081,620 to the holders of the 9% 2025 debentures payable on maturity. The features of 9% 2025 debentures are described in section 9% Non convertible debentures payable.

The company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease.

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

Loan Payable

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

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

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. 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 June 30, 2021 and date hereof the company has utilized $454,000 and $446,000 respectively from this facility. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022.

The company had utilized $2.4 million of the facility at June 30, 2021 (at June 30, 2020 $4.4 million).

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

9% Non Convertible Debentures Payable

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

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

payable after the first year through December 31, 2025, and the interest on interest will be added in the final interest payment.

As described in Section Related party transactions, the debenture holders also received common shares in relation to the debentures. The common shares were determined to have nil value.

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

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

Selected Annual and Quarterly Information

The following financial data has been derived from the company's annual audited consolidated financial statements for the past three fiscal years ended June 30, 2021, June 30, 2020, and June 30, 2019 ("Fiscal 2019").

(In millions of dollars except per share amounts)			
	Fiscal 2021	Fiscal 2020	Fiscal 2019
	$	$	$
Revenues	1.2	2.6	6.1
Net income/(loss)	(2.1)	(2.9)	(0.9)
Profit/(Loss) per share - Basic and Diluted	-	-	-
Total assets	1.9	4.3	9.8
Current liabilities	5.3	13.5	16.0
Long-term liabilities	4.7	0.1	-
No cash dividend declared per common share			

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

	Fiscal 2021	Fiscal 2020	Fiscal 2019
	$	$	$
Working capital	(3,304,473)	(9,181,593)	(6,282,357)

Composition of total assets is tabulated:

	Fiscal 2021	Fiscal 2020	Fiscal 2019
	$	$	$
Cash and cash equivalents	83,000	167,000	120,000
Accounts receivable	93,000	119,000	111,000
Transaction credits	1,727,000	3,924,000	9,474,000
Prepaid expenses and sundry assets	44,000	59,000	52,000
Right of use asset	-	98,000	-
Property, plant and equipment	-	-	15,000
	1,947,000	4,367,000	9,772,000

Transaction credits are the significant asset – 88.7% Fiscal 2021; 89.9% Fiscal 2020; and 97.0% Fiscal 2019.

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

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

Fiscal 2020. The decrease in transaction credits vs. Fiscal 2019 is an outcome of three factors - Covid-19 pandemic, reserve for delinquencies, and timing of MCA advances vs collection. During the April – June 2020 period, due to covid-19 pandemic, most of the participating merchants either were mandated by the law to close operations or operate with restrictions. The company did not give any additional working capital

advances to merchants during this period although it reduced the collections from merchants so as not to stress the merchants' cash flows. In addition, the balance at June 30, 2020 reflects the additional reserve for transaction credits on account of Covid-19. Relevant to Fiscal 2020 was transition of merchants participating in the CIBC/TD program to the MCA program (MCA program advance levels were higher vs CIBC/TD program) and collection of dues from merchants transitioned to MCA program. Collection was the primary activity between completion of transition to MCA by end of first quarter (July to September 2019) of Fiscal 2020 until fourth quarter (January to March 2020) of Fiscal 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020.

Fiscal 2019. The increase in transaction credits vs. Fiscal 2018 reflects transition of merchants participating in the CIBC/TD program to the MCA program. The transition started in the latter half of Fiscal 2019 and was completed during the first quarter of Fiscal 2020. Under the MCA program the working capital advances of merchants being transitioned were refreshed to new higher credit limits.

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

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

Please refer to the section on Results of Operations section in this document for an analysis of Fiscal 2021 and Fiscal 2020.

Fiscal 2020 compared to Fiscal 2019

The results for Fiscal 2020 and Fiscal 2019 were:

		Fiscal 2020	Fiscal 2019
Net profit/(loss) and Comprehensive profit/(loss)		$ (2,927,396)	$ (911,945)

Highlights of Fiscal 2020 compared to Fiscal 2019 (in millions of dollars):

Operational Highlights.

	Revenues	Gross profit	SG&A	Earnings from operations before depreciation, amortization and interest	Stated and Non cash interest	Non-recurring item	Net profit/(loss)
Fiscal 2020	2.6	1.2	2.1	(0.9)	1.3	-	(2.9)
Fiscal 2019	6.1	4.5	3.5	1.0	1.8	-	(0.9)

Income Statement – Fiscal 2020 compared to Fiscal 2019

The change in revenues reflects the transition from CIBC/TD program to MCA program and Covid-19 pandemic. The impact of Covid-19 can be illustrated by comparing 3 months ended June 30, 2020 revenues, which would be expected to track 3 months ended March 31, 2020 revenues of $741,963, coming in at $177,600.

Revenues tabulation:

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
Revenues			
CIBC/TD program	$ -	$ 4,441,821	$ (4,441,820)
MCA program	1,890,852	640,370	1,250,482
Aeroplan program	718,690	1,008,995	(290,305)
Caesars program	-	9,344	(9,344)
	$ 2,609,542	**$ 6,100,530**	**$ (3,490,987)**

Gross profit reflects the transition from CIBC/TD program to MCA program, Covid-19 pandemic and their impact on revenues.

While the MCA program direct cost is expense for provision for delinquent accounts, the direct cost for CIBC/TD program comprised cost for consumer rewards and marketing activities in addition to expense for provision for delinquent accounts.

A significant additional factor for Fiscal 2020 is the impact of Covid-19 on the collectability of amounts due from merchants (transaction credits on the balance sheet) participating in the MCA program. For Fiscal 2020 the company expensed a provision for delinquent accounts of $1,022,015 (Fiscal 2019 $280,082).

Gross profit tabulation:

	Fiscal 2020	Fiscal 2019	Inc./(Dec)
	$	$	$
CIBC/TD program	$ -	$ 3,429,988	$ (3,429,988)
MCA program	868,837	640,370	228,467
Aeroplan program	331,663	469,172	(137,509)
Caesars program	-	(5,874)	5,874
	$ 1,200,500	**$ 4,533,656**	**$ (3,333,156)**
Company gross margin	46.0%	74.3%	

Selling, General and Administrative ("SG&A") expenses at $2,065,763 were $1,504,825 lower compared to Fiscal 2019. The lower SG&A expenses reflect effect of rightsizing of headcount commenced during Fiscal 2019 to adjust to termination of CIBC/TD program and start of MCA program, a much simpler program to operate; closure of Caesars program during Fiscal 2019; and due to 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. Staff remuneration including travel expenses are the main component of SG&A (Fiscal 2020 81.1% vs. 77.6% for Fiscal 2019).

Earnings from operations before depreciation, amortization and interest were sharply down $1,828,331 for Fiscal 2020. A loss of $865,263 compared to earnings for Fiscal 2019 at $963,068. The SG&A savings offset to some extent the decline in gross profit.

Stated interest cost, on 9% debentures and loan payable, was marginally higher by $22,858. The 9% debentures interest was marginally higher by $12,451 (Fiscal 2020 $512,761 vs. Fiscal 2019 $500,310) on account of issuance of $200,000 9% debentures in October 2019. The marginal $10,407 increase in loan payable interest (Fiscal 2020 $807,189 vs. Fiscal 2019 $796,782) is primarily a reflection of transition to the MCA program. Under the MCA program the working capital advances were refreshed to new higher credit limits and this required higher utilization of the loan payable but this was offset by the lower utilization during the April – June 2020 period where, due to covid-19 pandemic, the company did not give any working capital advances to merchants. Consequently average loan payable balance was marginally higher during Fiscal 2020 at $6,307,996 vs. Fiscal 2019 $6,078,276 and this is reflected in the marginally higher interest.

The non-cash interest expense was higher by $70,639. Accretion charges and restructuring bonus relating to 9% debentures for Fiscal 2020 was $586,209 compared to $547,998 for Fiscal 2019, higher by $38,211 partially reflecting issuance of $200,000 9% debentures in October 2019. Also expensed is $12,524 amortization of transaction costs incurred on raise of the $200,000 9% debentures. The company adopted IFRS 16 Leases from July 1, 2019 and consequently there is an interest cost for the head office lease of $19,904 (Fiscal 2019 $nil).

Depreciation and amortization expense was higher by $50,623 primarily reflecting adoption from July 1, 2019 of IFRS 16, Leases which set-up depreciation expense of $65,336 on right of use asset respecting company's head office lease.

A charge of $43,000 respecting partial impairment of the right of use asset reflects the uncertainty around the company's ability to meet its lease payment due to going concern.

The above components resulted in Fiscal 2020 net loss before non-recurring item of $2,927,396 compared to Fiscal 2019 net loss of $911,245.

Cash and Working capital movement during Fiscal 2020

The company used up cash in its operations of $1,672,407, equivalent to loss before non cash expenses (see Section Extracts from the Statement of Cash Flow). This was partially offset by reduction of working capital primarily from reduction in transaction credits ($5,550,082) less of amounts due to loan payable ($4,047,070) which funds 90% of transaction credits. Financing activities contributed to cash primarily through net proceeds from raise of 9% non convertible debenture payable in October 2019. Net increase in cash during the year of $49,965. Fuller details available in Section Extracts from the Statement of Cash Flow in this document and Consolidated Statements of Cash Flow from Consolidated Financial Statements for year ended June 30, 2020.

The deterioration in Working Capital of $2,899,236 (negative $9,181,593 at June 30, 2020 vs negative $6,282,357 at June 30, 2019) is primarily on account of reduction in transaction credits ($5,550,082) less of amounts due to loan payable ($4,047,070). The movement on these is explained in Sections Balance Sheet – Fiscal 2021 compared to Fiscal 2020 and Extracts from the Statement of Cash Flow in this document.

* Loss before non-cash expenses is a non-GAAP financial measure which does not have any standardized meaning prescribed by the issuer's GAAP and is unlikely to be comparable to similar measures presented by other issuers. It is provided as additional information to assist readers in understanding a component of the company's financial performance; as it is the company's assessment of the cash generated from its operating activities prior to changes in working capital items. Loss before non-cash expenses during Fiscal 2020 is arrived after adding back expenses not affecting cash – accrued and unpaid 9% non convertible debentures interest; depreciation of property, plant and equipment; accretion charge, restructuring bonus, amortization of transaction costs related 9% non convertible debentures payable; interest, depreciation of right of use asset, impairment of right of use asset to do with head office

lease which is disclosed in the audited consolidated financial statements for year ended June 30, 2021 and June 30, 2020 under the section consolidated statements of cash flow.

Summary of Quarterly Results

In millions of dollars, except per share amounts						
Fiscal 2021						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	
		$	$	$	$	$
Revenues		0.3	0.4	0.2	0.3	1.2
% of annual revenues		25.0%	33.3%	16.7%	25.0%	100.0%
Net (loss)		(0.5)	(0.5)	(0.5)	(0.6)	(2.1)
(Loss) per share - Basic and Diluted		-	-	-	-	-
Fiscal 2020						
		Q1	Q2	Q3	Q4	Total
		Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	
		$	$	$	$	$
Revenues		0.8	0.9	0.7	0.2	2.6
% of annual revenues		30.8%	34.6%	26.9%	7.7%	100.0%
Net (loss)		(0.5)	(0.5)	(1.0)	(0.9)	(2.9)
(Loss) per share - Basic and Diluted		-	-	-	-	-

Fiscal 2021 and Q4 Fiscal 2020 primarily reflects impact of Covid-19 pandemic.

Fourth Quarter of Fiscal 2021 (Q4 F2021) vs. Fourth Quarter of Fiscal 2020 (Q4 F2020)

Overview

Q4 F2021 and Q4 F2020 are both impacted by Covid-19 pandemic. During both periods Covid-19 pandemic was the primary factor driving revenues, defensive measures taken by the company on cost control and accessing government subsidies. Q4 F2020 was a period of more severe public health restrictions compared to Q4 F2021 and this is reflected in the comparatively better revenues in Q4 F2021 compared to Q4 F2020.

Significant provision for potential merchant delinquencies and collection of MCA transactions credits due to Covid-19 pandemic was created in third quarter of F2020 and in Q4 F2020. The $250,149 expense for provision for delinquencies in Q4 F2020 compressed the MCA and company gross profit and contributed to a bigger loss compared to Q4 F2021.

Impact of Covid-19 is discussed in Section Overall Performance.

Tabulation of financial performance - Q4 F2021 vs. Q4 F2020

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

F2020					
		MCA program	Aeroplan program	Corporate	Total
		$	$	$	$
Revenues		92,416	85,184	-	177,600
Direct expenses		250,149	57,979	-	308,128
Gross profit		(157,733)	27,205	-	(130,528)
Gross margin		-170.7%	31.9%		-73.5%
Selling & marketing					135,721
General & administrative					79,558
Loss from operations before depreciation, amortization and interest					(345,807)
Stated interest					260,537
Interest - Lease					4,976
Accretion charges, restructuring bonus, amortization of transaction costs					155,980
Depreciation and amortization including right of use asset					16,335
Impairment of right of use asset				43,000	43,000
Net loss					(826,635)

Capital Resources

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

Critical Accounting Estimates

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

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

Contingent liabilities

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

Going concern

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

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

Financial instruments – fair value

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

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

Credit risk

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

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

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

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

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

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

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

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

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

uncertainty related to the pace and extent of economic recovery and hence the evaluation of collectability of transaction credits.

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

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

	June 30, 2021	June 30, 2020
	$	$
Transaction credits	$ 2,787,958	$ 4,918,115
Accounts receivable	97,475	123,286
Allowance	(1,065,680)	(998,583)
Per Consolidated statement of financial position	**$ 1,819,753**	**$ 4,042,818**
Maximum exposure to credit risk	**$ 1,819,753**	**$ 4,042,818**

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

	June 30, 2021	June 30, 2020
	$	$
Impaired transaction credits	$ 896,059	$ 353,108
Allowance	(896,059)	(353,108)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This allowances at June 30, 2021 and 2020 include a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 165,236	$ 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.

The number of employee stock options issuable per the Company's stock option plan is 16,688,546.

No stock options are outstanding at the start and end of Fiscal 2021 and Fiscal 2020.

There was no stock based compensation expense during Fiscal 2021 and 2020.

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.

At the August 26, 2021 Special Meeting of the shareholders the company received approval from its shareholders to increase the maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan from 32,000,000 common shares to 412,000,000 common shares.

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

Outstanding Share Data

Issued and outstanding common shares

	Number of shares
Balance at June 30, 2020 and 2021	878,948,414

On September 7, 2021 the company issued 6,053,768,037 common shares as follows. 6,932,716,451 common shares are issued and outstanding after the below noted issuances.

a. 5,593,750,000 common shares to the subscribers of $1.0 million 9% 2025 debentures issued September 7, 2021 and $250,000 9% 2025 debentures issued March 15, 2021;

b. Kelly Ambrose, the company's President and Chief Executive Officer was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of vacation pay due to him; and

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

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:

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

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

9% debentures and 9% 2025 debentures are described in Section 9% non convertible debenture payable.

The holdings of debentures by related parties are summarized below:

	June 30, 2021		June 30, 2020	
	9% 2025 debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 550,000	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)	2,815,229	321,629,458	2,669,120	321,629,458
Herbert Abramson (b)	159,891	11,560,814	106,000	11,560,814
	$ 4,149,120	530,896,455	$ 3,890,120	529,727,484
Total issued and outstanding 9% 2025 debentures (June 30, 2021), 9% debentures (June 30, 2020) and common shares	$ 6,009,000	878,948,414	$ 5,759,000	878,948,414
% held by parties in tabulation	69.0%	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				

On September 7, 2021 the company issued an aggregate of 6,053,768,037 of common shares as follows:

a. For purchase of $200,000 and $975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 5,258,125,000 common shares to managed accounts and principals of Generation IACP Inc. and Generation PMCA Corp.

b. For purchase of $50,000 and $25,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 335,625,000 common shares to Kelly Ambrose the company's President and Chief Executive Officer;

c. Kelly Ambrose, the company's President and Chief Executive Officer was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of vacation pay due to him; and

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

Economic Dependence

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

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

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

The current term of agreement with Accord was due to end in December 2021. In September 2021 the company and Accord agreed to extend the term of their agreement to June 30, 2022. The agreement is subject to automatic renewal thereafter for periods of one year unless terminated by either party upon 180 days written notice. Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. As of date hereof the company has utilized $454,000 of this facility. Either non-payment of interest on due dates, if not cured within time period stipulated in the agreement, or non-payment of overdraft facility (in the event it is not converted into either equity or quasi equity position in the company) would constitute an event of default and would be some, amongst certain other circumstances, where the loan payable is repayable on demand to Accord. The company has a 10 year + relationship with Accord.

The Aeroplan program is dependent on agreement with Aeroplan. The term of the agreement was due to expire April 30, 2019, was extended to April 30, 2020 and thereafter further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. An important discussion matter was the establishment of a payment

plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan, and as of date hereof a payment plan is in place and the company is current with it. The company has a 10 year + relationship with Aeroplan.

General Risks and Uncertainties

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

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

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

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

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

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

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

The company's activities are funded by two sources of debt. The 9% 2025 debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% 2025 debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 9.05% (8.80% effective September 1, 2021) on loan payable. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During the year ended June 30, 2021, the company incurred interest expense of $355,986 on utilization of loan payable. Had the interest rate, for the year ended June 30, 2021, been 10% higher the interest expense on loan payable would have been $391,585, an increase of $35,599.

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

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

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

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

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

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

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

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

Forward-Looking Information

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

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

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

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

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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® Aeroplan is a Registered Trademark of Aeroplan Inc.

Schedule B

ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2021, and June 30, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2021.

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

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

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

(Signed) – "Kelly E. Ambrose"

Kelly E. Ambrose
President and Chief Executive Officer

(Signed) - "Mukesh Sabharwal"

Mukesh Sabharwal
V.P. and Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of Advantex Marketing International Inc.

Opinion

We have audited the consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2021 and 2020, and the consolidated statements of (loss) comprehensive (loss), changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2a in the financial statements, which indicates that the Group has current liabilities in excess of current assets of $3,304,473 as at June 30, 2021 and, had an accumulated deficit of $39,860,019. As stated in Note 2a, these events or conditions, along with other matters as set forth in Note 2a, indicate that a material uncertainty exists that may cast significant doubt on the Groups' ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

materially misstated.

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

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

(signed) BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
October 28, 2021

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

	Note	June 30, 2021	June 30, 2020
		$	$
Assets			
Current assets			
Cash		$ 82,606	$ 166,601
Accounts receivable	10 a	93,090	118,901
Transaction credits	10 a	1,726,663	3,923,917
Prepaid expenses and sundry assets		43,675	58,781
		$ 1,946,034	**$ 4,268,200**
Non-current assets			
Right of use asset	17	$ -	$ 98,562
		$ -	**$ 98,562**
Total assets		**$ 1,946,034**	**$ 4,366,762**
Liabilities			
Current liabilities			
Loan payable	5	$ 2,387,439	$ 4,369,006
Lease liability	17	71,910	64,452
Loan	18	60,000	40,000
Accounts payable and accrued liabilities		2,731,158	2,364,759
9% non convertible debentures payable	6	-	6,611,576
		$ 5,250,507	**$ 13,449,793**
Non-current liabilities			
9% non convertible debentures payable	6	4,694,885	-
Lease liability	17	$ 12,769	$ 84,679
		$ 4,707,654	**$ 84,679**
Total liabilities		**$ 9,958,161**	**$ 13,534,472**
Shareholders' deficiency			
Share capital	7	$ 24,530,555	$ 24,530,555
Contributed surplus		7,364,720	4,117,170
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(39,860,019)	(37,768,052)
Total deficiency		**$ (8,012,127)**	**$ (9,167,710)**
Total liabilities and deficiency		**$ 1,946,034**	**$ 4,366,762**

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

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

Approved by the Board

Director: Signed "Marc Lavine"
Marc Lavine

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Consolidated Statements of (Loss) and Comprehensive (Loss)
For the years ended June 30, 2021 and 2020
(expressed in Canadian dollars)

	Note	2021	2020
		$	$
Revenues	16		
Marketing activities		$ 484,099	$ 718,690
Interest income		745,781	1,890,852
		1,229,880	**$ 2,609,542**
Direct expenses	15/16	368,650	1,409,042
		861,230	1,200,500
Operating expenses			
Selling and marketing	15/16	496,853	718,267
General and administrative	15/16	788,891	1,347,496
(Loss) from operations before depreciation, amortization and interest		**(424,514)**	**(865,263)**
Stated interest expense - loan payable, and 9% non convertible debentures payable	5/6	910,874	1,319,950
Interest - Lease	17	13,219	19,904
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non convertible debentures payable	6	644,798	598,733
Depreciation of right of use asset	17	45,490	65,336
Depreciation of property, plant and equipment	4	-	15,210
Impairment of right of use asset	17	53,072	43,000
Net (loss) and comprehensive (loss)		**$ (2,091,967)**	**$ (2,927,396)**
(Loss) per share			
Basic and Diluted	14	**$ -**	**$ -**

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended June 30, 2021 and June 30, 2020
(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)**
Issuance of 9% non convertible debentures payable (note 6)	-	-	26,788	-	-	26,788
Net (loss) and comprehensive (loss)	-	-	-	-	(2,927,396)	(2,927,396)
Balance - June 30, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (37,768,052)**	**$ (9,167,710)**
Balance - July 1, 2020	**$ 3,815**	**$ 24,526,740**	**$ 4,117,170**	**$ (47,383)**	**$ (37,768,052)**	**$ (9,167,710)**
Issuance of 9% non convertible debentures payable (note 6)	-	-	3,247,550	-	-	3,247,550
Net (loss) and comprehensive (loss)	-	-	-	-	(2,091,967)	(2,091,967)
Balance - June 30, 2021	**$ 3,815**	**$ 24,526,740**	**$ 7,364,720**	**$ (47,383)**	**$ (39,860,019)**	**$ (8,012,127)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow
For the years ended June 30, 2021 and 2020
(expressed in Canadian dollars)

	Note	June 30, 2021	June 30, 2020
		$	$
Operational activities			
Net (loss) for the year		$ (2,091,967)	$ (2,927,396)
Adjustments for:			
Accrued and unpaid 9% non convertible debentures payable interest	6	554,888	512,761
Interest - Lease	17	13,219	19,904
Depreciation of right of use asset	17	45,490	65,336
Depreciation of property, plant and equipment	4	-	15,210
Impairment of right of use asset	17	53,072	43,000
Loss on disposal of property, plant & equipment		-	45
Accretion charge - 9% non convertible debentures payable	6	453,036	327,181
Restructuring bonus - 9% non convertible debentures payable	6	178,455	259,028
Amortization of transaction costs - 9% non convertible debentures payable	6	13,307	12,524
		(780,500)	(1,672,407)
Changes in items of working capital			
Accounts receivable		25,811	(8,271)
Transaction credits		2,197,254	5,550,082
Prepaid expenses and sundry assets		15,106	(6,549)
Accounts payable and accrued liabilities		366,399	109,554
		2,604,570	5,644,816
Net cash generated - operating activities		**$ 1,824,070**	**$ 3,972,409**
Financing activities			
Gross proceeds - 9% non convertible debentures payable	6	$ 250,000	$ 200,000
Transaction costs - 9% non convertible debentures payable	6	(118,827)	(40,703)
Payment for lease		(77,671)	(77,671)
Proceeds from loan - Canada Emergency Business Account	18	20,000	40,000
(Decrease) of loan payable	5	(1,981,567)	(4,047,070)
Net cash (used) - financing activities		**$ (1,908,065)**	**$ (3,925,444)**
Increase/(Decrease) in cash during the year		**$ (83,995)**	**$ 46,965**
Cash at beginning of the year		166,601	119,636
Cash at end of the year		**$ 82,606**	**$ 166,601**
Additional information			
Interest paid		$ 355,986	$ 807,189
Cash		$ 82,606	$ 166,601

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

1 General information

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

During years ended June 30, 2021 and 2020 the company's core business was its merchant cash advance program. Under this program, the company provides merchants with working capital through the pre-purchase, at a discount, of merchants' future cash flows.

The company also has an agreement with Aeroplan Inc. owned by Air Canada ("AC") to operate as a re-seller of aeroplan points to merchants. Aeroplan members are eligible to earn aeroplan points on purchases at merchants who acquire aeroplan points from the company. The original five year term of the agreement ended April 30, 2019, was extended to April 2020, thereafter to April 2021 and as of date hereof the two parties continue to work together under the terms of the original agreement 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 16.

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

2a Going concern

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

The company has a shareholders' deficiency of $8,012,127 and negative working capital of $3,304,473 as at June 30, 2021. Subsequent to June 30, 2021 the company closed a $1.0 m financing (notes 9 and 19). The pandemic has created a more highly uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to loan payable (note 5) which supports the company's merchant cash advance program, and general working capital provided by 9% 2025 debentures (note 6); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern

assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

2b Basis of preparation

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

These consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on October 28, 2021.

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

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

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

Significant estimation uncertainties
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These significant estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to the recoverability of transaction credits and determining the initial fair value of the 9% non convertible debentures payable.

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

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

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

3 Summary of significant accounting policies

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

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

Foreign currency translation
(i) Functional and presentation currency

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

(ii) Translation of transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the approximate exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of income in the current year. The foreign currency gain for year ended June 30, 2021 is $965 (June 30, 2020 loss of $506).

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

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

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

Amortized cost
These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order

to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest.

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

Impairment provisions for transaction credits is determined based on the company' assessment of the collectability of outstanding transaction credits using the simplified approach as prescribed by IFRS 9. The evaluation of collectability of transaction credits is done on an individual customer basis. For the unimpaired transaction credits the company estimates an expected loss based on historical loss rates. For the current year, 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.

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

Transaction credits
Under the merchant cash advance product the company purchases at a discount the rights to receive future cash flows associated with future cash flows from participating establishments. The company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

Computer equipment	30% using declining balance method
Furniture and equipment	20% using declining balance method

Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statement of income (loss).

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

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

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

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

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

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

Income taxes

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

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

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

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

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

Revenue

Merchant Cash Advance ("MCA") program

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

Aeroplan program

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

Step 1: Identifying the contract

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

Step 2: Identifying performance obligations

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

Step 3: Identifying the transaction price

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

Step 4: Allocating the transaction price to performance obligations

The company provides a single product.

Step 5: Recognizing revenue upon satisfaction of performance obligations

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

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

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

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

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

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, and similar instruments is computed using the treasury stock method. As at June 30, 2021 and 2020 the company did not have any outstanding stock options or restricted share grants.

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

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

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

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

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

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

Recent accounting pronouncements not in effect
The below standards have been issued but are not yet effective for the financial period ended June 30, 2021, and accordingly, have not been applied in preparing the consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 Associate or and IAS 28	Sale or Contribution of Assets between an Investor and its Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12 Single	Deferred Tax related to Assets and Liabilities arising from a Transaction
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 9	Interest Rate Benchmark Reform
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts –Cost of Fulfilling a Contract
Annual Improvements to IFRS Financial	Amendments to IFRS 1 First-time Adoption of International
Standards 2018-2020 Cycle Leases, and	Reporting Standards, IFRS 9 Financial Instruments, IFRS 16

IAS 41 Agriculture

The Company does not expect the adoption of the standards and amendments to standards listed above will have a material impact on the financial statements of the Company in future periods.

4 Property, plant and equipment

Year ended June 30, 2020			
Opening net book value	$ 6,631	$ 8,624	$ 15,255
Additions during the year	-	-	-
Disposal	(45)	-	(45)
Depreciation for the year	6,586	8,624	15,210
Closing net book value	$ -	$ -	$ -
At June 30, 2020			
Cost	**$ 417,405**	**$ 160,026**	**$ 577,431**
Accumulated amortization	**$ 417,405**	**$ 160,026**	**$ 577,431**
Year ended June 30, 2021			
No movement during the year			
At June 30, 2020			
Cost	**$ 417,405**	**$ 160,026**	**$ 577,431**
Accumulated amortization	**$ 417,405**	**$ 160,026**	**$ 577,431**

5 Loan payable

	June 30, 2021	June 30, 2020
	$	$
Balance at start of year	**$ 4,369,006**	**$ 8,416,076**
(Decrease) in borrowing	(1,981,567)	(4,047,070)
Balance at end of year	**$ 2,387,439**	**$ 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.

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

The interest rate was equivalent to the prime rate of a certain Canadian bank plus 9.05% during year ended June 30, 2021 and 2020, and effective September 1, 2021 the interest rate is equivalent to prime rate of a certain Canadian bank plus 8.80%.

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. The loan payable balance at June 30, 2020 includes arrears of interest of $184,098. 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 June 30, 2021 and date hereof the company has utilized $454,000 and $446,000 respectively from this facility. The September 2021 agreement gives Accord the option to convert the overdraft facility into an equity or quasi equity investment on to be agreed terms and conditions. If Accord does not exercise this option, the overdraft is repayable by the company in equal monthly instalments between January 2022 and June 2022.

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.

The interest cost during year ended June 30, 2021 was $355,986 (2020 $807,189).

6 9% Non convertible debentures payable

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

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

As described in Note 9 b, the debenture holders also received common shares in relation to the debentures. The common shares were determined to have nil value.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in compliance with financial covenants at March 31, 2021 and June 30, 2021. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and,

as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them.

The issuance of 9% 2025 debentures is considered a transaction with holders of 9% debentures in their capacity as shareholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures. The value of the 9% 2025 debentures is determined as the amount required to extinguish the 9% debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,776,628 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,247,550 has been recognized in the contributed surplus (consolidated statements of changes in shareholder deficiency) which consists of the book value of the 9% debentures of $7,427,366 (tabulated in this section under Movement on 9% debentures), plus fresh cash proceeds of $250,000 less the fair value of the 9% 2025 debentures of $4,310,989 and financing costs of $118,827.

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	173,212	-	173,212
Transaction costs related to October 2019 raise	(40,703)	-	(40,703)
Accretion charge for the period	327,181	-	327,181
Restructuring bonus for the period	259,028	-	259,028
Amortization of transaction costs	12,524	-	12,524
Interest for the year	-	512,761	512,761
Balance at June 30, 2020	**$ 5,827,191**	**$ 784,385**	**$ 6,611,576**
Accretion charge for the period	248,797	-	248,797
Restructuring bonus for the period	187,689	-	187,689
Amortization of transaction costs for the period	13,307	-	13,307
Interest for the period	-	365,997	365,997
Refinanced March 15, 2021 as 9% 2025 debentures	(6,276,984)	(1,150,382)	(7,427,366)
Balance at June 30, 2021	**$ -**	**$ -**	**$ -**

Movement on 9% 2025 debentures			
	Debt portion	Accrued and Unpaid interest	Total
	$	$	$
Fair value of 9% 2025 debentures in the principal amount of $6,009,000 on issuance March 15, 2021	**$ 4,310,989**	**$ -**	**$ 4,310,989**
Accretion charge for the period	204,239	-	204,239
Restructuring bonus for the period	(9,234)	-	(9,234)
Interest for the period	-	188,891	188,891
Balance at June 30, 2021	**$ 4,505,994**	**$ 188,891**	**$ 4,694,885**

Interest cost						
	Year ended June 30, 2021			Year ended June 30, 2020		
	Stated interest	Accretion charge	Restructuring bonus	Stated interest	Accretion charge	Restructuring bonus
	$	$	$	$	$	$
9% debentures	$ 365,997	$ 248,797	$ 187,689	$ 512,761	$ 327,181	$ 259,028
9% 2025 debentures	188,891	204,239	(9,234)	-	-	-
	$ 554,888	$ 453,036	$ 178,455	$ 512,761	$ 327,181	$ 259,028

7 Share capital

(a) Authorized

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

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

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

Common – Unlimited number of shares without par value.

(b) Issued Class A preference shares

	Number of shares	$
No par value. At June 30, 2020 and 2021	461,887	$ 3,815

(c) Issued common shares

	Number of shares	$
No par value. At June 30, 2020	878,948,414	$ 24,526,740
No par value. At June 30, 2021	878,948,414	$ 24,526,740

8 Share-based payments

a. Employee stock options

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

The number of employee stock options issuable per the company's stock option plan is 16,688,546.

There were no stock options outstanding during the years ended June 30, 2021 and 2020.

The company has recorded $nil of stock-based compensation expense during year ended June 30, 2021 (2020 - $nil).

b. Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons. The eligible persons are directors, officers, employees and consultants of the company designated by the Board. As at June 30, 2021 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, 2021 and 2020.

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

c. Potentially Dilutive Securities

No potentially dilutive securities exist as at June 30, 2021 and 2020.

9 Related party transactions

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

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

9% debentures and 9% 2025 debentures are described in note 6.

The holdings of debentures by related parties are summarized below:

	June 30, 2021		June 30, 2020	
	9% 2025 debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 550,000	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)	2,815,229	321,629,458	2,669,120	321,629,458
Herbert Abramson (b)	159,891	11,560,814	106,000	11,560,814
	$ 4,149,120	530,896,455	$ 3,890,120	529,727,484
Total issued and outstanding 9% 2025 debentures (June 30, 2021), 9% debentures (June 30, 2020) and common shares	$ 6,009,000	878,948,414	$ 5,759,000	878,948,414
% held by parties in tabulation	69.0%	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

On September 7, 2021 the company:

a. Closed a $1.0 million financing by way of 9% 2025 debentures. The financing was a related party transaction. Through managed accounts and principals, related parties Generation IACP Inc. and Generation PMCA Corp. purchased $975,000, and Kelly Ambrose, the company's President and Chief Executive Officer and a director purchased $25,000 of the 9% 2025 debentures;

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

c. Kelly Ambrose, the company's President and Chief Executive Officer was issued 325,000,000 common shares as a retention bonus and 6,588,653 common shares in lieu of a portion of vacation pay due to him; and

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

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

	Year ended June 30, 2021	Year ended June 30, 2020
	$	$
Salaries, management bonuses and directors fees	$448,650	$507,604
	$448,650	**$507,604**

10 Financial instruments

(a) Credit risk

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

The company acquires the rights to receive future cash flows associated with future cash flows under the merchant cash advance product at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 365 days. Until these transaction credits have been extinguished through collections from participating merchants there is a credit risk.

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

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

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

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

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

governments have eased the restrictions in phases. Although the vaccinations have picked pace there is considerable uncertainty related to the pace and extent of economic recovery and hence the evaluation of collectability of transaction credits.

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

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

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

	June 30, 2021	June 30, 2020
	$	$
Transaction credits	$ 2,787,958	$ 4,918,115
Accounts receivable	97,475	123,286
Allowance	(1,065,680)	(998,583)
Per Consolidated statement of financial position	**$ 1,819,753**	**$ 4,042,818**
Maximum exposure to credit risk	**$ 1,819,753**	**$ 4,042,818**

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

	June 30, 2021	June 30, 2020
	$	$
Impaired transaction credits	$ 896,059	$ 353,108
Allowance	(896,059)	(353,108)
Impaired transaction credits not allowed for	**$ -**	**$ -**
The company carries a general allowance towards transaction credits. This allowances at June 30, 2021 and 2020 include a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 165,236	$ 641,090

Movement on allowance for impaired transaction credits

	June 30, 2021	June 30, 2020
	$	$
Balance brought forward at start of year	**$ 994,198**	**$ 239,909**
Allowance created during the year	67,500	1,016,779
Impaired accounts written off against allowance	(403)	(262,490)
Balance carried forward at end of year	**$ 1,061,295**	**$ 994,198**

(b) Currency risk

Currency risk arises due to fluctuations in foreign currency rates.

The company carries nominal amounts of cash and accounts payables denominated in foreign currencies.

Included in the undernoted accounts are the following amounts (in USD):

	June 30, 2021	June 30, 2020
	$	$
Cash	**56**	56
Accounts payable and accrued liabilities	**697**	3,633

(c) Liquidity risk

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

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

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

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable – (note 5)	$2,387,439	$2,387,439	$-
Accounts payable and accrued liabilities	2,731,158	2,731,158	-
9% 2025 debentures – face amount – maturing December 31, 2025 (note 6)	6,009,000	-	6,009,000
9% debentures interest for period December 16, 2018 to March 14, 2021	1,150,383	-	1,150,383

9% 2025 debentures cash interest (note 6)	2,594,406	-	2,594,406
9% 2025 debentures restructuring bonus (note 6)	1,081,620	-	1,081,620
Canada Emergency Business Account	60,000	-	60,000
Lease (note 17)	90,616	77,671	12,945
Total	**$16,104,622**	**$5,196,268**	**$10,908,354**
In addition, interest on interest of $617,784 - on above 9% debentures unpaid interest of $1,150,383 and first year interest on 9% 2025 debentures which is payable in instalments (note 6) - is due December 31, 2025 upon maturity of 9% 2025 debentures. The liability of such interest payable as at June 30, 2021 is $84,551.			

The contractual maturities of the company's financial liabilities at June 30, 2020 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable (note 5)	$4,369,006	$4,369,006	$-
Accounts payable and accrued liabilities	2,364,759	2,364,759	-
9% debentures – face amount – maturing December 31, 2021 (note 6)	5,759,000	5,759,000	-
9% debentures interest (note 6)	1,561,848	1,302,693	259,155
9% debentures restructuring bonus (note 6)	1,036,620	-	1,036,620
Canada Emergency Business Account	40,000	-	40,000
Lease (note 17)	168,287	77,671	90,616
Total	**$15,299,520**	**$13,873,129**	**$1,426,391**
In addition, liability payable as at June 30, 2020, with respect to interest on unpaid 9% debentures interest, is $35,965			

(d) Fair value

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

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

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time

value and volatility factors, which can be substantially observed or corroborated in the market place.

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

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

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

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

(e) Interest rate risk

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

As disclosed in note 5, during year ended June 30, 2021, the company paid annual interest of $355,986. Interest is calculated daily on the amount outstanding on loan payable and charged monthly. The interest rate during year ended June 30, 2021 was equivalent to prime rate of a certain Canadian bank plus 9.05% per annum. For the year ended June 30, 2021, a 10% increase in interest rates would lead to an additional annual interest cost of $35,598.

11 Capital management

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

Tabulation of capital base

	At June 30, 2021	At June 30, 2020

	$	$
Loan payable – note 5	2,387,439	4,369,006
9% Non-convertible debentures – Principal – note 6	6,009,000	5,759,000
Loan – note 18	60,000	40,000
Share capital – note 7	24,530,555	24,530,555
Contributed surplus and deficit	(32,542,682)	(33,698,265)
	$444,312	$1,000,296

12 Commitments and contingencies

Commitments

As at June 30, 2021, the company is committed to nominal minimum payment of $160, due not later than one year, with respect to existing leases for equipment.

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

Legal matters

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

13 Income taxes

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

	2021	**2020**
	$	**$**
Current income taxes	-	-
Deferred income taxes	-	-
	$-	$-

The average combined federal and provincial statutory income rate applicable to the company in Canada for 2021 and 2020 was 26.5% and in the USA for 2021 and 2020 was 21.0%.

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

The effective tax rate was $nil or 0%.

In assessing the ability to realize deferred income tax assets, the company considers whether it is more likely or not that some portion or all of the deferred income tax assets will be utilized in the foreseeable future. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. As at June 30, 2021, there is no certainty that such deferred

income tax assets will be utilized and, therefore, such assets have not been recognized on the consolidated statements of financial position. The components of deferred income tax are as follows:

	2021 $	2020 $
Non capital losses carried forward	4,592,000	4,604,000
Property, plant and equipment due to amortization	24,000	29,000
	$4,616,000	$4,633,000
Deferred income tax assets not recognized	$(4,616,000)	(4,633,000)
	$-	$-

As at June 30, 2020, the company has gross non-capital income tax losses of approximately $18,036,000 (2020 $18,215,000), which may be carried forward to reduce future income for income tax purposes. The benefit of these losses has not been recognized in these consolidated financial statements. These losses expire between 2022 and 2041, and are tabulated hereunder:

Year ending June 30, 2022	$	508,000
Year ending June 30, 2023	$	181,000
Year ending June 30, 2024 and thereafter	$	17,347,000
	$	18,036,000

14 Earnings (loss) per share

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

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

	2021	2020
	$	$
Net (loss) and comprehensive (loss)	$ (2,091,967)	$ (2,927,396)
Basic and Diluted EPS		
Average number of issued common shares during the year	878,948,414	869,981,685
Basic EPS	**$ (0.00)**	**$ (0.00)**
There are no potentially dilutive common shares outstanding at June 30, 2021 and 2020. Hence Diluted EPS not computed		

15 Nature of Expenses

		Year ended June 30, 2021	Year ended June 30, 2020
		$	$
Direct expenses			
Costs of loyalty rewards, and marketing in connection with Advantex's merchant based loyalty program		$ 293,167	$ 387,027
Expense for provision against impaired accounts receivable and transaction credits		75,483	1,022,015
		$ 368,650	**$ 1,409,042**
Selling and Marketing, and General & Administrative			
Salaries and wages including travel		$ 969,052	$ 1,675,259
Professional fees		192,105	114,971
Facilities, processing, and office expenses		83,685	227,176
Other		40,902	48,357
		$ 1,285,744	**$ 2,065,763**

Sales and wages including travel reflects receipt of Canada Emergency Wage Subsidy of $463,580 during year ended June 30, 2021 (2020 - $156,492).

Facilities, processing, and office expenses reflect receipt of Canada Emergency Rent Subsidy of $84,442 during year ended June 30, 2021 (2020 - $nil). During year ended June 30, 2021 and

2020 the company's head office landlord applied for Canada Emergency Commercial Rent Assistance program whereby the company had to pay 25% of the rent.

16 Segment reporting

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

The above noted programs are described in Note 1.

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

Financial information by reportable segment for period ended June 30, 2021 and 2020 is tabulated.

Year ended June 30, 2021

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

Year ended June 30, 2020

	MCA program	Aeroplan program	Corporate	Total
	$	$	$	$
Revenues	1,890,852	718,690	-	2,609,542
Direct expenses	1,022,015	387,027	-	1,409,042
	868,837	331,663	-	1,200,500
Selling & marketing	520,450	197,817	-	718,267
General & administrative	976,384	371,112	-	1,347,496
(Loss) from operations before depreciation, amortization and interest	(627,997)	(237,266)	-	(865,263)
Stated Interest - loan payable	807,189	-	-	807,189
Stated Interest - 9% non convertible debentures payable	371,542	141,219	-	512,761
Interest - Lease	14,422	5,482	-	19,904
Non-cash interest - 9% non convertible debentures payable - accretion charges, restructuring bonus and amortization of transaction costs	433,837	164,896	-	598,733
Depreciation and amortization including right of use asset	58,363	22,183	-	80,546
Impairment of right of use asset	-	-	43,000	43,000
Segment (loss)	(2,313,350)	(571,046)	(43,000)	(2,927,396)

17 Lease

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

	Right of use asset	**Lease liability**
Opening balance July 1, 2019 on adoption of IFRS 16	**$206,898**	**$206,898**
Depreciation for the period	(65,336)	-
Impairment of asset	(43,000)	-
Interest payments	-	19,904
Lease payments	-	(77,671)
Balances at June 30, 2020	**$ 98,562**	**$149,131**

Depreciation for the period	(45,490)	-
Impairment of asset	(53,072)	
Interest payments	-	13,219
Lease payments	-	(77,671)
Balances at June 30, 2021	**$ -**	**$ 84,679**
June 30, 2020		
Current		**$ 64,452**
Long-term		**84,679**
		$149,131
June 30, 2021		
Current		**$ 71,910**
Long-term		**12,769**
		$ 84,679

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

The undiscounted lease liability is as follows:

	Base rent
Due 12 months ended June 30, 2022	77,671
Due 12 months ended June 30, 2023	12,945
Total	**$ 90,616**

18 Government subsidies

The company has availed Covid-19 pandemic relief measures.

Amount of $463,580 received during year ended June 30, 2021 (2020 - $156,492) under the Canada Emergency Wage Subsidy is reflected as a reduction of the salaries and wages expense disclosed in note 15.

Amount of $84,442 received during year ended June 30, 2021 (2020 - $156,492) under the Canada Emergency Rent Subsidy is reflected as a reduction of the facilities expense disclosed in note 15.

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

The company received $60,000 under the Canada Emergency Business Account. $20,000 of this loan of $60,000 is forgivable provided the loan is re-paid by December 31, 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.

19 Subsequent events

a. Company's agreement with Accord. In September 2021 the company and Accord agreed to extend the term of their agreement, which was due to end in December 2021, to June 30, 2022. Additional details provided in note 5 to these financial statements.

b. The Ontario Securities Commission ("OSC") issued an order dated June 24, 2021 revoking (the "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.

c. Following the Revocation Order the company sought shareholder approval to 1) a financing which involved issuance of 9% 2025 debentures and common shares, 2) share consolidation and 3) increase in the RSU Plan. The company received the requisite shareholder approval at the special meeting of the shareholders held on August 26, 2021.

d. The company closed second tranche of 9% 2025 debentures financing and issued common shares. Additional details provided in note 9 to these financial statements.

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Schedule C

ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the three month periods ended September 30, 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 month period ended September 30, 2020 compared to the three month period ended September 30, 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 months ended September 30, 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.

While three months ended September 30, 2019 ("Q1 Fiscal 2020") saw the completion of transition to new business model, MCA program, 3 months ended September 30, 2020 ("Q1 Fiscal 2021") was shaped by the devastating impact of the Covid-19 pandemic.

<u>Transition to MCA 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.

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 Q1 Fiscal 2021 performance and further deterioration of its financial position since June 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. Q1 Fiscal 2021 company revenues at $311,772 declined $487,271 (61.0%) compared to Q1 Fiscal 2020. 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 Q1 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.

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 September 30, 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 Q1 Fiscal 2021 and Q1 Fiscal 2020 the company had about 100 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 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. 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 September 30, 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 September 30, 2020 in this document. The company's interim consolidated financial statements for three months ended September 30, 2020 and Section Working Capital and Liquidity Management in this document carry also a going concern note.

Summary – Three months ended September 30, 2020

Q1 Fiscal 2021 financial performance reflects impact of Covid-19.

During Q1 Fiscal 2021 and Q1 Fiscal 2020 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. This resulted in adjustments to amounts reported at September 30, 2019; increase in the reported net loss for three months ended September 30, 2019 of $1,581, decrease in reported total assets by $125,956, and decrease in total liabilities by $159,593. The consolidated financial statements for three months ended September 30, 2020 reflect amended amounts for September 30, 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 months ended September 30, 2019.

The financial highlights for Q1 Fiscal 2021 compared to Q1 Fiscal 2020 are summarized in the tabulation:

	Q1 Fiscal 2021	Q1 Fiscal 2020
	$	$
Revenues		
MCA program	$ 198,814	$ 619,460
Aeroplan program	112,958	179,583
	$ 311,772	**$ 799,043**
Gross profit	**$ 221,328**	**$ 635,153**
Gross margin	71.0%	79.5%
Earnings/(loss) from operations before depreciation, amortization and interest	**$ (88,534)**	**$ 37,914**
Net (loss) and Comprehensive (loss)	**$ (508,821)**	**$ (533,987)**

Income Statement – Q1 Fiscal 2021 compared to Q1 Fiscal 2020

The $487,271 drop in the company's revenues to $311,772 reflects the impact of Covid-19. MCA program revenues declined $420,646 (67.9%) and Aeroplan program revenues declined $66,625 (37.1%).

The $413,825 drop in the company's gross profit to $221,328 reflects mainly decline in revenues. MCA program gross profit declined $383,247 (69.3%) and Aeroplan program gross profit declined $30,578 (37.4%).

Selling expenses were $40,698 lower, a 21.7% 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 two, one of whom was on lay-off.

General & Administrative ("G&A") were $246,679 lower, a 60.3% 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. The results for Q1 Fiscal 2021 reflect CEWS of $141,055. Staff remuneration including travel expenses are the main component of SG&A.

Q1 Fiscal 2021 reflects a loss from operations before depreciation, amortization and interest of $88,534. Q1 Fiscal 2020 reflects earnings from operations before depreciation, amortization and interest of $37,914. The deterioration of $126,448 reflects lower gross profit partially offset by lower Selling/G&A expenses.

Stated interest cost was lower by $154,356. The decrease reflects lower interest paid of $158,536 on loan payable (Q1 Fiscal 2021 $116,555 compared to $275,091 for Q1 Fiscal 2020) which is a reflection of lower utilization of loan payable. Average loan payable balance during Q1 Fiscal 2021 was $4,018,357 compared to $8,190,808 during Q1 Fiscal 2020. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q1 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.

Q1 Fiscal 2021 non cash interest at $162,073 is higher by $17,479. Accretion charges and restructuring bonus relating to 9% debentures for Q1 Fiscal 2021 was higher by $12,782 partially reflecting issuance of $200,000 9% debentures in October 2019. Also expensed is $4,697 amortization of transaction costs incurred on raise of the $200,000 9% debentures (Q1 Fiscal 2020 $nil).

The depreciation for right of use asset was lower ($11,373 vs. $16,334) 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 $13,721.

The above factors are reflected in a lower net loss. Q1 Fiscal 2021 $508,821 vs. Q1 Fiscal 2020 $533,987.

Balance Sheet – Q1 Fiscal 2021 compared to Q1 Fiscal 2020

Transaction credits (net of provision for delinquent accounts) were about 91.1% of total assets at end of Q1 Fiscal 2021 (Q1 Fiscal 2020 89.9%). Transaction credits represent balance receivable of working capital advanced to merchants. Transaction credits, net of provision for delinquent accounts, of $3,190,042 at September 30, 2020 were $4,859,909 lower compared to $8,049,951 at September 30, 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 September 30, 2020 reflects an additional general reserve for potential delinquent transaction credits on account of Covid-19. The general reserve at September 30, 2020 is $559,736 (September 30, 2019 $74,975). Consequently the total provision for delinquent transaction credits at September 30, 2020 was $1,021,698 (Q1 Fiscal 2019 $205,484). Both of the foregoing factors are reflected in lower transaction credits at September 30, 2020. September 30, 2019 reflects transition of merchants participating in the CIBC/TD program to the MCA program. Under the MCA

program the working capital advances of merchants being transitioned were refreshed to new higher credit limits.

Loan payable of $3,661,636 at September 30, 2020 was $3,576,085 lower compared to $7,237,721 at September 30, 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 September 30, 2020 also includes amounts payable under the working capital overdraft provided by Accord. The loan payable balance at September 30, 2020 (net of working capital overdraft) and September 30, 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 $914,671 for the period December 16, 2018 until September 30, 2020 ($397,730 at September 30, 2019 for period December 16, 2018 until September 30, 2019). The company does not have the ability to pay the interest.

Results of Operations

	Q1 Fiscal 2021	Q1 Fiscal 2020
	$	$
Revenues	**$ 311,772**	**$ 799,043**
Direct Expenses - Cost of cardholder rewards and marketing in connection with merchant based loyalty program	61,717	97,764
Direct Expenses - Expense for provision against delinquent accounts	28,727	66,126
Gross profit	**$ 221,328**	**$ 635,153**
Selling and General & Administrative	309,862	597,239
Earnings/(loss) from operations before depreciation, amortization and interest	**$ (88,534)**	**$ 37,914**
Cash interest on loan payable and debentures	246,841	401,197
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (335,375)**	**$ (363,283)**
Depreciation of right of use asset	11,373	16,334
Depreciation and amortization	-	8,760
Interest - Lease	3,960	4,976
Non cash interest expense on 9% debentures - accretion, performance bonus, amortization of transaction costs	158,113	140,634
Net (loss) and Comprehensive (loss)	**$ (508,821)**	**$ (533,987)**
Basic and Diluted (loss) per share	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

	At September 30, 2020	At June 30, 2020	Increase/ (Decrease)
	$	$	$
Current assets	$ 3,413,100	$ 4,268,200	$ (855,100)
Total assets	$ 3,413,100	$ 4,268,200	$ (855,100)
Shareholders' deficiency	$ (9,763,720)	$ (9,266,272)	$ 497,448

The change in current assets primarily reflected decrease in transaction credit, net of provision for delinquent accounts, of $733,875.

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 September 30, 2020 also includes amounts payable under the working capital overdraft provided by Accord (September 30, 2020 $460,000 vs. June 30, 2020 $184,098). The loan payable balance at September 30, 2020 at $3,661,636 was down $707,370 compared to June 30, 2020. The loan payable balance at September 30, 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 $130,286.

The movement in the shareholders' deficit reflects net loss during Q1 Fiscal 2021.

Extracts from the Statement of Cash Flow

	Q1 Fiscal 2021	Q1 Fiscal 2020	Change
	$	$	$
Net (loss)	$ (508,821)	$ (533,987)	$ 25,166
Adjustments for non cash expenses	303,732	296,855	6,876
(Loss) after adjustments for non cash expenses	$ (205,089)	$ (237,132)	$ 32,042
Changes in working capital	822,075	1,388,686	(566,611)
Net (used by) financing activities	(726,788)	(1,197,773)	470,985
Net cash (used in) operations	$ (109,802)	$ (46,219)	$ (63,583)
Net cash (used in) investing activities	$ -	$ -	$ -
(Decrease) in cash	(109,802)	(46,219)	$ (63,584)
Cash at start of period	$ 166,601	$ 119,636	$ 46,965
Cash at end of period	$ 56,799	$ 73,417	$ (16,619)

Adjustments for non cash expenses. *A* significant item for Q1 Fiscal 2021 and Q1 Fiscal 2020 is accrued and unpaid 9% debentures interest (Q1 Fiscal 2021 $130,286 vs. Q1 Fiscal 2020 $126,106). Furthermore, charges for Accretion and Restructuring bonus respecting 9% debentures were $153,416 (Q1 Fiscal 2020 $140,634).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During Q1 Fiscal 2021 the significant item was the decrease of $733,875 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 Q1 Fiscal 2020 the significant item was the decrease of $1,424,048 in transaction credits and reflected a combination of transition of merchants participating in the CIBC/TD program to the MCA program and collection of dues from merchants transitioned as at June 30, 2019 and post June 30, 2019 to MCA. The collections exceeded the issuance of advances to the merchants transitioned during the quarter.

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 Q1 Fiscal 2021 the primary change was the decrease of $707,370 in loan payable which is primarily due to above noted decrease in transaction credits. Furthermore, the loan payable balance during Q1 Fiscal 2021 also includes an increase in amounts payable under the working capital overdraft provided by Accord (September 30, 2020 $460,000 vs. June 30, 2020 $184,098). During Q1 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 months ended September 30, 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 Q1 Fiscal 2021 revenues was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

	Q1 Fiscal 2021	Q1 Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 198,814	$ 619,460	$ (420,646)	-67.9%
Aeroplan program	112,958	179,583	(66,625)	-37.1%
	$ 311,772	**$ 799,043**	**$ (487,271)**	**-61.0%**

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 Q1 Fiscal 2021 about 150 compared to about 250 during Q1 Fiscal 2020.

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.

	Q1 Fiscal 2021	Q1 Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 198,814	$ 619,460	$ (420,646)	-67.9%
Aeroplan program	112,958	179,583	(66,625)	-37.1%
	$ 311,772	**$ 799,043**	**$ (487,271)**	**-61.0%**
Direct expenses				
MCA program	$ 28,727	$ 66,126	$ (37,399)	-56.6%
Aeroplan program	61,717	97,764	(36,047)	-36.9%
	$ 90,444	**$ 163,890**	**$ (73,446)**	**-44.8%**

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 Q1 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 (65.2%) primarily reflects decline in revenues (61.0%).

	Q1 Fiscal 2021	Q1 Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
MCA program	$ 170,087	$ 553,334	$ (383,247)	-69.3%
Aeroplan program	51,241	81,819	(30,578)	-37.4%
	$ 221,328	**$ 635,153**	**$ (413,825)**	**-65.2%**
Gross margin				
	Q1 Fiscal 2021	Q1 Fiscal 2020		
MCA program	85.6%	89.3%		
Aeroplan program	45.4%	45.6%		
Company	**71.0%**	**79.5%**		

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 two, one of whom was on lay-off.

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

	Q1 Fiscal 2021	Q1 Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Revenues				
MCA program	$ 198,814	$ 619,460	$ (420,646)	
Aeroplan program	112,958	179,583	(66,625)	
	$ 311,772	**$ 799,043**	**$ (487,271)**	**-61.0%**
Selling expenses				
MCA and Aeroplan programs	$ 147,165	$ 187,863	$ (40,698)	
	$ 147,165	**$ 187,863**	**$ (40,698)**	**-21.7%**
Cost of sales staff	$ 138,727	$ 186,674		
Cost as % of selling expenses	94.3%	99.4%		

General and Administrative Expenses ("G&A")

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

	Q1 Fiscal 2021	Q1 Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Change in revenues				**-61.0%**
G&A				
Compensation for non-sales staff	$ 235,778	$ 275,734	$ (39,956)	
Directors fees	8,125	16,250	(8,125)	
CEWS - for sales and non-sales staff	(141,055)	-	(141,055)	
All other G&A expenses, incl staff travel	59,849	117,392	(57,543)	
	$ 162,697	**$ 409,376**	**$ (246,679)**	**-60.3%**

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.

Interest Expense

The interest expense is tabulated:

	Q1 Fiscal 2021	Q1 Fiscal 2020	Inc./(Dec)	Inc./(Dec)
	$	$	$	%
Stated ("Cash") interest expense				
Loan payable	$ 116,555	$ 275,091	$ (158,536)	
9% debentures	130,286	126,106	4,180	
	$ 246,841	$ 401,197	$ (154,356)	-38.5%
Non-cash interest expense				
Interest - Lease	$ 3,960	$ 4,976	$ (1,016)	
Accretion charge on 9% debentures	86,488	78,053	8,435	
Restructuring bonus on 9% debentures	66,928	62,581	4,347	
Amortization of transaction costs on 9% debentures	4,697	-	4,697	
	$ 162,073	$ 145,610	$ 17,479	
	$ 408,914	**$ 546,807**	**$ (137,893)**	**-25.2%**

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 Q1 Fiscal 2021 was $4,018,357 compared to $8,190,808 during Q1 Fiscal 2020. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q1 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. Also expensed in Q1 Fiscal 2021 is amortization of transaction costs incurred on raise of the $200,000 9% debentures. 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 Loss

Highlights of Q1 Fiscal 2021 compared to Q1 Fiscal 2020 are tabulated:

	Q1 Fiscal 2021	Q1 Fiscal 2020	Inc./(Dec)
	$	$	$
Revenues	$ 311,772	$ 799,043	$ (487,271)
Gross margin	71.0%	79.5%	
Gross profit	$ 221,328	$ 635,153	$ (413,825)
Earnings/(loss) from operations before depreciation, amortization and interest	$ (88,534)	$ 37,914	$ (126,448)
Net (loss) and Comprehensive (loss)	$ (508,821)	$ (533,987)	$ (25,166)
Basic and Diluted (loss) per share	$ (0.00)	$ (0.00)	

The detailed analysis of the above tabulated items is provided in Sections - *Income Statement – Q1 Fiscal 2021 compared to Q1 Fiscal 2020,* and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, and Interest Expense.

Highlights are provided here comparing the two periods:

- 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. Staff remuneration including travel expenses are the main component of SG&A (Q1 Fiscal 2021 78.2% vs. Q1 Fiscal 2020 81.3%).
- Earnings/(loss) from operations before depreciation, amortization and interest was sharply lower. Loss in Fiscal 2021 of $88,534 compared to earnings of $37,914 in Q1 Fiscal 2020. 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 ($11,373 vs. $16,334) 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 $13,721.
- The result is a small decrease in net loss.

Working Capital and Liquidity Management

	Q1 Fiscal 2021	Q1 Fiscal 2020
	$	$
Funds available to expand the MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	$ (508,821)	$ (533,987)
Adjustments for non cash expenses	303,732	296,855
(Loss) after adjustment for non cash expenses	(205,089)	(237,132)
Cash balances at start of the period	166,601	119,636
(Dec) in loan payable	(707,370)	(1,178,355)
	$ (745,858)	**$ (1,295,851)**
Utilization of funds		
Cash balances at end of period	$ 56,799	$ 73,417
(Dec) in accounts receivable	(5,329)	(28,808)
(Dec) in transaction credits	(733,875)	(1,424,048)
Inc (Dec) in accounts payable and accrued liabilities	(76,777)	67,104
Changes in all other working capital items	(6,094)	(2,934)
Change in other financing items	19,418	19,418
	$ (745,858)	**$ (1,295,851)**

Adjustments for non cash expenses. A significant item for Q1 Fiscal 2021 and Q1 Fiscal 2020 is accrued and unpaid 9% debentures interest (Q1 Fiscal 2021 $130,286 vs. Q1 Fiscal 2020 $126,106). Furthermore, charges for Accretion and Restructuring bonus respecting 9% debentures were $153,416 (Q1 Fiscal 2020 $140,634).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. During Q1 Fiscal 2021 the significant item was the decrease of $733,875 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 Q1 Fiscal 2020 the significant item was the decrease of $1,424,048 in transaction credits and reflected a combination of transition of merchants participating in the CIBC/TD program to the MCA program and collection of dues from merchants transitioned as at June 30, 2019 and post June 30, 2019 to MCA. The collections exceeded the issuance of advances to the merchants transitioned during the quarter.

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 Q1 Fiscal 2021 the primary change was the decrease of $707,370 in loan payable which is primarily due to above noted decrease in transaction credits. Furthermore, the loan payable balance during Q1 Fiscal 2021 also includes an increase in amounts payable under the working capital overdraft provided by Accord (September 30, 2020 $460,000 vs. June 30, 2020 $184,098). During Q1 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 (Q1 Fiscal 2020).

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 Q1 Fiscal 2021 performance and further deterioration of its financial position since June 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. Q1 Fiscal 2021 company revenues at $311,772 declined $487,271 (61.0%) compared to Q1 Fiscal 2020. 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 Q1 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.

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 September 30, 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.

Capital Raise Developments post September 30, 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 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 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'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 months ended September 30, 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 $9,676,531 and negative working capital of $9,696,287 as at September 30, 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 September 30, 2020 were due as follow:

		Total	Less than 1 year	1 to 3 years	4 to 5 years
		$	$	$	$
Loan payable		$ 3,661,636	$ 3,661,636	$ -	$ -
9% debentures		5,759,000	5,759,000	-	-
Canada Emergency Business Account		40,000	-	40,000	-
Head office lease		148,869	77,671	71,198	-
Operating leases		8,417	8,417	-	-
		$ 9,617,922	**$ 9,506,724**	**$ 111,198**	**$ -**

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 $3.7 million of the facility at September 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 September 30, 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 September 30, 2020 the accrued and unpaid interest since December 16, 2018 is $914,671.

Summary of Quarterly Results

12 month period ended September 30, 2020					
In $ millions except for per share amounts	Q2	Q3	Q4	Q1	Total
	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	
	$	$	$	$	$
	Amended	Amended			
Revenues	0.9	0.7	0.2	0.3	2.1
% of annual revenues	42.9%	33.3%	9.5%	14.3%	100.0%
Net (Loss)	(0.5)	(1.0)	(0.9)	(0.5)	(2.9)
(Loss) per share - Basic and Diluted	-	-	-	-	-
12 Month period ended September 30, 2019					
In $ millions except for per share amounts	Q2	Q3	Q4	Q1	Total
	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	
	$	$	$	$	$
Revenues	1.8	1.4	1.1	0.8	5.1
% of annual revenues	35.3%	27.5%	21.6%	15.6%	100.0%
Net (Loss)	-	(0.4)	(0.5)	(0.5)	(1.4)
(Loss) per share - Basic and Diluted	-	-	-	-	-

Capital Resources

The company did not incur material capital expenditures or enter into any material equipment leases during the two periods under review. The company'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 and three months ended September 30, 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 September 30, 2020	At June 30, 2020
	$	$
Transaction credits	$ 4,211,740	$ 4,918,115
Accounts receivable	117,957	123,286
Allowance	(1,026,083)	(998,583)
Per consolidated statement of financial position	$ 3,303,614	$ 4,042,818
Maximum exposure to credit risk	$ 3,303,614	$ 4,042,818

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

	At September 30, 2020	At June 30, 2020
	$	$
Impaired transaction credits	$ 461,962	$ 353,108
Allowance	(461,962)	(353,108)
Impaired transaction credits not allowed for	$ -	$ -
The company carries a general allowance towards transaction credits. This provision at September 30, 2020 and June 30, 2020 includes a forecast loss ratio to estimate for recovery issues on account of covid-19 pandemic	$ 559,736	$ 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 September 30, 2020 and September 30, 2019.

16,688,546 stock options were available for future issuance at September 30, 2020 and September 30, 2019.

There was no stock based compensation expense during Q1 Fiscal 2021 and Q1 Fiscal 2020.

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 September 30, 2020.

Outstanding Share Data

There is no change since June 30, 2020.

At September 30, 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:

	September 30, 2020	September 30, 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
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
	$ 3,890,120	529,727,484	$ 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	67.5%	60.3%	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				

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 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.

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 the 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. The current agreement is due to end April 30, 2021. The Aeroplan agreement can be terminated by Aeroplan 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; its ability to access additional working capital in the form of debt and or equity to meet operational needs and to support the growth of the company; its expectation to timely raise growth capital; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

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

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

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the three and 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:

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

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.

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ADVANTEX® MARKETING INTERNATIONAL INC.

Management's Discussion and Analysis of Operating Results

For the three and nine month periods ended March 31, 2021 and 2020

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

Overall Performance

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

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

The nine month period ended March 31, 2020 ("YTD Fiscal 2020") reflected 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 nine month periods ended March 31, 2021 ("Q3 Fiscal 2021" and "YTD Fiscal 2021" respectively) were shaped by the devastating adverse impact of the Covid-19 pandemic on both programs - MCA and loyalty marketing - operated by the company.

Transition to MCA program and operating program

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 adverse impact on the company's Q3 Fiscal 2021 and YTD Fiscal 2021 performance and further deterioration of its financial position since June 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 the company's MCA revenues. Average number of MCA merchants during Q3 Fiscal 2021 and YTD Fiscal 2021 were about 100 and 125 respectively compared to about 250 during corresponding periods in the previous year. 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. Average number of merchants about 100 during YTD Fiscal 2021 and YTD 2020.

Q3 Fiscal 2021 and YTD Fiscal 2021 revenues at $240,651 and $939,349 respectively declined $501,312 (67.6%) and $1,492,593 (61.4%) 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"), specifically in three months ended March 31, 2020 ("Q3 Fiscal 2020"), against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Q3 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 program. The company's landlord applied for Canada Emergency Commercial Rent Assistance program. Since October 2020 the company is accessing the Canada Emergency Rent Subsidy.

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, since 2007, 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. As of March 31, 2021 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 - further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. The company is in arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter is the establishment of a payment plan to address Advantex's arrears to Aeroplan. 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 Q3 Fiscal 2021 and YTD Fiscal 2021 and corresponding periods in the previous year the company had about 100 participating merchants.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9% debentures") with no ability to cure the default. In March 2021 the 9% debentures maturity date was extended to December 31, 2025 and were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. (see Sections 9% Non-convertible debentures payable and Capital Raise Developments).

Since the company was not in a financial 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 Fiscal 2019, three months ended September 30, 2019 and three and six months ended December 31, 2019 financial documents it did not, due to financial constraints outlined 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. As further discussed below in section Capital Raise Developments the company remedied outstanding filing requirements of continuous disclosure documents on March 31, 2021. In May 2021 the company applied to the OSC for a revocation of the failure to file cease trade order. Pending outcome of this application 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

Given its financial hardship, Covid-19, termination of alternative financing options described in Impact of Covid-19 pandemic under section Overall Performance the company negotiated a financing of up-to $1.0 million with its principal holder of 9% debentures and common shares of the company (see section Related party transactions for information about principal holder). However, given the regulatory complications and delays connected to this financing the investors decided not to pursue the financing. Instead the company and investors agreed to pursue, subject to approval of OSC, a $250,000 raise by way of senior secured non convertible debentures in order to enable the company to continue operating while it worked to obtain a full revocation of the failure-to-file cease trade order issued against the company on November 1, 2019 ("FFCTO") for failing to file certain outstanding

continuous disclosure documents in a timely manner, and to canvass and consider other financing alternatives at the same time.

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 ("9% 2025 debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the 9% 2025 debentures.

The OSC issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the FFCTO.

The 9% 2025 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 completed the $250,000 Financing on March 16, 2021.

The proceeds of the Financing are to 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.

The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

Actions taken since March 16, 2021

The company filed its audited year ended June 30, 2020, three months September 30, 0220, and three and six months ended December 31, 2020 disclosure documents on March 31, 2021 and paid the late filing fees with the applicable regulatory authorities.

In May 2021 the company applied to the OSC for a full revocation of the FFCTO and as of date hereof is dealing with initial comments of the OSC.

The company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants. The impact will be reflected in revenues from April onwards.

Next steps

The company is 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 and success.

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 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-19 pandemic level of about 250 merchants and expand beyond significantly thereafter. This belief of the company was enhanced as it started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants. Although the company had limited funds to deploy there was demand from merchants setting themselves up for the gradual lifting of the public health restrictions. The growth of company's MCA portfolio is essential to bring financial stability and success.

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

The funds raised through 9% 2025 debentures (see section Capital Raise Developments in this document) were used to bring to current status the company's 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, three and nine months ended March 31, 2021 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.

Summary – Three and nine months ended March 31, 2021

Q3 Fiscal 2021 and YTD Fiscal 2021 financial performance reflects impact of Covid-19.

During Q3 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 March 31, 2020; increase in the reported net loss for three and nine months ended March 31, 2020 of $4,076 and $15,122 respectively, decrease in reported total assets by $101,073, decrease in total liabilities by $147,957, and increase of $26,788 in contributed surplus and decrease in shareholders deficit of $46,884. The consolidated financial statements for three and nine months ended March 31, 2021 reflect amended amounts for March 31, 2020. 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 nine months ended March 31, 2020.

Following the issuance of $250,000 9% 2025 debentures and extension of 9% debentures and their replacement with 9% 2025 debentures (for details see section 9% Non convertible debentures payable in this document) the issuance of 9% 2025 debentures is considered a transaction with holders of 9% debentures in their capacity as debtholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures. The value of the 9% 2025 debentures is determined as the amount required to extinguish the 9% debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,581,336 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,033,105 has been recognized in the contributed surplus (reflected in consolidated financial statements for three and nine months ended March 31, 2021 under section consolidated statements of changes in shareholder deficiency) which consists of the book value of the 9% debentures of $7,427,366, plus fresh cash proceeds of $250,000 less the fair value of the 9% 2025 debentures of $4,581,336 and financing costs of $62,925.

The financial highlights for Q3 Fiscal 2021 and YTD Fiscal 2021 compared to corresponding periods in the previous year are summarized in the tabulation:

	Q3 Fiscal 2021	Q3 Fiscal 2020	YTD Fiscal 2021	YTD Fiscal 2020
	$	$	$	$
Revenues				
MCA program	$ 150,638	$ 525,120	$ 542,256	$ 1,798,436
Aeroplan program	90,013	216,843	397,093	633,506
	$ 240,651	**$ 741,963**	**$ 939,349**	**$ 2,431,942**
Gross profit	**$ 183,389**	**$ 49,070**	**$ 625,495**	**$ 1,331,028**
Gross margin	76.2%	6.6%	66.6%	54.7%
(Loss) from operations before depreciation, amortization and interest	**$ (182,898)**	**$ (557,391)**	**$ (381,002)**	**$ (519,456)**
Net (loss) and Comprehensive (loss)	**$ (534,751)**	**$ (1,034,983)**	**$ (1,552,710)**	**$ (2,100,762)**

Income Statement – Q3 Fiscal 2021 and YTD Fiscal 2021 compared to Q3 Fiscal 2020 and YTD Fiscal 2020

Q3 Fiscal 2021 compared to Q3 Fiscal 2020

The $501,312 drop in the company's revenues to $240,651 reflects the impact of Covid-19. MCA program revenues declined $374,482 (71.3%) and Aeroplan program revenues declined $126,830 (58.5%).

Gross profit. Q3 Fiscal 2020 reflects a higher expense for provision for delinquencies against MCA program transaction credits. An outcome of Covid-19. This compressed the Q3 Fiscal 2020 gross profit to $49,070. Q3 Fiscal 2021 gross profit at $183,389 primarily reflects decline in revenues due to effects of Covid-19.

Selling expenses were $37,120 lower, a 18.2% 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 $203,054 lower, a 50.4% 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 Q3 Fiscal 2021 reflect CEWS of $105,260. Staff remuneration including travel expenses are the main component of SG&A. The company also received Canada Emergency Rent Subsidy ("CERS") during Q3 Fiscal 2021 of $27,325.

Q3 Fiscal 2021 reflects a loss from operations before depreciation, amortization and interest of $182,898. Q3 Fiscal 2020 reflects loss from operations before depreciation, amortization and interest of $557,391. Q3 Fiscal 2020 reflects Covid-19 driven expense of $528,777 for provision against transaction credits due from merchants participating in MCA program.

Stated interest. The lower interest on loan payable is primarily a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during Q3 Fiscal 2021 was $2,613,583 compared to $5,441,099 in the corresponding period previous year. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q3 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. The interest rate charged on the loan payable is at 9.05% + prime rate, so the reduction in prime rate

in March 2020 also was a factor in the lower interest cost. Interest on 9% non convertible debentures was flat.

9% Non convertible debentures payable charges for accretion, restructuring bonus and amortization of transaction costs for Q3 Fiscal 2021 were $132,141 (2020 $154,595).

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 above factors are reflected in a lower net loss. Q3 Fiscal 2021 $534,751 vs. Q3 Fiscal 2020 $1,034,983.

YTD Fiscal 2021 compared to YTD Fiscal 2020

The $1,492,593 drop in the company's revenues to $939,349 reflects the impact of Covid-19. MCA program revenues declined $1,256,180 (69.8 %) and Aeroplan program revenues declined $236,413 (37.3 %).

Gross profit. YTD Fiscal 2020 reflects a higher expense for provision for delinquencies against MCA program transaction credits. An outcome of Covid-19. This compressed the YTD Fiscal 2020 gross profit to $1,331,028. YTD Fiscal 2021 gross profit at $625,495 primarily reflects decline in revenues due to effects of Covid-19.

Selling expenses were $158,858 lower, a 27.3% 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 $685,129 lower, a 54.0% 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 $335,480. Staff remuneration including travel expenses are the main component of SG&A. The company also received CERS during YTD Fiscal 2021 of $49,606. The company in partnership with its landlord availed Canada Emergency Commercial Rent Assistance ("CECRA") since the start of the program until its termination September 30, 2020.

YTD Fiscal 2021 reflects a loss from operations before depreciation, amortization and interest of $1,552,710. YTD Fiscal 2020 reflects loss from operations before depreciation, amortization and interest of $2,100,762. YTD Fiscal 2020 reflects Covid -19 driven expense of $528,777 for provision against transaction credits due from merchants participating in MCA program.

Stated interest. The lower interest on loan payable is primarily a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during YTD Fiscal 2021 was $3,307,731 compared to $6,842,010 in the corresponding period previous year. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during 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. The interest rate charged on the loan payable is at 9.05% + prime rate, so the reduction in prime rate in March 2020 also was a factor in the lower interest cost. Interest on Non convertible debentures was flat.

9% Non convertible debentures payable charges for accretion, restructuring bonus and amortization of transaction costs for YTD Fiscal 2021 were $449,793 (2020 $442,753).

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 above factors are reflected in a lower net loss. YTD Fiscal 2021 $1,552,710 vs. YTD Fiscal 2020 $2,100,762.

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

Transaction credits (net of provision for delinquent accounts) were about 87.7% of total assets at end of YTD Fiscal 2021 (YTD Fiscal 2020 90.1%). Transaction credits represent balance receivable of working capital advanced to merchants. Transaction credits, net of provision for delinquent accounts, of $2,092,782 at March 31 were $2,666,202 lower compared to $4,758,984 at March 31, 2020. Since the start of Covid-19 pandemic while the company reduced the collections from merchants so as not to stress the merchants' cash flows it also did not give significant additional advances – both on account of its diminished working capital availability and the credit environment. In addition, the balance at March 31, 2021 reflects an additional general reserve for potential delinquent transaction credits on account of Covid-19. The general reserve at March 31, 2021 is $502,950 (March 31, 2020 $528,777). Consequently the total provision for delinquent transaction credits at March 31, 2021 was $1,062,175 (March 31 2020 $744,004). Both of the foregoing factors are reflected in lower transaction credits at March 31, 2021. March 31, 2020 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 $2,719,782 at March 31, 2021 was $2,069,986 lower compared to $4,789,768 at March 31, 2020. The loan payable is used exclusively to fund transaction credits deployed with merchants. The company funds 10% of each dollar of transaction credit and the loan payable funds the balance 90%. The company back-stops all delinquencies. The loan payable balance at March 31, 2021 also includes amounts payable under the working capital overdraft provided by Accord. The loan payable balance at March 31, 2021 (net of working capital overdraft) and March 31, 2020 primarily reflects the change in transaction credits (grossed up for general reserve) at the end of the two periods.

March 31, 2021 reflects 9% 2025 debentures. March 31, 2020 reflects 9% debentures and the book value reflects accrued and unpaid interest of $655,515 for the period December 16, 2018 until March 31, 2020. The company did not have the ability to pay the interest. The maturity date of the 9% debentures was extended to December 31, 2025 and they were replaced with 9% 2025 debentures. Details are provided in section 9% Non convertible debentures payable in this document.

Results of Operations

	Q3 Fiscal 2021	Q3 Fiscal 2020	YTD Fiscal 2021	YTD Fiscal 2020
	$	$	$	$
Revenues	**$ 240,651**	**$ 741,963**	**$ 939,349**	**$ 2,431,942**
Direct Expenses - Cost of cardholder rewards and marketing in connection with merchant based loyalty program	55,284	110,125	239,134	329,048
Direct Expenses - Expense for provision against delinquent accounts	1,978	582,768	74,720	771,866
Gross profit	**$ 183,389**	**$ 49,070**	**$ 625,495**	**$ 1,331,028**
Selling and General & Administrative	366,287	606,461	1,006,497	1,850,484
(Loss) from operations before depreciation, amortization and interest	**$ (182,898)**	**$ (557,391)**	**$ (381,002)**	**$ (519,456)**
Cash interest on loan payable and 9% non convertible debentures payable	205,250	301,059	677,215	1,059,413
(Loss) from operations before depreciation, amortization, non-cash interest, and other non cash expenses	**$ (388,148)**	**$ (858,450)**	**$ (1,058,217)**	**$ (1,578,869)**
Depreciation - Right of use asset	11,372	16,333	34,118	49,001
Depreciation and amortization	-	629	-	15,210
Interest - Lease	3,090	4,976	10,582	14,929
Non cash expense on 9% non convertible debentures payable - accretion charges, restructuring bonus, amortization of transaction costs on issuance of debentures	132,141	154,595	449,793	442,753
Net (loss) and Comprehensive (loss)	**$ (534,751)**	**$ (1,034,983)**	**$ (1,552,710)**	**$ (2,100,762)**
Basic and Diluted (loss) per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**

Extract from the Statement of Financial Position

		At March 31, 2021	At June 30, 2020	Increase/ (Decrease)
		$	$	$
Current assets		$ 2,321,887	$ 4,268,200	$ (1,946,313)
Total assets		$ 2,386,331	$ 4,366,762	$ (1,980,431)
Shareholders' deficiency		$ (7,687,315)	$ (9,167,710)	$ (1,480,395)

The change in current assets primarily reflected decrease in transaction credit, net of provision for delinquent accounts, of $1,831,135.

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 March 31, 2021 also includes amounts payable under the working capital overdraft provided by Accord (March 31, 2021 $460,000 vs. June 30, 2020 $184,098). The loan payable balance at March 31, 2021 at $2,712,782 was down $1,649,224 compared to June 30, 2020. The loan payable balance at March 31, 2021 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.

June 30, 2020 reflects book value of the 9% debentures as current liability. The company was in default with respect to its financial covenants and interest payments. Included in the book value was accrued and unpaid interest of $784,385. March 31, 2021 reflects book value of 9% 2025 debentures as a non-current liability. See section 9% Non convertible debentures payable for additional information on 9% debentures and 8% 2025 debentures.

The movement in the shareholders' deficit reflects net loss during YTD Fiscal 2021 and recording of contributed surplus upon the issuance of 9% 2025 debentures (see section 9% Non convertible debentures payable).

Extracts from the Statement of Cash Flow

		YTD Fiscal 2021	YTD Fiscal 2020	Change
		$	$	$
Net (loss)		$ (1,552,710)	$ (2,100,762)	$ 548,052
Adjustments for non cash expenses		888,736	905,829	(17,093)
(Loss) after adjustments for non cash expenses		$ (663,974)	$ (1,194,933)	$ 530,959
Changes in working capital		2,101,955	4,815,073	(2,713,118)
Net (used by) financing activities		(1,500,402)	(3,525,264)	2,024,862
Net cash (used in) generated by operations		$ (62,421)	$ 94,876	$ (157,297)
Net cash provided by / (used in) investing activities		-	-	-
(Decrease) Increase in cash		(62,421)	$ 94,876	$ (157,297)
Cash at start of period		$ 166,601	$ 119,636	$ 46,965
Cash at end of period		$ 104,180	$ 214,512	$ (110,332)

Adjustments for non cash expenses. A significant item for YTD Fiscal 2021 and YTD Fiscal 2020 is accrued and unpaid 9% debentures and also for YTD Fiscal 2021 9% 2025 debentures interest (YTD Fiscal 2021 $394,243 vs. YTD Fiscal 2020 $383,891). Furthermore, charges for Accretion and Restructuring bonus respecting 9% debentures were $436,486 (YTD Fiscal 2020 $434,936).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. Transaction credits net of provision for delinquencies - During YTD Fiscal 2021 the significant item was the decrease of $1,831,135 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 $4,715,015 in transaction credits – net of provision for delinquencies- 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 between completion of transition to MCA during Q1 Fiscal 2020 until March 31, 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020. An additional factor at March 31, 2020 was the creation of an additional reserve for delinquencies against transaction credits on account of Covid-19 pandemic.

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

Financing activities. During YTD Fiscal 2021 the primary change was: a) the decrease of $1,649,224 in loan payable which is primarily due to above noted decrease in transaction credits and raise of

gross proceeds of $250,000 through issuance of 9% 2025 debentures on March 16, 2021. Furthermore, the loan payable balance during YTD Fiscal 2021 also includes amounts payable under the working capital overdraft provided by Accord (March 31, 2020 $460,000 vs. June 30, 2020 $184,098). During YTD Fiscal 2020 the primary change was the decrease in loan payable of $3,626,308 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 nine months ended March 31, 2021, and have been included to provide additional analysis for the reader.

Revenue

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

In the MCA program the company provides merchants' with working capital through pre-purchase, at a discount, of merchants' future 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. Here the company is a 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.

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

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

A significant factor in the Q3 Fiscal 2021 and YTD Fiscal 2021 revenues was the Covid-19 pandemic.

The revenue trends are provided in the tabulation.

	Q3 Fiscal 2021	Q3 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	$	$	$	$
Revenues						
MCA program	$ 150,638	$ 525,120	$ (374,482)	$ 542,256	$ 1,798,436	$ (1,256,180)
Aeroplan program	90,013	216,843	(126,830)	397,093	633,506	(236,413)
	$ 240,651	**$ 741,963**	**$ (501,312)**	**$ 939,349**	**$ 2,431,942**	**$ (1,492,593)**

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 MCA merchants during Q3 Fiscal 2021 and YTD Fiscal 2021 were about 100 and 125 respectively compared to about 250 during corresponding periods in the previous year.

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

During March 2021 the company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants. The impact will be reflected from April onwards.

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. Average number of merchants about 100 during YTD Fiscal 2021 and YTD 2020.

Direct Expenses

The MCA direct expenses are provision for delinquencies against transaction credits. Q3 Fiscal 2020 and YTD Fiscal 2020 reflects Covid-19 driven expense of $528,777 for provision against transaction credits due from merchants participating in MCA program.

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

	Q3 Fiscal 2021	Q3 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 150,638	$ 525,120	-71.3%	$ 542,256	$ 1,798,436	-69.8%
Aeroplan program	90,013	216,843	-58.5%	397,093	633,506	-37.3%
	$ 240,651	**$ 741,963**	**-67.6%**	**$ 939,349**	**$ 2,431,942**	**-61.4%**
Direct expenses						
MCA program	$ 1,978	$ 582,768	-99.7%	$ 74,720	$ 771,866	-90.3%
Aeroplan program	55,284	110,125	-49.8%	239,134	329,048	-27.3%
	$ 57,262	**$ 692,893**	**-91.7%**	**$ 313,854**	**$ 1,100,914**	**-71.5%**

MCA program

Covid-19 is a significant risk factor when assessing the collectability of transaction credits.

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

The company continued to monitor credit risk along above methodology during Q3 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

As described in section Direct Expenses the Q3 Fiscal 2020 and YTD Fiscal 2020 reflect a higher expense for provision for delinquencies against transaction credits. An outcome of Covid-19. This compressed the gross profit.

Q3 Fiscal 2021 and YTD Fiscal 2021 gross profits primarily reflect decline in revenues due to effects of Covid-19.

	Q3 Fiscal 2021	Q3 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
MCA program	$ 148,660	$ (57,648)		$ 467,536	$ 1,026,570	
Aeroplan program	34,729	106,718		157,959	304,458	
	$ 183,389	**$ 49,070**	**273.7%**	**$ 625,495**	**$ 1,331,028**	**-53.0%**

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, two staff on lay-off – one since March 2020 and the second since September 2020. One staff previously on administrative function was assigned to sales and account management and is part of selling expenses in Q3 Fiscal 2021 and YTD Fiscal 2021.

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

	Q3 Fiscal 2021	Q3 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Revenues						
MCA program	$ 150,638	$ 525,120		$ 542,256	$ 1,798,436	
Aeroplan program	90,013	216,843		397,093	633,506	
	$ 240,651	**$ 741,963**	**-67.6%**	**$ 939,349**	**$ 2,431,942**	**-61.4%**
Selling expenses						
MCA and Aeroplan programs	$ 166,728	$ 203,848		$ 423,688	$ 582,546	
	$ 166,728	**$ 203,848**	**-18.2%**	**$ 423,688**	**$ 582,546**	**-27.3%**
Cost of sales staff	$ 154,783	$ 200,989	**-23.0%**	$ 401,645	$ 571,284	**-29.7%**
Cost as % of selling expenses	92.8%	98.6%		94.8%	98.1%	

General and Administrative Expenses ("G&A")

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

	Q3 Fiscal 2021	Q3 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Change in revenues			**-67.6%**			**-61.4%**
G&A						
Compensation for non-sales staff	$ 187,390	$ 299,523	-37.4%	$ 652,136	$ 856,014	-23.8%
Directors fees	16,250	8,125		32,500	40,625	
CEWS - for sales and non-sales staff	(105,260)	-		(335,480)	-	
CERS	(27,325)	-		(49,606)	-	
All other G&A expenses, incl staff travel	128,504	94,964		283,259	371,299	
	$ 199,559	**$ 402,613**	**-50.4%**	**$ 582,809**	**$ 1,267,938**	**-54.0%**

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 $27,325 and $49,606 during Q3 Fiscal 2021 and YTD Fiscal 2021. The company in partnership with its landlord availed CECRA since the start of the program until its termination September 30, 2020.

Interest Expense

The interest expense is tabulated:

	Q3 Fiscal 2021	Q3 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	%	$	$	%
Stated ("Cash") interest expense						
Loan payable	$ 71,578	$ 172,190		$ 282,972	$ 675,522	
9% 2025 debentures	133,672	128,869		394,243	383,891	
	$ 205,250	$ 301,059	**-31.8%**	$ 677,215	$ 1,059,413	**-36.1%**
Non-cash interest expense						
Interest - Lease	$ 3,090	$ 4,976		$ 10,582	$ 14,929	
Accretion charges on 9% non convertible debentures payable	74,393	83,698		248,797	242,098	
Restructuring bonus on 9% non convertible debentures	53,834	66,200		187,689	192,827	
Amortization of transaction costs - 9% non convertible debentures payable	3,914	4,696		13,307	7,828	
	$ 135,231	$ 159,571		$ 460,375	$ 457,682	
	$ 340,481	**$ 460,630**	**-26.1%**	**$ 1,137,590**	**$ 1,517,095**	**-25.0%**

Stated interest. The lower interest on loan payable is primarily a reflection of lower utilization of loan payable. Loan payable supports 90% investment in transaction credits. Average loan payable balance during Q3 Fiscal 2021 and YTD Fiscal 2021 was $2,613,583 and $3,307,731 respectively compared to $5,441,099 and $6,842,010 respectively in the corresponding periods previous year. The lower utilization reflects lower MCA program receivables (transaction credits on the balance sheet) during Q3 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. The interest rate charged on the loan payable is at 9.05% + prime rate, so the reduction in prime rate in March 2020 also was a factor in the lower interest cost.

Net Profit/(Loss)

Highlights are tabulated:

	Q3 Fiscal 2021	Q3 Fiscal 2020	Inc./(Dec)	YTD Fiscal 2021	YTD Fiscal 2020	Inc./(Dec)
	$	$	$	$	$	$
Revenues	$ 240,651	$ 741,963	$ (501,312)	$ 939,349	$ 2,431,942	$ (1,492,593)
Gross margin	76.2%	6.6%		66.6%	54.7%	
Gross profit	$ 183,389	$ 49,070	$ 134,319	$ 625,495	$ 1,331,028	$ (705,533)
(Loss) from operations before depreciation, amortization and interest	$ (182,898)	$ (557,391)	$ (374,493)	$ (381,002)	$ (519,456)	$ (138,454)
Net (loss) and comprehensive (loss)	$ (534,751)	$ (1,034,983)	$ (500,232)	$ (1,552,710)	$ (2,100,762)	$ (548,052)
Basic and Diluted profit/(loss) per share	$ (0.00)	$ (0.00)		$ (0.00)	$ (0.00)	

Q3 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* – Q3 Fiscal 2021 and YTD Fiscal 2021 compared to Q3 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.
- Q3 Fiscal 2020 and YTD Fiscal 2020 reflect a higher expense for provision for delinquencies against transaction credits. An outcome of Covid-19. This compressed the gross profit. Controlling for the higher delinquency provision expense, Q3 Fiscal 2021 and YTD Fiscal 2021 gross profit is significantly lower and 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 CEWS. Receipt of CERS was a factor during Q3 Fiscal 2021 and YTD Fiscal 2021 while CECRA was a factor in YTD Fiscal 2021. Staff remuneration including travel expenses are the main component of SG&A.
- (Loss) from operations before depreciation, amortization and interest. Q3 Fiscal 2020 and YTD Fiscal 2020 reflect higher expense for provision for delinquencies against transaction credits thereby compressing the gross profit and consequently increased the loss. Q3 Fiscal 2021 and YTD Fiscal 2021 reflect the outcome of decline in revenues partially offset by lower SG&A.
- 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).

- 9% Non convertible debentures payable charges for accretion, restructuring bonus and amortization of transaction costs for Q3 Fiscal 2021 were $132,141 (2020 $154,595) and for YTD Fiscal 2021 $449,793 (2020 $442,753).
- 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 above factors are reflected in the reported Q3 Fiscal 2021 and YTD Fiscal 2021 losses vs. Q3 Fiscal 2020 and YTD Fiscal 2020.

Working Capital and Liquidity Management

	Q3 Fiscal 2021	Q3 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)	$ (534,751)	$ (1,034,983)	$ (1,552,710)	$ (2,100,762)
Adjustments for non cash expenses	280,275	305,403	888,736	905,829
(Loss) after adjustment for non cash expenses	(254,476)	(729,580)	(663,975)	(1,194,933)
Cash balances at start of the period	39,585	54,208	166,601	119,636
Inc. 9% 2025 debentures	187,075	-	187,075	159,297
Proceeds from loan - Canada Emergency Business Account	-	-	20,000	-
Inc./(dec) in loan payable	(124,107)	(1,260,301)	(1,649,224)	(3,626,308)
	$ (151,923)	**$ (1,935,673)**	**$ (1,939,522)**	**$ (4,542,308)**
Utilization of funds				
Cash balances at end of periods	$ 104,180	$ 214,512	$ 104,180	$ 214,512
Inc./(dec) in transaction credits	(158,007)	(2,062,930)	(1,831,135)	(4,715,015)
Decrease in Accounts payable	43,839	(98,788)	(218,063)	(89,608)
Changes in all other working capital items	(161,351)	(7,885)	(52,757)	(10,450)
Investing activities	-	-	-	-
Change in other financing items	19,416	19,418	58,253	58,253
	$ (151,923)	**$ (1,935,673)**	**$ (1,939,522)**	**$ (4,542,308)**

Adjustments for non cash expenses. A significant item for YTD Fiscal 2021 and YTD Fiscal 2020 is accrued and unpaid 9% debentures and also for YTD Fiscal 2021 9% 2025 debentures interest (YTD Fiscal 2021 $394,243 vs. YTD Fiscal 2020 $383,891). Furthermore, charges for Accretion and Restructuring bonus respecting 9% debentures were $436,486 (YTD Fiscal 2020 $434,936).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. Transaction credits net of provision for delinquencies - During YTD Fiscal 2021 the significant item was the decrease of $1,831,135 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 $4,715,015 in transaction credits – net of provision for delinquencies- 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 between completion of transition to MCA during Q1 Fiscal 2020 until March 31, 2020. The collections exceeded the issuance of advances to the merchants transitioned during the three and nine months ended March 31, 2020. An additional factor at March 31, 2020 was the creation of an additional reserve for delinquencies against transaction credits on account of Covid-19 pandemic.

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

Financing activities. During YTD Fiscal 2021 the primary change was: a) the decrease of $1,649,224 in loan payable which is primarily due to above noted decrease in transaction credits and raise of gross proceeds of $250,000 through issuance of 9% 2025 debentures on March 16, 2021. Furthermore, the loan payable balance during YTD Fiscal 2021 also includes amounts payable under the working capital overdraft provided by Accord (March 31, 2020 $460,000 vs. June 30, 2020 $184,098). During YTD Fiscal 2020 the primary change was the decrease in loan payable of $3,626,308 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 effective March 16, 2021 9% 2025 debentures (see Sections Loan Payable and 9% Non-Convertible Debentures Payable) in this document.

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 adverse impact on the company's Q3 Fiscal 2021 and YTD Fiscal 2021 performance and further deterioration of its financial position since June 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 the company's MCA revenues. Average number of MCA merchants during Q3 Fiscal 2021 and YTD Fiscal 2021 were about 100 and 125 respectively compared to about 250 during corresponding periods in the previous year. 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. Average number of merchants about 100 during YTD Fiscal 2021 and YTD 2020.

Q3 Fiscal 2021 and YTD Fiscal 2021 revenues at $240,651 and $939,349 respectively declined $501,312 (67.6%) and $1,492,593 (61.4%) 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"), specifically in three months ended March 31, 2020 ("Q3 Fiscal 2020"), against the amounts due from merchants in its MCA portfolio, and continued to monitor credit risk during Q3 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 program. The company's landlord applied for Canada Emergency Commercial Rent Assistance program. Since October 2020 the company is accessing the Canada Emergency Rent Subsidy.

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, since 2007, 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. As of March 31, 2021 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 - further extended to April 30, 2021. As of date hereof the two parties continue to work together under the terms of the original agreement while discussing future terms and direction. The company is in arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. The company primarily fell into arrears on account of Covid-19. An important discussion matter is the establishment of a payment plan to address Advantex's arrears to Aeroplan. 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 Q3 Fiscal 2021 and YTD Fiscal 2021 and corresponding periods in the previous year the company had about 100 participating merchants.

The company continued to be in default on the financial covenants and interest payments on its 9% Non convertible Debentures Payable ("9% debentures") with no ability to cure the default. In March 2021 the 9% debentures maturity date was extended to December 31, 2025 and were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. (see Sections 9% Non-convertible debentures payable and Capital Raise Developments).

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.

Capital raise developments

Given its financial hardship, Covid-19, termination of alternative financing options described in Impact of Covid-19 pandemic under section Overall Performance the company negotiated a financing of up-to $1.0 million with its principal holder of 9% debentures and common shares of the company (see section Related party transactions for information about principal holder). However, given the regulatory complications and delays connected to this financing the investors decided not to pursue the financing. Instead the company and investors agreed to pursue, subject to approval of OSC, a $250,000 raise by way of senior secured non convertible debentures in order to enable the company to continue operating while it worked to obtain a full revocation of the failure-to-file cease trade order issued against the company on November 1, 2019 ("FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner, and to canvass and consider other financing alternatives at the same time.

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 ("9% 2025 debentures") and Kelly Ambrose, the company's President and Chief Executive Officer and a director, would subscribe for $50,000 of the 9% 2025 debentures.

The OSC issued an order dated February 25, 2021 partially revoking (the "Partial Revocation Order") the FFCTO.

The 9% 2025 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 completed the $250,000 Financing on March 16, 2021.

The proceeds of the Financing are to 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.

The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025.

Actions taken since March 16, 2021

The company filed its audited year ended June 30, 2020, three months September 30, 0220, and three and six months ended December 31, 2020 disclosure documents on March 31, 2021 and paid the late filing fees with the applicable regulatory authorities.

In May 2021 the company applied to the OSC for a full revocation of the FFCTO and as of date hereof is dealing with initial comments of the OSC.

The company started to deploy a part of the proceeds raised in March 2021 as working capital advances to select merchants. The impact will be reflected in revenues from April onwards.

Next steps

The company is 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 and success.

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% 2025 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 three and nine months ended March 31, 2021 have been prepared in accordance with accounting principles applicable to a going concern, which contemplates that the company will be able to realize its assets and settle its liabilities as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties.

The company has a shareholders' deficiency of $7,687,315 and negative working capital of $3,110,684 as at March 31, 2021. 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% non-convertible debentures payable ("9% 2025 debentures") and payment of interest on the loan payable. Failure to make supplier payments may lead to inability to secure a renewal of agreement with Aeroplan and to termination by suppliers of agreements resulting in the denial of services required by the company to operate. The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries and if the debentures are in default, the holders of the 9% 2025 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 these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

Contractual Obligations

Contractual obligations as at March 31, 2021 were due as follow:

	Total	Less than 1 year	1 to 3 years	4 to 5 years
	$	$	$	$
Loan payable	$ 2,719,782	$ 2,719,782	$ -	$ -
9% 2025 debentures	6,009,000	-	-	6,009,000
Canada Emergency Business Account	60,000	-	60,000	-
Head office lease	110,032	77,671	32,361	-
Operating leases	1,818	1,818	-	-
	$ 8,900,632	**$ 2,799,271**	**$ 92,361**	**$ 6,009,000**

In addition, there is a contractual obligation to holders of 9% 2025 debenture for interest of: a) $1,150,382 payable for the period December 16, 2018 to March 15, 2021, as holders of 9% debentures

b) $2,591,381 for the period March 16, 2021 to December 31, 2025 as holders of 9% 2025 debentures, and c) interest on interest of $617,784 (interest on interest is described in section 9% Non convertible debentures payable). The company also has a liability of restructuring bonus for $1,081,620 to the holders of the 9% 2025 debentures payable on maturity. The features of 9% 2025 debentures are described in section 9% Non convertible debentures payable.

The company adopted IFRS 16 Leases in Fiscal 2020 with respect to its head office lease. The 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 $2.7 million of the facility at March 31, 2021 (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 March 31, 2021 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

The company closed a $250,000 financing on March 16, 2021 by way of senior secured non-convertible debentures ("9% 2025 debentures"). The 9% 2025 debentures were issued on the same terms and rank pari passu with existing 9% Non-convertible debentures payable ("9% debentures") bearing interest at 9% per annum and maturing on December 31, 2021. The financing was conducted in accordance with the terms of the partial revocation order issued by the Ontario Securities Commission. The financing was a related party transaction (note 10).

The company also received agreement of the 9% debentures to extend their maturity date from December 31, 2021 to December 31, 2025. The 9% debentures were issued as 5,759 units (5,559 units in December 2017 and 200 units in October 2019) consisting of principal amount of $5,759,000 and 623,377,196 common shares of the company. The 9% debentures were replaced by 9% 2025 debentures on a dollar for dollar basis with respect to the principal amount, restructuring bonus, and interest rate as such terms are defined in the 9% debentures. The unpaid interest from December 16, 2018 until March 15, 2021 on the 9% debentures together with interest on interest are due on maturity of 9% 2025 debentures. An additional feature of the 9% 2025 debentures is that

the first year interest is deferred and is payable in eight equal instalments, with each instalment being added to each semi-annual interest payment payable after the first year through December 31, 2025, and the interest on interest will be added in the final interest payment.

The amounts payable by the company with respect to the 9% 2025 debentures are available under section Contractual Obligations.

The company did not issue common shares upon issuance of 9% 2025 debentures.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries.

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

The issuance of 9% 2025 debentures is considered a transaction with holders of 9% debentures in their capacity as debtholders and accounted for as an exchange of the 9% debentures for 9% 2025 debentures. The value of the 9% 2025 debentures is determined as the amount required to extinguish the 9% debentures. The fair value of the 9% 2025 debentures issued was determined to be $4,581,336 based on a discounted cash flow of the principal, interest and restructuring bonus of the 9% 2025 debentures. As a result, a gain of $3,033,105 has been recognized in the contributed surplus (reflected in consolidated financial statements for three and nine months ended March 31, 2021 under section consolidated statements of changes in shareholder deficiency) which consists of the book value of the 9% debentures of $7,427,366, plus fresh cash proceeds of $250,000 less the fair value of the 9% 2025 debentures of $4,581,336 and financing costs of $62,925.

Summary of Quarterly Results

12 month period ended March 31, 2021					
In $ millions except for per share amounts	Q4	Q1	Q2	Q3	Total
	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	
Revenue	$ 0.2	$ 0.3	$ 0.4	$ 0.2	$ 1.1
Percent of annual revenue	18.2%	27.3%	36.4%	18.1%	100.0%
Net (loss)	$ (0.9)	$ (0.5)	$ (0.5)	$ (0.5)	$ (2.4)
(Loss) per share - Basic and Diluted	$ -	$ -	$ -	$ -	$ -
12 month period ended March 31, 2020					
In $ millions except for per share amounts	Q4	Q1	Q2	Q3	Total
	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	
		Amended	Amended	Amended	
Revenue	$ 1.1	$ 0.8	$ 0.9	$ 0.7	$ 3.5
Percent of annual revenue	31.4%	22.8%	25.7%	20.1%	99.9%
Net (loss)	$ (0.5)	$ (0.5)	$ (0.5)	$ (1.0)	$ (2.5)
(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 the next twelve months.

Critical Accounting Estimates

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

The company's significant accounting policies are disclosed in note 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 which ended April 30, 2021 and where as of date hereof the two parties continue to work while discussing future terms and direction, 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, three and six months ended December 31, 2020, three and nine months ended March 31, 2021 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% non convertible debentures payable. Estimates applied by management in the determination of fair value are reflective of the company's overall cost of equity capital.

Credit risk

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.

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

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

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

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

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

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

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

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

	At March 31, 2021	At June 30, 2020
	$	$
Transaction credits	$ 3,154,957	$ 4,918,115
Accounts receivable	82,939	123,286
Allowance	(1,066,560)	(998,583)
Per statement of financial position	$ 2,171,336	$ 4,042,818
Maximum exposure to credit risk	$ 2,171,336	$ 4,042,818

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

	At March 31, 2021	At June 30, 2020
	$	$
Impaired transaction credits	$ 559,225	$ 353,108
Allowance	(559,225)	(353,108)
Impaired transaction credits not allowed for	$ -	$ -
The company carries a general allowance towards transaction credits. This provision at March 31, 2021 and June 30, 2020 includes a forecast loss ratio to estimate for recovery issues on account of Covid-19 pandemic	$ 502,950	$ 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 March 31, 2021 and March 31, 2020.

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

There was no stock based compensation expense during Q3 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 March 31, 2021.

Outstanding Share Data

There is no change since June 30, 2020.

At March 31, 2021 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:

	March 31, 2021	March 31, 2021	June 30, 2020	June 30, 2020
	$		$	
	9% 2025 debentures	Common shares	9% debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	$ 550,000	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)	2,815,229	321,629,458	2,669,120	321,629,458
Herbert Abramson (b)	159,891	11,560,814	106,000	11,560,814
	$ 4,149,120	530,896,455	$ 3,890,120	529,727,484
Total issued and outstanding 9% debentures and common shares	$ 6,009,000	878,948,414	$ 5,759,000	878,948,414
% held by parties in tabulation	69.0%	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% 2025 debentures which is the source of general working capital, the MCA program is dependent on the support of asset-based lenders, such as Accord, which provide the financing enabling the company to fund up to 90% of each $ of merchant cash advance.

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

Due to Covid-19 pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of $460,000. As of 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 company has a 10 year + relationship with Accord.

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

The company's consolidated financial statements for three months ended September 30, 2020, three and six months ended December 31, 2020, three and nine months ended March 31, 2021, 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. Covid-19 pandemic has created additional uncertainty to the company's business continuity. The going concern and Covid-19 issues could affect the company's relationships with holders of 9% 2025 debentures, Accord and Aeroplan.

General Risks and Uncertainties

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

As explained in the Section Economic Dependence the company's operations are funded by debt – loan payable and 9% 2025 debentures (see sections Loan Payable and 9% Non-Convertible Debentures Payable in this document). The loan payable agreement term ends in December 2021. The 9% 2025 debentures mature December 31, 2025. . The risks connected to the continuity of the two sources of debt are explained in Section Economic Dependence.

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

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

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each $ of merchant cash advance and a loan payable facility to fund the balance. However, for access to a loan payable facility in excess of the current $8.5 million provided by Accord the company needs to put in higher % as co-fund. The company has limited ability to fund the growth of MCA at 10%. The growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% 2025 debenture holders. General market conditions; the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet, it being under a FFCTO and there being no assurance that the FFTCO may be revoked; general security interest held by 9% 2025 debentures over the assets of the company and its subsidiaries may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

If the company is not successful in raising additional debt financing and or equity, its ability to expand its MCA program and increase revenue may be impeded, resulting in reduced growth in cash

flows from operations. This could affect the company's liquidity and working capital position, and ability to continue as a going concern.

The company has certain business risks linked to the collection of its transaction credits. Under the MCA program the company acquires the rights to cash flow from future 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. The evaluation of collectability of transaction credits requires making assumptions and estimates which are explained under Credit risk in section Critical Accounting Estimates. Actual results could differ materially from the estimates. Adverse recovery outcome could have a material effect on the company's cash flows, its credit environment, its attractiveness as a borrower and its ability to access existing or additional or alternative debt or debt at economic terms and this could materially and adversely affect the company.

The company's activities are funded by two sources of debt. The 9% 2025 debentures has a fixed interest rate, and loan payable which carries a floating interest rate. While the company is not exposed to interest rate risk on account of 9% 2025 debentures, its future cash flows are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 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 its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada. The current agreement ended April 30, 2021. As of date hereof the two parties continue to work while discussing future terms and direction of their commercial relationship. An important discussion matter is the

establishment of a payment plan to address Advantex's arrears with respect to amounts due – for current invoices and balance due from prior payment plan - to Aeroplan. If the company cannot secure a renewal it could have a material effect on its revenues, liquidity position, ability to retain existing financial partners and or attract growth capital.

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

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to grow its MCA program in a competitive environment upon availability of capital; 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 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% 2025 debentures; renewal of its agreement with Aeroplan; its ability to access additional working capital in the form of debt and or equity to meet operational needs and to support the growth of the company; its expectation to timely raise growth capital; its ability to manage risks connected to collection of transaction credits; current and future economic and market conditions and the impact of same on its business; ongoing consumer interest in accumulating frequent flyer miles; the size of the market for its programs; its ability to expand and grow its programs; future introductions of regulations to MCA; future business levels, and the cost structure, capital expenditures and working capital required to operate at those levels; future interest rates; impact of Covid-19 on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

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

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

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

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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Schedule D
ADVANTEX MARKETING INTERNATIONAL INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting of shareholders (the "**Meeting**") of ADVANTEX MARKETING INTERNATIONAL INC. (the "**Company**") will be held on December 24, 2020, at 9.30 am (Toronto time). **Due to the Public Health Ontario restrictions on public gatherings during the COVID-19 pandemic the Meeting will be held via Conference call using the following coordinates 1-855-453-6968; participant code 6601714.**

The purpose of the Meeting is:

1. to present the annual report and audited financial statements of the Company for the fiscal year ended June 30, 2019;
2. to elect directors;
3. to appoint auditors;
4. to adopt an ordinary resolution authorising the issuance of common shares of the Company in connection with a proposed financing of the Company;
5. to adopt a special resolution authorizing the consolidation of all of the issued and outstanding common shares of the Company; and
6. to transact such other business as may properly be brought before the Meeting.

As described in the notice and access notification mailed to shareholders of the Company, the Company has decided to deliver this information circular by posting it to the website (www.meetingdocuments.com/astca/ADX). The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's printing costs. This information circular will also be available on SEDAR at www.sedar.com. **Shareholders who wish to receive paper copies of the information circular may request copies (at no cost) by calling toll-free at 1-888-433-6443 or by emailing fulfilment@astfinancial.com prior to December 8, 2020.**

A shareholder may attend the Meeting via conference call or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment thereof, via conference call are requested to date, sign and return the accompanying form of proxy or VIF for use at the Meeting or any adjournment thereof. To be effective, the enclosed form of proxy or VIF must be returned in the enclosed postage prepaid envelope. Registered holders can also deliver their proxy to the Company's registrar and transfer agent, AST Trust Company (Canada) by mail to P.O. Box 721, Agincourt, ON, Canada, M1S 0A1, or by fax to 416-368-2502 / toll-free 1-866-781-3111 or by email at proxyvote@astfinancial.com, no later than

9.30 am (Toronto time) on Tuesday, December 22, 2020 where there is no adjournment or postponement of the Meeting.

DATED at Markham, Ontario

November 13, 2020

BY ORDER OF THE BOARD OF DIRECTORS

*/s/"**Kelly E. Ambrose**"*

President and Chief Executive Officer

ADVANTEX MARKETING INTERNATIONAL INC.
600 Alden Road, Suite 606
Markham, Ontario, L3R 0E7
INFORMATION CIRCULAR
AS AT NOVEMBER 13, 2020

SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF ADVANTEX MARKETING INTERNATIONAL INC. (the "**Company**") of proxies to be used at the Annual and Special Meeting of Shareholders of the Company (the "**Meeting**") to be held on Thursday, December 24, 2020, via Conference call at 1-855-453-6968; participant code 6601714 at 9.30 am (Toronto time) and at any adjournment or postponement thereof for the purposes set forth in the enclosed Notice of Meeting. Proxies will be solicited primarily by mail and may also be solicited personally or by telephone by the directors and/or officers of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

The Company may pay the reasonable costs incurred by persons who are the registered but not beneficial owners of voting shares of the Company (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of the Notice of Meeting, this Information Circular and the voting instruction form ("VIF") or form of proxy (collectively, the "**Meeting Materials**") to the beneficial owners of such shares. The Company will provide, without cost to such persons, upon request to the Secretary of the Company, additional copies of the foregoing documents required for this purpose.

MATTERS TO BE ACTED UPON

1. ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

The 2019 annual report of the Company, including the consolidated financial statements for the fiscal year ended June 30, 2019 and the report of the auditors thereon, will be submitted to the Meeting.

The consolidated financial statements and the report of the auditors is available under the Company's profile on www.sedar.com.

2. ELECTION OF DIRECTORS

The board of directors of the Company (the "**Board of Directors**" or "**Board**") currently can consist of a minimum of three (3) and a maximum of fifteen (15) directors. The number of directors to be elected at the Meeting has been fixed by the Board at three (3) and accordingly, three (3) directors are to be elected at the Meeting. The composition, responsibilities, and duties of the Board are described in its Charter, which is set out as Exhibit "A" hereto.

The following table and the notes thereto state the names of all the persons proposed to be nominated by management for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date hereof.

Name, Office and Jurisdiction of Residence[1]	Director Since	Number of Voting Securities Owned, Controlled or Directed as at November 13, 2020[2]
Kelly E. Ambrose [3][4][5] President, Chief Executive Officer, Secretary and Director Ontario, Canada	January 26, 2006	95,523,818 common shares
Marc B. Lavine [3][4][5] Director Paris, France	December 18, 2013	73,514,818 common shares[6]
David Moscovitz, LL.B[5] Toronto, Ontario	Proposed Director to be elected at the Meeting	1,168,971 common shares

Notes:

(1) The principal occupations of each of the nominees during the last five (5) years are as set forth below:

Kelly E. Ambrose has been the President of the Company since October 19, 2005, Chief Executive Officer of the Company since December 5, 2006, and Secretary since September 24, 2009. Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan.

Marc B. Lavine holds an Honours degree in Business Administration from the Richard Ivey School of Business at the University of Western Ontario (1991) where he received the gold medal for top student in his class. Mr. Lavine is Chairman, Chief Executive Officer and Director of Exclamation Investments Corporation which was founded by Mr. Lavine and is focused on entrepreneurial investment and business creation activities. Mr. Lavine is also co-founder of several businesses including: Points International Ltd., a global leader in loyalty currency management (NASDAQ:PTS); The Chrysalis Capital Group Inc., an entrepreneurial finance company focused on the public listings of corporations on the TSX Venture Exchange; Public Inc., a Toronto-based social purpose agency and innovation lab; LudWin, a leading sports betting operator in Africa and Common Cents, a social business and platform that partners cause marking and giving with e-commerce. Mr. Lavine created Exclamation Foundation (2007) in Canada and France in order to tackle key social issues in the arts and environment and also focus on impact investing.

David Moscovitz, LL.B is currently a business advisor. He was a partner at Goodman and Carr LLP until 2007, thereafter until retirement in 2016, lawyer and consultant at Dentons Canada LLP (formerly Fraser, Milner, Casgrain LLP) in Toronto, Canada. Served as director for Ricinus Resources Inc., Triumph Energy Corporation, Pocaterra Energy Inc., Richards Oil & Gas Limited and TG World Energy Corp. Currently a director of TVI Pacific Inc.a public issuer.

(2) The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.

(3) Member of the Compensation and Governance Committee.

(4) Member of the Audit Committee.

(5) At date hereof, the following nominees held, controlled or directed control over 9% amended and restated non-convertible debenture ("Debenture") issued by the Company in December, 2017. The Debenture were issued as part of the restructuring the Company completed and announced on December 22, 2017. The significant terms of the Debenture are provided in the Company's filings which are available under the Company's profile on www.sedar.com.

Name	***Principal Amount 9% Amended and Restated Non-Convertible Debenture***
Kelly E. Ambrose	*$ 500,000*
Marc B. Lavine	*$ 500,000*
David Moscovitz	*$ 9,000*

(6) Shares are owned by Exclamation Investments Corporation. Marc B. Lavine is CEO and a member of the Investment Committee of the corporation but does not otherwise exercise control and direction over the corporation.

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

Corporate Cease Trade Orders or Bankruptcies

On November 1, 2019 the Ontario Securities Commission ("OSC") issued a cease trade order with respect to the Company for failure to file audited annual financial statements for year ended June 30, 2019, management's discussion and analysis relating to audited annual financial statements for year ended June 30, 2019, and certification of foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*. The Company also failed to file by the due dates its interim financial statements, management's discussion and analysis, and certification of filings as required by National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* for the interim period three months ended September 30, 2019 and interim period three and six months ended December 31, 2019. The Company remedied the defaults and filed the required documents for year ended June 30, 2019, three months ended September 30, 2019, and three and six months ended December 31, 2019 on May 21, 2020. The Company has failed to file audited annual financial statements for year ended June 30, 2020, management's discussion and analysis relating to audited annual financial statements for year ended June 30, 2020, and certification of foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*. The Company plans to remedy this default following the completion of the Financing described on pages 5 to 7 in this Information Circular. Upon filing of documents for year ended June 30, 2020 and three months ended September 30, 2020 the Company intends to apply for a revocation of the case trade order. Kelly E. Ambrose was a director and Chief Executive Officer of the Company and Marc B. Lavine was director of the Company when the OSC issued the cease trade order.

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

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

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

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

Corporate Bankruptcies

No proposed director of the Company is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation

relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

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

Penalties or Sanctions

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

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. MANAGEMENT HAS NO REASON TO BELIEVE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR BUT, IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

3. APPOINTMENT OF AUDITORS

At the Meeting, shareholders will be asked to appoint BDO Canada LLP to hold office as the Company's auditors until the close of the next annual meeting of shareholders and to authorize the directors of the Company to fix the auditors remuneration. BDO Canada LLP are the current auditors of the Company. BDO Canada LLP was first appointed on July 4, 2013.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF BDO CANADA LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED OTHERWISE IN THE PROXY.

4. ISSUANCE OF COMMON SHARES OF THE COMPANY

Background

The Company's primary business is merchant cash advance ("**MCA**"). MCA is a growth industry in North America. MCA companies provide working capital to independent merchants and in return pre-purchase their future receivables at a discount.

The Company pivoted its business to MCA by August 2019. It began converting its merchant base to MCA upon winding up of the bundled working capital and bonus rewards programs it operated for CIBC and TD Bank. MCA is a simpler and more cost efficient product to sell and support.

Principals of Generation IACP Inc. ("**GIACP**") and Generation PMCA Corp. ("**GPMCA**" and together with GIACP, "**Generation**") subscribed $200,000 for debentures of the Company in October 2019, on the same terms and conditions as the existing 9% debentures maturing December 31, 2021 (the "**Existing Debentures**"), to shore up working capital and to enable the Company to continue operations pending receipt of additional growth capital. Generation's managed accounts are the principal shareholders and debenture holders of the Company. Generation's corporate finance personnel also tried to raise capital for the Company for some time but was not ultimately successful.

The Company had been in discussions with two unrelated parties prior to the Covid-19 pandemic for loans to supplement its working capital and growth capital in order to profitably expand the MCA business. Both parties terminated the discussions earlier this year 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. Consequently the Company was left with a weak balance sheet after further working capital deterioration during the Covid-19 pandemic.

The Company is also in default on its interest payments under its Existing Debentures since December 16, 2019 and does not have the financial ability to pay the arrears. The Company has failed to file audited annual financial statements for year ended June 30, 2020, management's discussion and analysis relating to audited annual financial statements for year ended June 30, 2020, and certification of foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* because it does not have the financial ability to complete the audit at this time.

Without a capital infusion the Company will not be able to operate beyond December 31, 2020. The result will be a total loss for the shareholders of the Company.

Proposed Financing

Following several meetings and negotiations with its main stakeholder Generation, and its two main creditors, Generation and Accord Financial Corp. ("**Accord**") a financing has been proposed to the Company by Generation with the support of Accord.

Generation, through its managed accounts and principals, intends to subscribe for up to $1,000,000 of secured debentures expiring on December 31, 2025 (the "**New Debentures**") on the following conditions: (i) the New Debentures will be on substantially the same terms and rank pari passu with the Existing Debentures; (ii) holders of the Existing Debentures will agree to extend the term of the Existing Debentures to December 31, 2025 on the same terms and conditions as the New Debentures; (iii) in consideration for subscribing for the New Debentures, holders of the New Debentures will be issued bonus common shares of the Company so that post-financing, the holders of the New Debentures would be issued 4,475,000,000 Common Shares of the Company and would hold approximately 75% of the issued and outstanding Common Shares of the Company; (iv) the Company's Chief Executive Officer and Chief Financial Officer will commit to stay in their respective roles until December 31, 2025 and as consideration will be issued an aggregate of 450,000,000 Common Shares of the Company as retention bonuses; (v) all outstanding fees owed to the directors of the Company will be paid in Common Shares of the Company, up-to a maximum of 75,000,000 Common Shares; (vi) following closing the Company will

complete its annual filings for the year ended June 30, 2020 and will seek a revocation of the Cease Trade Order; (vii) the Company will remain a reporting issuer and maintain its listing on the Canadian Stock Exchange ("**CSE**") until at least December 31, 2025; and (vii) the Board will recruit at least one additional independent director, which nominee shall be acceptable to Generation acting reasonably.

As the proposed financing (the "**Financing**") will be a related party transaction since Generation is an insider of the Company, the Board has determined that it can rely on the Financial Hardship exemption from the valuation requirements of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") since the Company is in serious financial difficulties, the Board of directors of the Company has determined that the transaction is designed to improve the financial position of the Company and the terms of the transaction are reasonable, in the circumstances, to the Company.

The Company sought and received approval for the issuance of Common Shares of the Company from the CSE subject to approval of the shareholders of the Company.

Accordingly, the shareholders of the Company are asked to approve the following ordinary resolution authorizing the issuance of Common Shares pursuant to the proposed Financing:

"BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, that upon completion of the Financing:

1. The holders of the New Debentures be issued 4,475,000,000 Common Shares of the Company for a $1.0 million investment in the Company. The Common Shares issuable be amended pro-rata to the investment in the Company;

2. The Company's Chief Executive Officer and Chief Financial Officer be issued an aggregate of 450,000,000 Common Shares of the Company as retention bonuses;

3. The Company is authorized to issue up-to 75,000,000 Common Shares of the Company to directors for outstanding fees; and

4. any officer or director of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

To be approved, the resolution must be passed by: (i) at least a majority of the votes cast by shareholders present or represented by proxy at the Meeting; and (ii) at least a majority of the votes cast by shareholders, excluding Generation and any other "interested parties" (as defined in MI 61-101) present or represented by proxy at the Meeting, as contemplated by MI 61-101 in the context of a related party transaction.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ISSUANCE OF THE COMMON SHARES, UNLESS THE SHAREHOLDER HAS SPECIFIED OTHERWISE IN THE PROXY.

5. SHARE CONSOLIDATION

At the Meeting, the shareholders will be asked to approve a special resolution (the "**Share Consolidation Resolution**") to consolidate all of the Company's issued and outstanding Common Shares (the "Consolidation") on the basis of a maximum ratio of 100:1 (the "Ratio"), i.e. not more than one hundred (100) pre-consolidation Common Shares for one (1) post-consolidation Common Share, with the Consolidation to be implemented by the Board at any time prior to the date of the next annual meeting.

The Company believes that the number of the currently outstanding Common Shares may no longer reflect the value of the assets of the Company. The Company's future performance is largely tied to its ability to raise equity and debt with equity component financings. The proposed Consolidation will enable potential investors to better evaluate the Company in connection with future equity and debt with equity component financings of the Company. The proposed Ratio may help Directors to mitigate potential dilution, depending on the circumstances under which the Consolidation is implemented. Accordingly, the Company is seeking approval by the shareholders of the Consolidation on the basis of the proposed Ratio.

If the Share Consolidation Resolution is approved, the Consolidation will be implemented only upon a determination by the Board that the Consolidation is in the best interests of the Company and its shareholders at that time. In connection with any determination to implement a proposed Consolidation, the Board will set the timing for such Consolidation. No further action on the part of the shareholders will be required in order for the Board to implement the Consolidation.

Under the *Business Corporations Act* (Ontario) ("**OBCA**"), shareholders do not have dissent rights with respect to the proposed Consolidation.

The Share Consolidation Resolution will also authorize the Board to elect not to proceed with, and abandon, the Consolidation at any time if it determines, in its sole discretion, to do so. The Board would exercise this right if it determined that the Consolidation was no longer in the best interests of the Company and its shareholders. If the Board does not implement the Consolidation before the date of the next annual meeting, the authority granted by the Share Consolidation Resolution to implement the Consolidation on these terms will lapse and be of no further force or effect. No further action on the part of the shareholders will be required in order for the Board to abandon the Consolidation.

If the Share Consolidation Resolution is approved by the shareholders, and the Board decides to implement the Consolidation, following the obtaining of all necessary regulatory approvals, including the acceptance of the Canadian Securities Exchange, the Company will promptly file articles of amendment with the Director under the OBCA in the form prescribed by the OBCA to amend the Company's Articles. The Consolidation will become effective on the date shown in the certificate of amendment in connection therewith, or such other date as indicated in the articles of amendment.

If the Board decides to implement the Consolidation at the ratio of one hundred (100) pre-consolidation Common Shares for one (1) post-consolidation Common Share, upon completion of the proposed Consolidation the number of Common Shares issued and outstanding will be reduced to 1/100th of the sum of 878,948,414 as of November 13, 2020 plus the Common Shares issuable pursuant to the proposed Financing. No fractional shares will be issued in connection with the Consolidation and, in the event that a shareholder would otherwise be entitled to receive a fractional share upon the Consolidation, this shareholder shall have such fractional shares cancelled. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding Common Shares that will result from the Consolidation will cause no change in the capital attributable to the Common Shares and will not materially affect any shareholders' percentage ownership in the Company, even though such ownership will be represented by a smaller number of shares.

The exercise or conversion price and/or the number of Common Shares issuable under stock options plan, restricted share unit plan will be adjusted on a pro rata basis upon the implementation of the Consolidation, in accordance with the terms of such securities, based on the Consolidation ratio.

If the proposed Consolidation is approved by the shareholders and all regulatory requirements are complied with, and implemented by the Board, following the announcement by the Company of the effective date of Consolidation, registered shareholders will be sent a transmittal letter by the Company's transfer agent, AST Trust Company (Canada), containing instructions on how to exchange their share certificates representing pre-Consolidation Shares for new share certificates representing post-Consolidation Shares.

Accordingly, the shareholders of the Company will be asked to pass the following special resolution authorizing the Consolidation:

"BE IT RESOLVED, as a special resolution of the shareholders of the Company, that:

1. the Articles of the Company be amended to consolidate the issued and outstanding Common Shares of the Company, on the basis of a consolidation ratio of not more than one hundred (100) pre-consolidation Common Shares for one (1) post-consolidation Common Share (the "Consolidation");

2. subject to the maximum set out above, the determination of the basis for the consolidation shall be at the discretion of the directors of the Company;

3. no fractional Common Shares shall be issued in connection with the Consolidation and, in the event that shareholders would otherwise be entitled to receive a fractional share upon Consolidation, such shareholders shall have such fractional shares cancelled;

4. the effective date of such Consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the *Business Corporations Act* (Ontario) or such other date indicated in the articles of amendment;

5. any officer or director of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution, but in no case later than the date of the next annual meeting; and

6. notwithstanding the foregoing, the Board of Directors of the Company is hereby authorized to revoke this special resolution before it is acted on and to abandon the proposed amendment to the Articles of the Company with or without further approval of the shareholders of the Corporation. "

To be approved, the special resolution must be passed by at least two thirds (2/3) of the votes cast by shareholders represented by proxy at the Meeting.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE SHARE CONSOLIDATION RESOLUTION, UNLESS THE SHAREHOLDER HAS SPECIFIED OTHERWISE IN THE PROXY.

As described in the notice and access notification mailed to shareholders of the Company, the Company has decided to deliver this information circular by posting it to the website (www.meetingdocuments.com/astca/ADX). The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's printing costs. This

information circular will also be available on SEDAR at www.sedar.com. **Shareholders who wish to receive paper copies of the information circular may request copies (at no cost) by calling toll-free at 1-888-433-6443 or by emailing fulfilment@astfinancial.com prior to December 8, 2020.**

REMUNERATION OF DIRECTORS AND OFFICERS

Executive Compensation

Compensation Discussion and Analysis

As a part of its responsibilities the Compensation and Governance Committee was established for the purpose of reviewing, and recommending to the Board for approval, the compensation of executive officers. The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

During the fiscal year ended June 30, 2019 the Compensation and Governance Committee was composed of two independent directors, consisting of Marc B. Lavine and William H. Polley, and President and CEO Kelly E. Ambrose. William H. Polley resigned as director effective December 31, 2019 and since then the Compensation and Governance Committee is composed of Marc B. Lavine and Kelly E. Ambrose. Pending election of David Moscovitz at the Meeting the Compensation and Governance Committee will function with its current members.

The experience and skills of members of the Compensation and Governance Committee are set out in the section Election of Directors in this document.

The Compensation and Governance Committee conducts an annual review to consider and adjust executive compensation and relies upon the knowledge and experience of its members and other members of the Board of Directors regarding appropriate levels of salary and other compensation. The Compensation and Governance Committee assesses the performance of the President and Chief Executive Officer on an annual basis and establishes his base salary, bonus, stock option, retention bonus in the form of common shares and restricted share units entitlement in the same way that the compensation of other executive officers is established, as outlined below.

The compensation of the executive officers of the Company is designed to reward performance and is determined on the basis of several factors, including the individual's experience, corporate responsibilities, the performance of the individual and the achievement of specified annual objectives determined by the Board of Directors and/or the President and Chief Executive Officer, as applicable. The current compensation package consists of salary, bonuses, stock options, retention bonus in the form of common shares and restricted share units and emphasis is placed on salary; bonuses, cash and common shares of the Company. Stock options and Restricted share units are described below. The executive officers of the Company are entitled to receive all benefits which are available to senior management generally.

The Company does not have a policy concerning whether or not Named Executive Officers or directors are permitted to purchase financial instruments such as forward contracts, swaps, collars etc. that are designed to hedge or offset a decrease in the market value of equity securities granted or held by the Named Executive Officer or director.

Base Salaries

The salaries and benefits paid to the Company's executive officers, including those paid to the President and Chief Executive Officer, were established at or below those generally paid to persons performing similar functions in comparable corporations within the marketing services and merchant cash advance industries. The Company currently has no adequate peer group and therefore does not benchmark its executive compensation. The compensation of the executive officers of the Company is guided by the following goals:

- The compensation package should be simple, transparent and easy to understand.
- The compensation package should be structured to attract and retain executive officers.
- The compensation package should recognize the contribution of the Company's executive officers to the overall success and growth of the Company.
- The compensation package should be commensurate with the time spent by executive officers in meeting their obligations.

Bonus Compensation

Bonuses paid to the executive officers are based upon objectives relating to each executive officer's corporate responsibility and to the Company's achievement of its overall corporate objectives. The bonuses paid are disclosed in the tabulation under Summary Compensation Table – 2020, 2019, & 2018.

Stock Option Plan

The Company has a Stock Option Plan (the "**Stock Option Plan**") which was approved by the shareholders at the Annual and Special Meeting of the Shareholders held on December 22, 2009. As part of the seamless transition of the listing of the Company's common shares to the Canadian Securities Exchange ("**CSE**") on March 15, 2011, the Board approved certain amendments to the Stock Option Plan to comply with CSE policies, and the CSE approved the Stock Option Plan.

As of date hereof the aggregate number of Common Shares issuable under the Stock Option Plan is 16,688,546. The foregoing number represents, as of the date hereof, 1.9% of the 878,948,414 issued and outstanding common shares of the Company. Any option granted under the Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan.

As of the date hereof, there are no stock options, to purchase common shares, outstanding pursuant to the Stock Option Plan.

The Company does not have any Long-Term Incentive Plan other than the Stock Option Plan and the Restricted Share Unit Plan.

The material terms of the Stock Option Plan, as amended, are as follows:

- The purpose of the Stock Option Plan is to encourage ownership of Common Shares by directors, senior officers, employees and consultants of the Company and its subsidiaries (the "**Eligible Persons**").

- Under the Stock Option Plan, options may be granted to Eligible Persons.

- As of date hereof the aggregate number of Common Shares issuable under the Stock Option Plan is 16,688,546. The foregoing number represents, as of the date hereof, 1.9% of the 878,948,414 issued and outstanding common shares of the Company. Any option granted under the Stock Option Plan, which for any reason is surrendered, cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan.

- The maximum number of Common Shares which may be reserved for issuance to any one person in any 12 month period (unless the Company has obtained disinterested Shareholder approval) under the Stock Option Plan is 5% of the Common Shares issued and outstanding at the time of the grant (calculated on a non-diluted basis) less the number of Common Shares reserved for issuance to such person under any option to purchase Common Shares granted as a compensation or incentive mechanism. The maximum number of Common Shares issuable to insiders of the Company, at any time, under all security based compensation arrangements of the Company, including the Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares. The maximum number of Common Shares issued to insiders of the Company, within any one year period, under all security based compensation arrangements of the Company, including the Stock Option Plan, shall not exceed 10% of the issued and outstanding Common Shares.

- The option exercise price will be fixed by the Board or committee of the Board, but cannot be less than the greater of the closing price of the Common Shares on (i) the trading day immediately preceding the day upon which the option is granted, or (ii) the day the option is granted, provided that, in any event, the CSE does not typically allow options to be issued with exercise price less than $0.05.

- Options granted under the Stock Option Plan may be exercised during a period not exceeding five years, subject to earlier termination, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. If the termination date of an option falls during or within three trading days of a blackout period, during which a policy of the Company prevents certain persons from trading in the securities of the Company, the expiry date for the option will be extended for an additional period expiring on the tenth trading day following the end of the blackout period.

- Options are non-transferable without Board approval.

- The Board may also, in its discretion, subject to the limitations of the CSE and the Stock Option Plan, at the time of granting an option, determine that provisions relating to the vesting of such option be contained in the written agreement between the Company and the optionee.

- By its terms, the Stock Option Plan may be amended by the Board without the consent of the shareholders, to the extent that such amendments relate to: (a) complying with the requirements of any applicable regulatory authority; (b) complying with the rules, policies and notices of the CSE or of any stock exchange on which the Company's securities are listed; (c) determining, subject to all applicable regulatory requirements, that the provisions of the Stock Option Plan concerning the effect of termination of a participant's status as an Eligible Person under the Stock Option Plan shall not apply to a participant for any reason acceptable to the Board; (d) amending the definitions contained within the Stock Option Plan; (e) amending the categories of persons who are Eligible Persons and entitled to be granted options pursuant to the Stock Option Plan; (f) allowing the grant of short-term financial assistance to participants for the purpose of exercising options granted under the Stock Option Plan, subject to compliance with all

applicable regulatory requirements; (g) authorizing the addition or modification of a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying securities from the Stock Option Plan reserve; (h) decreasing the maximum number of Common Shares issuable under the Stock Option Plan (with a corresponding decrease in the number of Common Shares reserved for issuance under the Stock Option Plan); and (i) amendments of a "clerical" nature, including, without limitation, amending the wording of any provisions of the Stock Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan.

Restricted Share Unit Plan

The Company has a Restricted Share Unit Plan (the "**RSU Plan**") which was approved by the shareholders at the Annual and Special Meeting of the Shareholders held on February 28, 2018, pursuant to which the Board may grant restricted share units (the "**RSUs**") to eligible persons. The RSUs are substantially like "phantom" shares, the implied value of which will rise and fall in value based on the value of the Company's common shares and are redeemable for common shares on the vesting dates determined by the Board when the RSUs are granted.

As of date hereof there have been no issuances of RSUs.

The key features of the RSU Plan are as follows:

- the persons eligible (the "**Eligible Persons**") are directors, officers, employees and consultants of the Company designated by the Board;

- RSUs shall consist of a grant of units, each of which represents the right of the Eligible Person to receive one common share of the Company;

- 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;

  - in combination with the aggregate number of common shares which may be issuable under any and all of the Company's equity incentive plans in existence from time to time, including the Company's Stock Option Plan (as described above), not exceed 20% of the issued and outstanding common shares of the Company, or such greater number of common shares as shall have been duly approved by the Board and, if required by the CSE's policies, and by the shareholders of the Company; and

  - to any one Eligible Person within a 12 month period, not exceed 5% of the total number of issued and outstanding shares on a non-diluted basis;

- the number of common shares which may be issuable under the RSU Plan and all of the Company's other previously established or proposed share compensation arrangements, within any one-year period:

  - to any one Eligible Person, shall not exceed 5% of the total number of issued and outstanding common shares on the Grant Date (as defined in the RSU Plan) on a non-diluted basis;

to Insiders (as defined in the CSE policies) as a group within a 12 month period shall not exceed 10% of the total number of issued and outstanding common shares on a non-diluted basis; and

to any one consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding common shares on the Grant Date on a non-diluted basis;

the Board has the discretion to determine the vesting date for each RSU or any other vesting requirements;

unless otherwise determined by the Board, in its sole discretion, or specified in the applicable RSU agreement:

if an Eligible Person ceases to be a director, officer, consultant or employee of the Company for any reason (excluding death), all of the Eligible Person's RSUs which have vested at the time of such cessation shall be redeemed for either cash at the Fair Market Value (as defined in the RSU Plan), an equal number of common shares or a combination of cash and common shares as may be determined by the Board and the remainder shall be cancelled;

the RSUs of a Director who is not re-elected at an annual or special meeting of shareholders shall be redeemed for either cash at the Fair Market Value of an RSU, an equal number of common shares or a combination of cash and common shares as may be determined by the Board;

all of the RSUs, whether vested or not, of an Eligible Person who dies shall immediately vest and be redeemed for either cash at the Fair Market Value of an RSU, an equal number of common shares or a combination of cash and common shares as may be determined by the Board;

rights respecting RSUs shall not be transferable or assignable other than by will or the laws of desent and distribution;

the Board reserves the right, in its sole discretion, to amend, suspend or terminate the RSU Plan or any portion thereof at any time, in accordance with applicable legislation, without obtaining the approval of shareholders. Notwithstanding the foregoing, the Company will be required to obtain approval from holders of common shares that are not Eligible Persons for any amendment related to:

the number or percentage of issued and outstanding common shares available for grant under the RSU Plan;

a change in the method of calculation of redemption of RSUs held by Eligible Persons; and

an extension to the term for redemption RSUs held by Eligible Persons;

unless an Eligible Person otherwise agrees, any amendment to the RSU Plan or units shall apply only in respect of RSUs granted on or after the date of such amendment;

subject to regulatory approval, if any change occurs in the outstanding common shares by reason of a reorganization, the Board, in its sole discretion, and without liability to any person, shall make such equitable changes or adjustments, if any, as it considers appropriate, in such manner as the Board may consider equitable, to reflect such change or event including, without limitation, adjusting the number of RSUs credited to Eligible Persons and outstanding under the RSU Plan, provided that any such adjustment will not otherwise extend the redemption date otherwise applicable;

the existence of outstanding RSUs shall not affect in any way the right or power and authority of the Company or its shareholders to make or authorize any alteration, recapitalization, reorganization or any other change in the Company's capital structure or its business or any merger or consolidation of the Company, any issue of bonds, debentures or preferred or preference shares (ranking ahead of the common shares or otherwise) or any right thereto, or the dissolution or liquidation of the Company, any sale or transfer of all or any part of its assets or business or any corporate act or proceeding whether of a similar character or otherwise; and

upon the occurrence of a Change of Control (as defined in the RSU Plan), the Corporation shall redeem 100% of the RSUs granted and outstanding at that time for either cash at the Fair Market Value of an RSU, an equal number of common shares or a combination of cash and common shares as may be determined by the Board.

Pension Plan Benefits

The Company does not have any defined benefits plans, defined contribution plans or deferred compensation plans.

Employment Contracts – as of June 30, 2020

Kelly E. Ambrose

The Company and Kelly E. Ambrose entered into an employment agreement dated September 26, 2007, pursuant to which Mr. Ambrose is employed as President and Chief Executive Officer at an annual salary of $350,000, subject to annual review, and a bonus of up to 100% of his salary based on performance and profitability of the Company. Mr. Ambrose's annual base salary has been through several downward revisions – most recently, in response to Covid pandemic, effective April 1, 2020 to $249,775. Mr. Ambrose is also entitled to a monthly car allowance of $1,000 and an annual maximum health care spending allowance of $30,000. Mr. Ambrose's monthly car allowance (including travel subsidy) has been through several revisions. Per first amendment to the employment agreement effective March 29, 2018 the Company is entitled to terminate Mr. Ambrose's employment without cause (including after the effective date of a change of control) by paying him a lump sum payment in the amount of 20 months' of the annual salary of $350,000, plus the bonus paid to him in respect of the last fiscal year during which ended prior to the date of termination of his employment, plus an amount equal to one-twelfth (1/12) of the average of the bonuses paid to him in respect of the last two fiscal years which ended prior to the date of termination of his employment multiplied by the number of full months that have elapsed in the fiscal year during which his employment is terminated. In addition to the above payments, upon termination of his employment without cause, Mr. Ambrose would continue to receive the car allowance at the rate of $1,000 per month, benefits, (or payment in lieu) as well as the health care spending allowance for the duration of the notice period, and 100% of his stock options and restricted share units would vest immediately, and would be exercisable for a period of two years from the date of termination.

Mukesh Sabharwal

The Company and Mukesh Sabharwal entered into an employment agreement dated October 27, 2006, subsequently amended March 12, 2009, pursuant to which Mr. Sabharwal is employed as Vice President and Chief Financial Officer at an annual salary of $150,000 and is entitled to an annual bonus of up to 50% of his annual salary, subject to the Company achieving its objectives, and on the successful completion of his individual agreed upon objectives. Mr. Sabharwal's base salary has been through several downward revisions - most recently, in response to Covid pandemic, effective April 1, 2020 to $148,418. Per second amendment to the employment effective March 29, 2018 the Company is entitled to terminate Mr. Sabharwal's employment without cause (including after the effective date of a change of control) by paying him a lump sum payment in the amount of 14 months' of the annual salary of $200,000. In addition to the above payment, upon termination of his employment without cause, 100% of his stock options and restricted share units would vest immediately, and would be exercisable for a period of two years from the date of termination.

General

All employment agreements described above also provide for:

1. Appropriate confidentiality, non-competition and non-solicitation covenants.
2. That the bonuses are subject to the approval of the Board of Directors.
3. An entitlement to participate in Health and Life insurance plans for which the Company pays the premiums.
4. A provision to protect the individuals in the event of change of control, which will be deemed to occur (a) if directors who have been approved by at least two-third of the existing directors cease to constitute a majority of the number of directors constituting the Board, (b) except in certain circumstances where the officer has an interest in the transaction, if a person or group of persons acting jointly or in concert acquire 35% or more of the issued and outstanding securities of the Company other than as a result of the issuance of securities by the Company and (b) upon a merger, amalgamation or other corporate reorganizations of the Company which results in the Company's shareholders owning less than 50% of the voting securities of the resulting entity.

Compensation Summary

COMPENSATION SUMMARY FOR YEAR ENDED June 30, 2020

The following tabulation covers compensation of Chief Executive Officer, Chief Financial Officer, and other executive officers whose "total compensation" exceeds $150,000 ("Named Executive Officers"), and all of whom are members of the senior management team.

Summary Compensation Table – 2020, 2019 & 2018

NEO (Name and Principal Position)	Year	Salary ($)	Share based awards [3] ($)	Option based awards [3] ($)	Non-equity incentive plan compensation - Annual ($)	Non-equity incentive plan compensation – Long Term ($)	Pension value ($)	All other compensation[2] ($)	Total compensation ($)
Kelly E. Ambrose President and Chief Executive Officer, and Secretary [1]	2020	267,048	Nil	Nil	Nil	Nil	Nil	26,543	293,591
	2019	275,096	Nil	Nil	Nil	Nil	Nil	18,654	293,750
	2018	232,774	Nil	Nil	Nil	Nil	Nil	39,654	272,428
Mukesh Sabharwal Vice-President and Chief Financial [1]Officer [1]	2020	161,847	Nil	Nil	Nil	Nil	Nil	3,416	165,263
	2019	166,725	Nil	Nil	Nil	Nil	Nil	3,519	170,244
	2018	141,075	Nil	Nil	Nil	Nil	Nil	1,083	142,158

Notes

(1) Additional details are available in the narrative under "Executive Compensation – Employment Contracts".

(2) "All other compensation" represents car and/or 407 ETR allowance. In case of Kelly E. Ambrose only, amounts paid towards health care spending allowance are also included, details of which are available under "Executive Compensation - Employment Contracts".

(3) *The Company did not give any share based awards/option based awards. There were no stock option and restricted share unit grants during fiscal year ended June 30, 2020.*

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The table sets forth the options to purchase securities of the Company granted up to June 30, 2020 to the Named Executive Officers in the employment of the Company as of June 30, 2020.

Name	Option-based Awards[1]				Share-based Awards [1]		
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options[2] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
Kelly E. Ambrose	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mukesh Sabharwal	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) No stock options and restricted share units were issued to Kelly E. Ambrose and Mukesh Sabharwal during the fiscal year ended June 30, 2020 and 2019. There were no stock options and restricted share units to be exercised during fiscal year ended June 30, 2020.

Incentive Plan Awards – Value Vested or Earned During the Year

During year ended June 30, 2020 there were no outstanding options under the Stock Option Plan for each Named Executive Officer to exercise.

Termination and Change of Control Payments

Potential payments upon termination of employment as of date hereof for each Named Executive Officer in the employment of the Company as of date hereof.

	Severance in event of termination without cause[1][3] ($)	Severance in event of triggering change of control situation[1][3] ($)
Kelly E. Ambrose[2]	$583,333	$583,333
Mukesh Sabharwal	$233,333	$233,333

Notes:

(1) Additionally, health and life insurance benefits would continue for the duration of the notice period.

(2) In addition, payments would include continuation of car allowance ($12,000), annual health care spending allowance of up-to $30,000.

(3) The severance amounts reflect the employment terms. See section Employment Contracts.

Compensation of Directors

Directors Compensation Table

During the fiscal year ended June 30, 2020, each of the directors of the Company (excluding Kelly E. Ambrose who is also Chief Executive Officer of the Company, and does not receive additional compensation as a director of the Company) were entitled to an annual Director's fee as follows:

Each director including the Chairman of the Board earned an annual fee of $32,500 covering membership fees of the Board, its Committees', and attendance of meetings of the Board and its Committees.

The Directors' compensation table for fiscal year ended June 30, 2020 is as follows:

Name	Fees earned ($)	Share-based awards (1) ($)	Option-based awards (1) ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
William H. Polley (2)	$16,250	Nil	Nil	Nil	Nil	Nil	$16,250
Marc B. Lavine	$32,500	Nil	Nil	Nil	Nil	Nil	$32,500

Notes:

(1) There were no share based awards/option based awards during fiscal year ended June 30, 2020 and 2019.

(2) William H. Polley resigned December 31, 2019. Fees are for 6 months of the fiscal year ended June 30, 2020.

Outstanding Share-based and Option-based Awards

There were no options to purchase securities of the Company granted during fiscal year ended June 30, 2020 to William H. Polley and Marc B. Lavine.

Incentive Plan Awards – Value Vested or Earned During the Year

During year ended June 30, 2020 there were no outstanding issuances under the Stock Option Plan and Restricted Share Unit Plan for William H. Polley and Marc B. Lavine to exercise.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table sets out as of June 30, 2019, a summary of compensation plans of the Company under which securities of the Company are authorized for issuance, being the Stock Option Plan and Restricted Share Unit Plan. In addition, the Company has a Warrant Plan (as defined below).

Plan Category	Number of securities to be issued upon exercise of outstanding options, restricted share units, warrants and rights (#)	Weighted-average exercise price of outstanding options, restricted share units, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) (#)
Equity compensation plans approved by security-holders	Nil	Nil	48,688,546
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	Nil	Nil	48,688,546

Retail/Sponsor Warrant Plan

On April 8, 2001, the Board created a warrant plan (the "**Warrant Plan**") allowing for the issuance of warrants (the "**Retailer/Sponsor Warrants**") to purchase Common Shares to certain sponsors and retailers of the loyalty and promotion programs of the Company and its affiliates (the "**Programs**"). The purpose of the Warrant Plan is to allow certain retailers who participate in the Programs (the "**Retailers**") and certain sponsors who sponsor the Programs (the "**Sponsors**") to receive Retailer/Sponsor Warrants. The Board of Directors believes that the Warrant Plan enables the Company to:

- encourage sponsors and retailers to participate in and promote the success and effectiveness of the Programs;
- better align the interests of such sponsors and retailers with the long-term interests of the Company;
- encourage the establishment and maintenance of long-term relationships with sponsors and retailers; and
- differentiate itself from its competition in attracting and retaining sponsor and retailer participation in the Programs.

Every Retailer or Sponsor participating in the Warrant Plan is required to enter into an agreement with the Company (the "**Warrant Agreement**") governing, among other things, the vesting and exercise

of the Retailer/Sponsor Warrants granted thereunder. The number of Retailer/Sponsor Warrants to be granted to a Sponsor or Retailer will be based upon the relative contribution of such Sponsor or Retailer to the annual growth in the Company's revenues generated by the Programs. The granting of the Retailer/Sponsor Warrants are also governed by the policies of the CSE as applicable.

Under the Warrant Plan, no Retailer/Sponsor Warrants may be granted to insiders (as such term is defined in the *Securities Act* (Ontario)) of the Company. The number of Common Shares which may be reserved for issuance under the Warrant Plan is limited to 1,500,000 Common Shares, provided that the Board has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company. The number of Common Shares subject to issuance under the Warrant Plan represent, in the aggregate, approximately 0.2% of the issued and outstanding Common Shares as at the date hereof. The maximum number of Common Shares which may be reserved for issuance to any one person under the Warrant Plan is 5% of the Common Shares outstanding at the time of the grant (calculated on a non-diluted basis). Any shares reserved for issuance pursuant to a Retailer/Sponsor Warrant granted under the Warrant Plan which for any reason are cancelled or terminated prior to exercise will be available for a subsequent grant under the Warrant Plan. Retailer/Sponsor Warrants granted under the Warrant Plan may be exercised during a period not exceeding five years, subject to earlier termination upon the termination of the warrantholders' retailer or sponsor agreement with the Company, or upon the warrant holder ceasing to be a Retailer or Sponsor of the Company or its affiliates or as otherwise specified in the applicable Warrant Agreement. All Retailer/Sponsor Warrants are non-transferable. The Warrant Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Common Shares, a merger or other relevant changes in the Company's capitalization. The Board of Directors may from time to time amend or revise the terms of the Warrant Plan or may terminate the Warrant Plan at any time. The Warrant Plan does not contain any provision for financial assistance by the Company in respect of Retailer/Sponsor Warrants granted under the Warrant Plan.

As of the date hereof, there were no Retailer/Sponsor Warrants granted or outstanding pursuant to the Warrant Plan.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the Company's shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interests of its shareholders and contribute to effective and efficient decision making. The Company believes that its corporate governance practices ensure that the business and affairs of the Company are effectively managed so as to enhance shareholder value.

Audit Committee

Pursuant to National Instrument 52-110 – Audit Committees (the "National Instrument") the Company is disclosing herewith information concerning the Audit Committee of the Board (the" Audit Committee") and its relationship with its independent auditor. As a venture issuer, the Company is relying upon the exemption in section 6.1 of the NI 52-110.

The Charter of the Audit Committee *is attached as Exhibit "C" hereto*.

Composition of the Audit Committee.

The current members, as of date hereof, are Marc B. Lavine (Chair of the Audit Committee), and Kelly E. Ambrose.

Until the resignation of William H. Polley effective December 31, 2019, the majority of the members of the Audit Committee were independent. Pending election of David Moscovitz at the Meeting the Audit Committee will function with its current members.

Each member of the Audit Committee is considered to be "financially literate" within the meaning of the National Instrument.

Mr. Lavine is considered to be "independent" within the meaning of the National Instrument. Mr. Ambrose is not considered to be "independent" by virtue of his position of President and Chief Executive Officer of the Company. Although relationships exist between the Company and Mr. Lavine, the Board is of the view that these relationships are not "material relationships" as defined under the National Instrument as they are not reasonably expected to interfere with the exercise of independent judgment by Mr. Lavine. Further, Mr. Lavine does not accept, directly or indirectly, any consulting, advisory or other compensatory fees from the Company or any subsidiary of the Company, other than as remuneration for acting as a member of the Board or any committee of the Board.

Relevant Education and Experience

Mr. Lavine holds an Honours degree in Business Administration from the Richard Ivey School of Business at the University of Western Ontario (1991) where he received the gold medal for top student in his class. He has no direct or indirect relationship with the Company aside from acting as a member of the Board since December 18, 2013.

Mr. Ambrose holds a Bachelor of Commerce from the University of Saskatchewan. Mr. Ambrose has been the President of the Company since October 19, 2005, Chief Operating Officer of the Company between October 19, 2005 and December 4, 2006, Chief Executive Officer of the Company since December 5, 2006, and Secretary since September 24, 2009.

Pre-Approval Policies and Procedures

In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice, tax planning or other non-audit services, such services must be pre-approved by the Audit Committee.

Auditors Service Fees

The following chart summarizes the aggregate fees billed by the external auditors of the Company for professional services rendered to the Company during the fiscal years ended June 30, 2019 and June 30, 2018, for audit and non-audit related services:

Type of Work	Year Ended June 30, 2019	Year Ended June 30, 2018
Audit fees (1)	$ 54,800	$ 88,100
Audit-related fees (2)	$ 1,200	$ 10,070
Tax advisory fees (3)	$ -	$ 1,855

All other fees	$ -	$ -
Total	$ 56,000	$ 100,025

Note:

(1) Aggregate fees billed for the Company's annual financial statements and services normally provided by the auditor in connection with the Company's statutory and regulatory filings.

(2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as "Audit Fees", including: assistance with aspects of tax accounting, attest services not required by state or regulation and consultation regarding financial accounting and reporting standards.

(3) Aggregate fees billed for tax compliance, tax advice and tax planning.

(1)

Disclosure of Corporate Governance Practices

The Company has reviewed its own corporate governance practices in light of the guidelines contained in National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58-201**"). The Company's practices comply generally with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore such guidelines have not been adopted. Set out below is a description of the Company's corporate governance practices as required by National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**").

Board of Directors

Pursuant to NI 58-101, a director is independent if the director has no direct or indirect relationship with the issuer which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Company. The Board is currently comprised of two (2) members, one (1) of whom the Board has determined are independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

Marc B. Lavine is considered an independent director.

Kelly E. Ambrose is not considered to be an independent director as Mr. Ambrose is the President and Chief Executive Officer of the Company.

Until the resignation of William H. Polley effective December 31, 2019, the majority of the directors of the Company were independent. Pending election of David Moscovitz at the Meeting the Board will function with its current members.

Until December 31, 2019 with a complement of three directors comprising a majority of independent directors the Board believed that it functioned independently of management. To enhance its ability to act independently of management, the Board met in the absence of members of management and the relevant directors or excused such persons from all or a portion of any meeting where a potential conflict of interest arose or where otherwise appropriate. In light of the suggestions contained in NP 58-201, the Board had convened meetings of independent directors, at which non-independent directors and

members of management were not in attendance, at least once annually and additionally, as may be deemed necessary. The Board was satisfied that it exercised its responsibilities for independent oversight of management. The ability to establish *ad hoc* committees comprised solely of independent directors provided the Board with the ability to meet independently of management whenever deemed necessary or appropriate and the chair of each such *ad hoc* committee provided the leadership for such committee.

Other Directorship

The following table sets out details of directorships held by each current director or nominee in other public issuers:

Name of Director	**Name of Issuer**
Marc B. Lavine	Exclamation Investments Incorporated
David Moscovitz	TVI Pacific Inc.

Orientation and Education

The Company does not currently have a formal orientation and education program for new Board members. New Board members receive an information package, tour the facilities and are provided with opportunities to interact with and request briefings from management in order to ensure that new directors are familiarized with the Company's business and the procedures of the Board.

Given the size of the Company and the in-depth experience of the current directors, there has been no formal continuing education program. Board members are entitled, at the Company's expense, to attend seminars that they determine necessary to keep themselves up-to-date with current issues relevant to their services as directors of the Company.

Ethical Business Conduct

The Company has implemented a corporate disclosure, confidentiality and insider trading policy to formalize the Company's policy regarding, among other things:

(a) disclosure of information in a timely, consistent and appropriate manner;
(b) the protection against, and prevention of, the improper use or disclosure of material and/or confidential information;
(c) the dissemination of material information in accordance with applicable legal requirements;
(d) the responsibilities of the Company's directors, officers and employees respecting the appropriate use and disclosure of material and/or confidential information;
(e) the process to be undertaken to determine whether or not information is material and when and how such information should be disclosed; and
(f) the establishment of procedures, guidelines and processes to be utilized to assist directors, officers and employees in complying with insider trading restrictions.

In circumstances where a director or executive officer has a material interest in a transaction or agreement which the Company is considering entering into, the individual is required to fully disclose his

or her interest therein, an *ad hoc* committee of disinterested directors is appointed to review the same to confirm, among other things, that such transaction or agreement, as applicable, is being entered into on arm's length commercially reasonable terms. Such committee has the right to obtain advice from the Company's counsel and other professional advisors and/or appoint independent counsel and/or advisors.

The Company has implemented a Code of Business Conduct and Ethics (the "**Code**"). A copy of the Code is available under the Company's profile on SEDAR at www.sedar.com.

The Code provides that the Company's employees, officers and directors are required to act with honesty and integrity and to avoid any relationships or activities that might create, or appear to create, a conflict between personal interests and the interests of the Company. The Company is committed to providing a healthy and safe workplace in compliance with applicable laws, rules and regulations. The Code affirms the Company's commitment to foster a work environment in which all individuals are treated with respect and dignity.

The Code provides a process by which actual or potential violations of its provisions are to be reported and confirms that there will not be any reprisals against an individual who does so in good faith.

The Code also includes provisions to deal with conflicts of interest. All of the Company's employees, officers and directors are expected to comply with the Code.

The Company also operates a Workplace Ethics Hotline with an independent third party.

A shareholder or other interested party may obtain a copy of the abovementioned policies by contacting the Secretary of the Company at Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

Nomination of Directors

The Board has established a Compensation and Governance Committee with a mandate to conduct appropriate review and selection processes for new nominees as directors. The Committee as of date hereof is comprised of two directors and of whom one is considered independent. The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

Compensation

The Board of Directors reviews and approves annually the compensation of the executive officers of the Company, taking into consideration the recommendations of the Compensation and Governance Committee and the remuneration practices of similar companies.

Until the resignation of William H. Polley effective December 31, 2019, the majority of the members of the Compensation and Governance Committee were independent directors. Pending election of David Moscovitz at the Meeting the Compensation and Governance Committee will function with its current members.

The responsibilities, powers and operations of the Compensation and Governance Committee are described in its Charter, which is set out as Exhibit "B" hereto.

The Board of Directors reviews on an annual basis the adequacy and form of compensation of directors to ensure that the compensation of the Board reflects the responsibilities and risks involved in being an effective director. Compensation currently consists of directors' fees. See "*Executive Compensation – Compensation of Directors*".

Board Committees

The Board currently has two (2) standing committees: the Audit Committee, the Compensation and Governance Committee.

The Audit Committee, whose Chairman, as of date hereof, is Marc B. Lavine, was until December 31, 2019 composed of three directors two of whom are independent. Upon William H. Polley resignation effective December 31, 2019 and as of date hereof the composition is two directors and Marc B. Lavine is independent. An independent director to fill the vacancy is proposed for election at the Meeting. The Board has approved, consistent with other venture issuers of similar stage and development, amendments to the charter of the Audit Committee that will allow the Audit Committee to consist of at least three members, the majority of whom shall be neither officers nor employees of the Company or any of its subsidiaries.

The Compensation and Governance Committee, whose Chairman, as of date hereof, is Marc Lavine was until December 31, 2019 composed of three directors two of whom are independent. Upon William H. Polley resignation effective December 31, 2019 and as of date hereof the composition is two directors and Marc B. Lavine is independent. An independent director to fill the vacancy is proposed for election at the Meeting. The Compensation and Governance Committee was established for the purpose of:

1. reviewing, and recommending to the Board for approval, the compensation of executive officers.
2. reviewing the Company's corporate governance practices in light of the guidelines contained in NP 58-201, to review the Company's disclosure and securities compliance policies, including, without limiting the foregoing, its communications policies, and to conduct an appropriate review and selection process for new nominees as directors.

Assessments

The Board may eventually institute a formal annual assessment process of the effectiveness and contribution of the Board as a whole, its committees and individual directors.

Until this time, based upon the Company's size, its current state of development and the number of individuals on the Board, the Board has not considered a formal process for assessing regularly the effectiveness and contribution of the Board, as a whole, its committees or individual directors to be necessary. In light of the fact that the Board and its committees meet on numerous occasions during each year, each director has significant opportunity to assess other directors. The Board plans to continue evaluating its own effectiveness and the effectiveness and contribution of its committees and individual directors on an ad hoc basis until the formal assessment process is implemented.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer or employee of the Company or its subsidiaries, or former director, executive officer or employee of the Company or its subsidiaries, or proposed nominee for election as a director of the Company, nor any associate of any such director, executive officer, employee or proposed nominee is, as at the date of this Information Circular, or has been, at any time since the beginning of the most recently completed fiscal year, indebted to: (i) the Company or any subsidiary of the Company; or (ii) another entity, for which such indebtedness is, or at any time since the beginning of the most recently

completed fiscal year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company purchases directors' and officers' liability insurance coverage in the amount of $0.5 million subject to a maximum $50,000 retention in certain circumstances. The Company also purchases employment practices liability insurance coverage in the amount of $100,000 subject to a maximum retention of $50,000. The annual total premium paid, by the Company, in respect of such insurance is $20,000. The insurance policy expires December 31, 2020.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in note 10, Related party transactions, to the audited consolidated financial statements for the fiscal year ended June 30, 2019, none of the informed persons of the Company, the proposed directors or any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed fiscal year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Company at any time since the beginning of its last completed fiscal year, no proposed director and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Information Circular.

MANAGEMENT CONTRACTS

There are no management functions of the Company or its subsidiaries which are to any substantial degree performed other than by the directors or executive officers of the Company or its subsidiaries.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ACCOMPANYING PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY**.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy represent management and directors of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON OR COMPANY, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT ON HIS BEHALF AT THE MEETING, OTHER THAN THE PERSONS OR COMPANY DESIGNATED IN THIS FORM OF**

PROXY. SUCH RIGHT MAY BE EXERCISED BY INSERTING THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED ON THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY. A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his or her duly executed form of proxy with the Company's transfer agent and registrar, AST Trust Company (Canada) using the provided envelope by mail to P.O. Box 721, Agincourt, ON, Canada, M1S 0A1, or by fax to 416-368-2502 / toll-free 1-866-781-3111, no later than 9.30 am (Toronto time) on Tuesday, December 22, 2020, where there is no adjournment or postponement of the Meeting.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of such Meeting or any adjournment thereof and thereupon the proxy is revoked.

A shareholder attending the Meeting in person or via conference call has the right to vote in person and, if a shareholder does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by the proxy shall be voted accordingly. **WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS, ISSUANCE OF COMMON SHARES OF THE COMPANY PURSUANT TO PROPOSED FINANCING TRANSACTION, AND THE SHARE CONSOLIDATION. THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE**. At the time of printing this Information Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

VOTING SECURITIES

The authorized capital of the Company consists of an unlimited number of Common Shares, 500,000 class A preference shares, an unlimited number of class B preference shares issuable in series, and 125,000 class C preference shares. At the date hereof, the Company has outstanding 878,948,414 Common Shares, 461,887 class A preference shares, and no class B preference and class C preference shares are outstanding. Each Common Share carries one vote.

Persons registered on the books of the Company at the close of business on November 13, 2020 (the "**Record Date**") are entitled to vote at the Meeting.

ADVICE TO NON-REGISTERED SHAREHOLDERS

Only registered holders of Common Shares or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary (an "**Intermediary**") with whom the Non-Registered Holder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs) and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators* ("**NI 54-101**"), the Company has elected to deliver this management information circular to shareholders by (i) distributing a notification of meeting along with the form of proxy to the clearing agencies and intermediaries (the "**Mailed Materials**") for distribution to Non-Registered Shareholders; and (ii) posting this management information circular on the website www.meetingdocuments.com/astca/ADX. See below section "Notice and Access" for further information. The Company does not intend to pay for Intermediaries to forward to objecting beneficial owners under NI 54-101 the Mailed Materials and Form 54-101F7 – Request for Voting Instructions Made by Intermediary, and that in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the Mailed Materials unless the objecting beneficial owner's intermediary assumes the cost of delivery.

Applicable regulatory law and policy requires Intermediaries and clearing agencies to seek voting instructions from Non-Registered Holders. Without specific instructions from Non-Registered Holders, Intermediaries and clearing agencies are prohibited from voting the shares of the Non-Registered Holders. Accordingly, Intermediaries and clearing agencies are required to forward the Meeting Materials to Non-Registered Holders. Non-Registered Holders will be given, in substitution for the standard proxy otherwise contained in proxy-related materials, a request for voting instructions (the "**voting instructions form**") which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow or less frequently a partially completed proxy.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the voting instructions form and a form of legal proxy will be sent to the Non-Registered Holder. Should a Non-Registered Holder who receives the partially completed proxy wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert their (or such other person's) name in the blank space provided and return the partially completed proxy in accordance with the instructions contained therein.

In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the voting instructions form or partially completed proxy.

NOTICE AND ACCESS

In 2012, the Canadian Securities Administrators announced the adoption of regulatory amendments to securities laws governing the delivery of proxy-related materials by public companies. As a result, public companies are now permitted to advise their shareholders of the availability of this management information circular on an easily-accessible website, rather than mailing physical copies.

The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's carbon footprint and the Company's printing costs. The Company therefore decided to deliver this management information circular to shareholders by posting it on the website www.meetingdocuments.com/astca/ADX. This information circular will also be available on SEDAR at www.sedar.com. All shareholders will also receive a notice document which will contain information on how to obtain electronic and paper copies of this management information circular in advance of the Meeting.

Shareholders who wish to receive paper copies of the management information circular may request copies by calling toll-free at 1-888-433-6443 or by emailing fulfilment@astfinancial.com.

Requests for paper copies must be received prior to December 8, 2020 in order to receive this management information circular in advance of the proxy deposit date and Meeting. This management information circular will be sent to such shareholders within three business days of their requests. Those shareholders with existing instructions on their account to receive a paper copy of meeting materials will receive a paper copy of this management information circular.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company:

1. there is one principal shareholder who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to any class of issued and outstanding voting securities of the Company.

   Generation PMCA Corp and Generation IACP Inc. (together "Generation") [formerly Trapeze Capital Corp. and Trapeze Asset Management Inc.] is the principal shareholder of the Company by virtue of their holding as of May 14, 2020 approximately 37% of the issued and outstanding common shares of the Company; and

2. Kelly E. Ambrose as of date hereof has 95,523,818 common shares of the Company (see tabulation under section Election of Directors in this document), representing 10.9% of the Company's issued and outstanding common shares.

ADDITIONAL INFORMATION

Additional information relating to the Company is available electronically at www.sedar.com. Financial information is provided in the Company's comparative audited financial statements and management's discussion and analysis for its most recently completed fiscal year. To obtain, free of charge, copies of the Company's financial statements, related management's discussion and analysis, and any other document incorporated by reference to these Meeting Materials please contact:

Mukesh Sabharwal
Vice President and Chief Financial Officer
Advantex Marketing International Inc.
600 Alden Road, Suite 606
Markham, Ontario, L3R 0E7.

GENERAL

Except where otherwise indicated, information contained herein is given as of November 13, 2020. All references to "$" are to Canadian dollars.

CERTIFICATE

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Company.

DATED this 13th day of November, 2020.

/s/ "Kelly E. Ambrose"

Kelly E. Ambrose
President & Chief Executive Officer

ADVANTEX

EXHIBIT "A"

CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

The board of directors (the "**Board of Directors**") of Advantex Marketing International Inc. (the "**Corporation**") is responsible for the general supervision of the activities and management of the affairs of the Corporation and for acting in the best interests of the shareholders of the Corporation (the "**Shareholders**"). The Board of Directors will discharge its responsibilities directly and through its committees, currently consisting of the Audit Committee and the Compensation and Governance Committee.

The Board of Directors will seek to comply with *National Policy 58-201 - Corporate Governance Guidelines*, and will adopt governance 'best practices' as appropriate in the interests of ensuring the effective execution of the Board of Directors' overall stewardship role and the contribution the directors make, individually and collectively, to the long-term success of the Corporation. The Board of Directors will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter.

II. COMPOSITION

The Board of Directors shall consist of a minimum of three and a maximum of fifteen directors, a majority of whom shall be Independent Directors (as defined below) and a majority of whom shall be residents of Canada. Pursuant to *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, a director is considered to be an "**Independent Director**" if he or she has no direct or indirect "material relationship" with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Notwithstanding the foregoing, a director shall be considered to have a "material relationship" with the Corporation (and therefore shall be considered a "**Non-Independent Director**") if he or she falls in one of the categories listed in Charter Schedule "A" attached hereto.

The Board of Directors shall meet at least quarterly and as frequently as circumstances require.

Meetings of the Board of Directors (including any adjournments thereof) shall be called and held in accordance with the Corporation's By-laws and applicable law.

A schedule of regular meetings of the Board of Directors and its committees shall be circulated to each director and agreed upon by the Board of Directors prior to the commencement of a calendar year. Confirmation of the date, time and location of regular meetings will be sent to directors approximately one week in advance of regularly scheduled meetings. All meetings must be called on at least two days' notice (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) before the meeting is to take place. Special meetings may be called with 24 hours' notice.

A quorum at any meeting of the Board of Directors or its committees shall be two-fifths of the directors or members, as the case may be.

Independent Directors may serve on the Board of Directors for a period determined by the Compensation and Governance Committee from time to time. However, each director will be elected for a term of one year and may stand for re-election at the end of each term. The Compensation and Governance Committee shall be responsible for reviewing the candidacy of each nominee on an annual basis and confirming that each of the nominees meets the Corporation's expectations outlined in the Position Description for Directors and in this Charter.

III. RESPONSIBILITIES AND DUTIES

The mandate of the Board of Directors is the stewardship of the Corporation. To fulfill its responsibilities and duties, the Board of Directors shall:

1. Review, assess and update this Charter at least annually, as conditions dictate.

2. Adopt corporate governance policies and practices as recommended, from time to time, by the Compensation and Governance Committee, as appropriate.

3. Assign to the various committees of the Board of Directors the general responsibility for developing the Corporation's approach to: (i) the nomination of the directors; (ii) the enhancement of governance; (iii) matters relating to compensation of the members of the Board of Directors; (iv) matters relating to compensation of the officers and executive officers of the Corporation; and (v) matters relating to financial reporting and internal controls.

4. Satisfy itself, to the extent feasible:

    a. as to the integrity of the officers of the Corporation and of the Chief Executive Officer of the Corporation; and

    b. that the officers of the Corporation and the Chief Executive Officer of the Corporation create a culture of integrity throughout the organization.

5. With the assistance of the Compensation and Governance Committee:

    a. review the composition of the Board of Directors and ensure it reflects the independence criteria;

    b. assess, at least annually, the effectiveness of the Board of Directors, the committees of the Board of Directors and the contribution of individual directors, including, consideration of the appropriate number of the directors;

c. ensure that an appropriate review and selection process for new nominees as directors is in place;

d. ensure that an appropriate orientation and education program for new directors is in place; and

e. adopt disclosure and securities compliance policies, including, without limiting the foregoing, communications policies of the Corporation.

6. With the assistance of the Compensation and Governance Committee:

   review the adequacy and form of each Director's compensation to ensure it is adequate and competitive and that it realistically reflects the responsibilities and risks involved in being a director of the Corporation.

7. With the assistance of the Audit Committee:

   a. ensure the integrity of the Corporation's internal controls and management information systems;

   b. ensure the Corporation's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Corporation's own governing documents;

   c. identify the principal risks of the Corporation's business and ensure that appropriate systems are in place to manage these risks;

   d. review and approve significant operational and financial matters and provide direction to management on these matters; and

   e. approve the quarterly and annual financial statements and related management's discussion and analysis.

8. Adopt a strategic planning process and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the business opportunities and business risks and monitor the performance of the Corporation against the strategic plan.

9. Monitor and review feedback provided by the Corporation's various stakeholders.

10. Review major decisions which require the approval of the Board of Directors, including (without limitation), with respect to raising additional capital and issuing additional securities of the Corporation, and approve such decisions as they arise.

11. Perform such other functions as prescribed by law or assigned to the Board of Directors in the By-laws of the Corporation.

12. Approve, on at least an annual basis, the strategic plan of the Corporation that takes into account, among other things, business opportunities and business risks identified by the management of the Corporation, the directors and/or the Audit Committee and monitoring performance against such plan.

13. Approve the annual budget, including a marketing plan and a business plan, of the Corporation.

14. Review with the management of the Corporation, and approve, all material transactions and agreements to be entered into by the Corporation outside of the ordinary course of the business of the Corporation and all fundamental changes to the business of the Corporation.

15. Remove and replace members of, and fill vacancies on, the management of the Corporation and add members to the management (including training and monitoring senior management).

16. Develop written position descriptions for the Chair of the Board of Directors (the "**Chair**") and the chair of each committee of the Board of Directors.

17. Develop, together with the Chief Executive Officer, a written position description for the Chief Executive Officer.

18. Develop and approve the goals and objectives that the Chief Executive Officer is responsible for meeting.

The foregoing list is not exhaustive. The Board of Directors may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Each director shall forward all questions, comments and/or concerns regarding the business and affairs of the Corporation to the Board of Directors through the Chair. However, the chair of the Audit Committee shall be entitled and encouraged to speak directly with the Chief Financial Officer regarding all financial matters.

The Compensation and Governance Committee shall review the attendance of directors each year as part of the nomination process for the election of directors. Commencing July 1, 2008 directors are expected to attend and participate in at least 75% of the regularly scheduled meetings of the Board of Directors and each of its committees to which he or she is assigned, and at least 25% of such regularly scheduled meetings shall be attended in person, subject to the discretion of the Board of Directors. Any director who fails to meet such expectations shall tender a written resignation as a director to the Chair for acceptance or rejection by the Board of Directors.

IV. DIRECTORS' REMUNERATION

The remuneration of directors shall be reviewed on an annual basis by the Compensation Committee to ensure that directors are adequately and competitively compensated.

V. ORIENTATION OF NEW DIRECTORS

The Corporation shall provide an orientation program for new members of the Board of Directors. Each new director will be provided with a range of written materials, including those that outline the organization of the Board of Directors and its committees, position descriptions and this Charter, as well as be introduced to the members of management of the Corporation.

VI. CONTINUING EDUCATION FOR DIRECTORS

The Corporation shall provide ongoing business and director education sessions for members of the Board of Directors. Individual directors shall also be encouraged to participate in outside professional development programs approved by the Chair.

Schedule "A"
Meaning of "material relationship"

The following individuals are considered to have a "material relationship" with the Corporation:

a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

c) an individual who:

   A. is a partner of a firm that is the Corporation's internal or external auditor,

   B. is an employee of that firm, or

   C. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

   A. is a partner of a firm that is the Corporation's internal or external auditor,

   B. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

   C. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "material relationship" exists according to the above criteria, the term "Corporation" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the "Corporation" therein includes any subsidiary entity or the parent, if any, of Advantex Marketing International Inc.

For purpose of paragraphs (c) and (d) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (f) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (a) to (f) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" **-** (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

ADVANTEX

EXHIBIT "B"

CHARTER OF THE COMPENSATION AND GOVERNANCE COMMITTEE

I. PURPOSE

The compensation and governance committee (the "**Corporate Compensation and Governance Committee**") is a committee of the board of directors (the "**Board of Directors**") of Advantex Marketing International Inc. (the "**Corporation**"). The primary function of the Corporate Compensation and Governance Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the

1. fulfilling its responsibilities relating to the compensation of the members of the Board of Directors and its committees by:

2. enhancement of the Corporation's corporate governance practices and the nomination of directors by:

1. reviewing and recommending to the Board of Directors the compensation of the members of the Board of Directors including annual retainer, meeting fees, option grants and other benefits conferred upon the members of the Board of Directors;

2. dealing with the administration of the Corporation's compensation plans, including stock option plans, long term incentive plans, and such other compensation plans or structures as are adopted by the Corporation from time-to-time; and

3. establishing and periodically reviewing the Corporation's policies in the area of management benefits and perquisites.

4. The Compensation Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this Charter. The primary function of the Compensation Committee is to assist the Board of Directors in fulfilling its legal and fiduciary obligations and responsibilities.

5. developing and maintaining a review and selection process for new nominees as directors and proposing to the Board of Directors nominees for the election of directors at each annual meeting of shareholders of the Corporation (the "**Shareholders**");

6. developing and maintaining an orientation and education program for new directors and assisting in the orientation and education of new directors;

7. assessing the composition and effectiveness of the Board of Directors as a whole as well as discussing the contribution of individual members; and

8. developing the Corporation's corporate governance policies and practices and assessing and ensuring compliance with the Corporation's approach to corporate governance issues.

The Corporate Compensation and Governance Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this Charter. The primary function of the Compensation and Governance Committee is to assist the Board of Directors in fulfilling its legal and fiduciary obligations and responsibilities.

II. COMPOSITION AND MEETINGS

The Compensation and Governance Committee shall be comprised of such number of directors (but at least two) as determined by the Board of Directors, the majority of whom shall be Independent Directors (as defined below), but where there are only two (2) members, all shall be Independent Directors. Pursuant to *National Instrument 58-101 – Disclosure of Corporate Governance Practices* ("**NI 58-101**"), a director is considered to be an "**Independent Director**" if he or she has no direct or indirect "material relationship" with the Corporation, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a Director's independent judgment. Notwithstanding the foregoing, a director shall be considered to have a "material relationship" with the Corporation (and therefore shall be considered a "**Non-Independent Director**") if he or she falls in one of the categories listed in Schedule "A" attached hereto. Each member will have, to the satisfaction of the Board of Directors, sufficient skills and/or experience which are relevant and will be of contribution to the carrying out of the mandate of the Corporate Compensation and Committee.

The members of the Compensation and Governance Committee shall be appointed by the Board of Directors at the annual organizational meeting of the Board of Directors or until their successors are duly appointed and qualified. The Board of Directors may remove a member of the Corporate Compensation and Governance Committee at any time in its sole discretion by resolution of the Board of Directors. Unless a Chair is elected by the Board of Directors, the members of the Corporate Compensation and Governance Committee may designate a Chair by majority vote of the full membership of the Corporate Compensation and Governance Committee.

The Corporate Compensation and Governance Committee shall meet at least twice per annum and more frequently as circumstances require. The Corporate Compensation and Governance Committee may ask members of management or others to attend meetings or to provide information as necessary. In addition, the Corporate Compensation and Governance Committee or, at a minimum, the Chair of the Committee may meet with the Corporation's external counsel to discuss the Corporation's governance policies and practices. The Corporate Compensation and Governance Committee may retain the services of outside specialists to the extent required.

Quorum for the transaction of business at any meeting of the Corporate Compensation and Governance Committee shall be the presence in person or by telephone or other communication equipment of a majority of the number of members of the Corporate Compensation and Governance

Committee or such greater number as the Corporate Compensation and Governance Committee shall by resolution determine.

If within one hour of the time appointed for a meeting of the Corporate Compensation and Governance Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting shall consist of the members then present.

If and whenever a vacancy shall exist, the remaining members of the Corporate Compensation and Governance Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Corporate Compensation and Governance Committee shall be held from time to time and at such place as the Corporate Compensation and Governance Committee or the Chairman of the Corporate Compensation and Governance Committee shall determine, within or outside of Ontario, upon not less than two days (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) prior notice to each of the members. Meetings of the Corporate Compensation and Governance Committee may be held without such prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chair of the Corporate Compensation and Governance Committee, any member of the Corporate Compensation and Governance Committee or the Chair of the Board of Directors shall be entitled to request that the Chair of the Corporate Compensation and Governance Committee call a meeting. A notice of a meeting of the Corporate Compensation and Governance Committee must be given in accordance with the By-laws of the Corporation and applicable law.

The Corporate Compensation and Governance Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Corporate Compensation and Governance Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Corporate Compensation and Governance Committee will require the vote of a majority of its members present at a meeting at which a quorum is present. Actions of the Corporate Compensation and Governance Committee may be taken by an instrument or instruments in writing signed by all of the members of the Corporate Compensation and Governance Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Corporate Compensation and Governance Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. AUTHORITY OF THE CORPORATE COMPENSATION AND GOVERNANCE COMMITTEE

The Corporate Compensation and Governance Committee has the authority to engage and compensate any outside advisors that it determines to be necessary to permit it to carry out its duties.

The Corporate Compensation and Governance Committee also has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Corporate Compensation and Governance Committee may request any director or member of management of the Corporation, outside counsel of the Corporation or others, to attend a meeting of the Corporate Compensation and Governance Committee or to meet with members of, or advisors to, the Corporate Compensation and Governance Committee and to provide pertinent information as necessary.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Corporate Compensation and Governance Committee shall:

General Responsibilities

1. Review and assess this Charter at least annually, as conditions dictate, and submit any proposed revisions to the Board of Directors for approval.

2. Create an agenda for the ensuing fiscal year.

3. Report periodically to the Board of Directors.

Nominating Responsibilities

4. Establish competencies and skills that the Board of Directors should possess, recognizing that the particular competencies and skills required for the Corporation may not be the same as those required for other issuers in similar industries.

5. Assess competencies and skills of each of the existing directors as well as of the Board of Directors recognizing the personality and other qualities of each director.

6. Consider the appropriate size of the Board of Directors with a view to facilitating effective decision-making.

7. Establish procedures for identifying possible nominees who meet these criteria (and who are likely to bring the competencies and skills the Corporation needs as a whole).

8. Establish an appropriate review selection process for new nominees for election as directors.

9. Establish, approve and maintain appropriate orientation and education programs and procedures for new directors, as well as encourage and support directors participating in external professional development programs approved by the Chair of the Committee.

10. Analyze the needs of the Corporation when vacancies arise and identify and recommend nominees

who meet the needs of the Corporation for election as directors at annual meetings of Shareholders.

11. Establish procedures for filling in vacancies among the directors.

Corporate Governance Responsibilities

12. Ensure that there is an appropriate number of Independent Directors.

13. Facilitate the independent functioning and maintain an effective relationship between the Board of Directors and management of the Corporation.

14. Assess the effectiveness of the Chair's agenda.

15. Annually review performance and qualification of existing directors in connection with their re-election.

16. Assess, at least annually, the composition and effectiveness of the Board of Directors as a whole, committees of the Board of Directors and the contribution of individual directors, including making recommendations where appropriate that sitting directors be removed or not re-appointed.

17. Keep up to date with regulatory requirements and other new developments in governance and develop and review the quality of the Corporation's governance policies and practices and suggest changes to the Corporation's governance policies and practices as determined appropriate by the Board of Directors.

18. Consider annually the appropriateness of the number of directors.

19. Ensure that disclosure and securities compliance policies, including communications policies, are in place and that such policies are reviewed annually.

20. Describe in each management information circular of the Corporation in which management solicits proxies for the purposes of electing directors to the Board of Directors, the disclosure required under Part 2 of NI 58-101.

The foregoing list is not exhaustive. The Compensation and Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Compensation Responsibilities

21. Review and recommend to the Board of Directors the compensation of the members of the Board of Directors including annual retainer, meeting fees, option grants and other benefits conferred upon the members of the Board of Directors.

22. Review and recommend to the Board of Directors the compensation of the officers and executive officers of the Corporation, including option grants and other benefits conferred upon such officers of the Corporation.

23. Review compensation disclosure relating to the Board of Directors and the executive compensation relating to the management of the Corporation before the Corporation publicly discloses this

information.

24. Describe in each management information circular of the Corporation in which management solicits proxies for the purposes of electing directors to the Board of Directors, the disclosure required in Form 51-102 F6.

The foregoing list is not exhaustive. The Compensation and Governance Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Schedule "A"
Meaning of "material relationship"

The following individuals are considered to have a "material relationship" with the Corporation:

1. an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

2. an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

3. an individual who:

    a. is a partner of a firm that is the Corporation's internal or external auditor,

    b. is an employee of that firm, or

    c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

4. an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

    a. is a partner of a firm that is the Corporation's internal or external auditor,

    b. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

    c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

5. an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

6. an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "material relationship" exists according to the above criteria, the term "Corporation" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the "Corporation" therein includes any subsidiary entity or the parent, if any, of the Corporation.

For purpose of paragraphs (3) and (4) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (6) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (1) to (6) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" **-** (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

ADVANTEX

EXHIBIT "C"

CHARTER OF THE AUDIT COMMITTEE

1. PURPOSE

1.1 The primary function of the Audit Committee of the Board of Directors is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

(a) the financial information that will be provided to the shareholders of the Company and others;

(b) the systems of internal controls, established by management of the Company and the Board; and

(c) all audit processes of the Company.

1.2 Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Company is vested in management of the Company and is overseen by the Board.

II. COMPOSITION AND OPERATIONS

Composition

2.1 The Audit Committee will consist of at least three members, the majority of whom are neither officers nor employees of the Company or any of its affiliates, and the majority of whom, as determined by the Board guided by applicable statutory or regulatory definitions, are "independent" and "financially literate". In the absence of such determination, as those terms are defined, as follows, based on the provisions of National Instrument 52-110 – Audit Committees as adopted by the Canadian Securities Administrators, as such Instrument is revised or replaced from time to time:

"financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

"independent" means having no direct or indirect material relationship (as defined in Schedule "A") with the Company.

2.2 Each member of the Audit Committee shall serve during the pleasure of the Board and, in any event, only so long as he or she shall meet the qualifications set out in Section 2.1.

2.3 One of the members of the Audit Committee shall be elected as its chairman by the Audit Committee or the Board of Directors of the Company.

Operation – General

2.4 The Company's auditors shall be advised of the names of the Audit Committee members from time to time.

2.5 The Audit Committee shall meet with the Company's external auditors as it deems appropriate to consider any matter that the Audit Committee or the external auditors determine should be brought to the attention of the Board or the shareholders of the Company.

2.6 The Audit Committee shall have access to the Company's senior management and any documentation as required to fulfill its duties and responsibilities and shall be provided with the resources necessary to carry out its duties and responsibilities.

2.7 The Audit Committee shall provide open avenues of communication among management, employees, and external and to the extent applicable, internal auditors of the Board of the Company.

2.8 The secretary to the Audit Committee shall be either the Secretary or his or her delegate.

2.9 The Board may fill vacancies in the Audit Committee by election from among the directors of the Company. If and whenever a vacancy shall exist in the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

2.10 The Company's external auditor will report directly to the Audit Committee and the Audit Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.

2.11 The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services referred to in Section 3.3 (g) provided that the pre-approval of non-audit services is presented to the Audit Committee at its first scheduled meeting following such pre-approval.

2.12 For the purposes of performing their duties, the members of the Audit Committee shall have the right, at all reasonable times, to inspect the books and financial records of the Company and its affiliates and to discuss with management such accounts, records and matters relating to the financial statements of the Company.

2.13 The Audit Committee may invite such officers, directors and employees of the Company as it may see fit, from time to time, to attend at meetings of the Audit Committee.

2.14 The Audit Committee has the authority to engage and compensate any outside advisors, including independent counsel, that it determines to be necessary to permit it to carry out its duties.

Operation – Meeting

2.15 The Company's auditors shall receive notice of and be invited to attend at the expense of the Company every meeting of the Audit Committee and to be heard at those meetings, or, if requested by a member of the Audit Committee, the auditor shall attend every meeting of the Audit Committee during the term of the officer of the auditors.

2.16 The Audit Committee shall meet at least four times each year in advance of approving the Company's interim or annual financial statements, as applicable.

2.17 A quorum for the transaction of business of the Audit Committee shall consist of two members of the Audit Committee.

2.18 The time and place for meetings of the Audit Committee shall be held, and procedures at such meetings shall be determined, from time to time, by the Audit Committee. The Secretary of the Company shall, upon the request of the Audit Committee Chairman, any member of the Audit Committee, the external auditors of the Company, the President and Chief Executive Officer of the Company or the Chief Financial Officer of the Company, call a meeting of the Audit Committee by letter, telephone, facsimile, telegram or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

2.19 Any matters to be determined by the Audit Committee shall be decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose or by an instrument or instruments in writing signed by all of the members of the Audit Committee.

2.20 Any member of the Audit Committee may participate in the meeting of the Audit Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

2.21 The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board.

2.22 The Audit Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Audit Committee will perform the following duties.

3.1 Financial Statements and Other Financial Information

The Audit Committee will review and recommend for approval to the board financial information that will be made publicly available. Without limiting the generality of the foregoing, the Audit Committee will:

(a) review and recommend to the Board for approval the Company's annual financial statements and the corresponding Management Discussion and Analysis ("MD&A") and report to the Board before such financial statements and corresponding MD&A are approved by the Board;

(b) review and approve for release the Company's interim financial statements and the corresponding interim MD&A;

(c) review and approve for release all annual and interim profit or loss press releases;

(d) review and recommend to the Board for approval, the financial content of the annual report and any reports required by applicable governmental or regulatory authorities;

(e) review, to the extent applicable, the Company's annual information form and any prospectus, information circulars or offering memorandum and any other similar public disclosure documents of the Company;

(f) review any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results of the Company) for consistency of disclosure with the financial statements themselves;

(g) review and discuss the appropriateness of accounting policies and financial reporting practices used by the Company and the financial impact thereof;

(h) review any major areas of management judgment and estimates that have a significant effect upon the financial statements;

(i) review and discuss any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company;

(j) review and discus any new or pending developments in accounting and reporting standards that may affect the Company;

(k) review and discuss management's key estimates and judgments that may be material to financial reporting of the Company; and

(l) review and discuss with management all significant variances between comparative reporting periods and any financial statements of the Company, including variances in forecasted financial information from actual results which may have been included been in any public documents of the Company.

As well, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from its financial statements, other than the disclosure referred to above, and to periodically assess the adequacy of such procedures

3.2 Risk Management, Internal Control and Information Systems

The Audit Committee will review and obtain reasonable assurance that the risk management, internal controls, information systems and financial reporting procedures of the Company are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

(a) review of the Company's risk management controls and policies;

(b) obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designated and effectively implemented through discussions with and reports from management, to the extent applicable, the internal auditor and the external auditor of the Company;

(c) review of management steps to implement and maintain appropriate internal control procedures including a review of policies;

(d) review of the adequacy of security of information, information systems and recovery plans;

(e) monitoring compliance with applicable statutory and regulatory obligations;

(f) review of the appointment of the Chief Financial Officer;

(g) review of the adequacy of accounting and finance resources;

(h) establish procedures to receive, retain and respond to complaints regarding accounting, internal controls and auditing and financial matters; and

(i) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

3.3 External Audit

The Audit Committee will oversee the work of the Company's external auditor and review the planning and results of external audit activities and the ongoing relationship with the external auditor of the Company. This includes:

(a) review and recommend to the board, for shareholder approval, engagement and compensation of the external auditor. If a change in external auditor is proposed, the Audit Committee shall enquire as to the reasons for the change, including the response of the incumbent auditor, and enquire as to the qualifications of the newly proposed auditor before making its recommendation to the Board;

(b) review the annual external audit plan, including but not limited to the following:

(i) engagement letter;

(ii) objectives and scope of the external audit work;

(iii) procedures for quarterly review of financial statements;

(iv) materiality limitations;

(v) areas of audit risk;

(vi) staffing;

(vii) timetable; and

(viii) proposed fees,

and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal controls;

(c) meet with the external auditor to discuss the Company's quarterly and annual financial statements and the auditor's report, including the appropriateness of accounting policies, the quality of accounting principles and underlying estimates;

(d) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

(i) any difficulties encountered, or restrictions imposed, by management, during the annual audit;

(ii) any significant accounting or financial reporting issue;

(iii) the auditor's evaluation of the Company's system of internal controls, procedures and documentation;

(iv) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;

(v) any other matters the external auditor brings to the Audit Committee's attention; and

(vi) assess the performance and consider the annual appointment of external auditors for recommendation to the Board.

(e) review the auditor's report on all material subsidiaries;

(f) review and receive assurances on the independence of the external auditors;

(g) except to the extent delegated under Section 2.11, review and approve the non-audit services to be provided by the external auditor or its affiliates (including estimated fees), and consider the impact on the independence of the external audit;

(h) meet periodically, and at least annually, with the external auditor without management present and ensure that the external auditor is accountable to the Board and the Audit Committee as representatives of the shareholders of the Company; and

(i) oversee the resolution of any disagreement between management and the external auditor regarding financial reporting.

3.4 Other

The Audit Committee will also:

(a) review insurance coverage of significant business risks and uncertainties;

(b) review with management, the external auditors and if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material adverse effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements;

(c) review policies and procedures for the review and approval of officers' expenses and perquisites;

(d) review the terms of the Audit Committee's Charter annually and make recommendations to the Board as required;

(e) approve the basis and amount of the external auditor's fees in light of the number and nature of reports issued by the auditor, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of support provided by the Company to the external auditor and approve all other non-audit fees of the auditor and other accounting firms;

(f) review and approve a corporate code of ethics for senior financial personnel and evaluate the effectiveness of such code on a periodic basis;

(g) approve the Company's hiring policies regarding partners employees and former partners and employees of the present and former external auditor of the Company; and

(h) conducting regular reviews, assessments and discussions with management and the Company's external auditor relating to, among other things, financial matters, internal controls, risk management matters, and the procedures in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements.

3.5 Accountability

The Audit Committee shall report its discussions to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting.

3.6 Amendments

The Board of Directors may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

Schedule "A" meaning of "material relationship"
Meaning of "material relationship"

The following individuals are considered to have a "material relationship" with the Corporation:

1) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

2) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

3) an individual who:

a. is a partner of a firm that is the Corporation's internal or external auditor,

b. is an employee of that firm, or

c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

4) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

a. is a partner of a firm that is the Corporation's internal or external auditor,

b. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

c. was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

5) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

6) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

For the purposes of determining whether a "material relationship" exists according to the above criteria, the term "Corporation" shall include each subsidiary entity and the parent, if any, of Advantex Marketing International Inc.

Notwithstanding any of the foregoing criteria being met, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraphs (a) to (f) above by virtue of the fact that the reference to the "Corporation" therein includes any subsidiary entity or the parent, if any, of the Corporation.

For purpose of paragraphs (3) and (4) above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purpose of paragraph (6) above, direct compensation does not include:

(i) remuneration for acting as a member of the Board of Directors or of any committee of the Board of Directors, and

(ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Despite paragraphs (1) to (6) above, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member

(i) has previously acted as an interim chief executive officer of the Corporation, or

(ii) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any committee of the Board of Directors on a part-time basis.

Related Definitions

"**executive officer**" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity.

"**officer**" - (a) a chair or vice-chair of the board of directors, a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a general manager, (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

"**person**" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.