



ADVANTEX

Letter to Shareholders for the fiscal year ended June 30, 2025

Dear Shareholders,

Fiscal 2025 was a year of steady progress and strategic advancement for Advantex Marketing International Inc. (“Advantex” or the “Company”). We entered the year focused on building on our recovery momentum from Fiscal 2024, and we closed it with measurable gains in revenue, profitability, and long-term funding capacity.

Our **total revenues grew 33% to \$4.24 million**, driven by strong contributions from both the Merchant Cash Advance (“MCA”) and Aeroplan programs. The MCA portfolio reached **\$7.9 million in transaction credits**, supported by expansion into broker-driven originations. Meanwhile, **Aeroplan revenues more than doubled**, reflecting a resurgence in consumer engagement and merchant participation. Together, these gains demonstrate the strength and balance of our dual-program model.

Equally important, **gross margins improved across both business lines**, to 93% for the MCA program and 45% for the Aeroplan program, marking a return to normalized credit performance after the one-time delinquencies experienced last year. **EBITDA increased to \$1.31 million**, a 156% improvement. This progress was achieved while maintaining a disciplined approach to cost control. **General and Administrative expenses** increased modestly by \$0.11 million to \$1.22 million as the Company scaled operations to meet higher volumes, demonstrating continued efficiency in managing overhead.

The year also underscored the ongoing support from our financing partners. Our **9% debenture holders** again provided flexibility through interest deferrals and covenant resets, while our **primary lending partner** renewed our credit facility for another year, recognizing our strengthened position.

Perhaps the most important development came shortly after year-end, when the Company secured a **receivables funding arrangement with a new funding partner**. This agreement provides access to up to **\$20 million** in MCA origination capacity, which is a transformative step toward sustainable growth and capital diversification. This structure allows us to scale without shareholder dilution and marks an important evolution in our business model.

As we enter Fiscal 2026, our priorities are clear:

- Expand MCA origination through both direct and broker channels;
- Deepen our Aeroplan merchant relationships;
- Leverage the new funding platform to scale efficiently; and
- Maintain disciplined risk and cost management.

The Company has come a long way since the pandemic, rebuilding its foundation and positioning for sustainable expansion. Our achievements this year are a direct reflection of the resilience, commitment, and professionalism of our employees and partners.

Thank you for your continued confidence and support.

Sincerely,

(Signed) - “Kelly E. Ambrose”

Kelly E. Ambrose
President and CEO
October 28, 2025



ADVANTEX

This letter to shareholders contains “forward-looking statements” within the meaning of applicable securities laws relating to the future business and operations of Advantex. Actual results and developments may differ materially from those contemplated by these statements. The business and operations of Advantex described herein is dependent on a number of factors and is subject to a number of risks and uncertainties. Factors that could cause actual results to differ material include, but are not limited to, changes in Advantex’s economic and competitive conditions including but not limited to the industry sectors in which Advantex operates. The statements in this letter to shareholders are made as of the date of this release. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and Advantex undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.



ADVANTEX® MARKETING INTERNATIONAL INC.
Management's Discussion and Analysis of Operating Results
For the fiscal years ended June 30, 2025 and 2024

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, 2025. 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, 2025, compared to the twelve months ended June 30, 2024. 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, 2025, 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 8 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.

The key events of Fiscal 2025 and Fiscal 2024 and their outcomes on the financial performance are discussed in this Section.

Capital raise

In Fiscal 2024, the company issued \$300,000 12% non-convertible debentures payable (“12% debentures”) (additional detail in Section 12% Non-Convertible Debentures Payable) to the same party at arm’s length relationship to the company. The net proceeds were used to stabilize the company’s financial position, fund re-build of its MCA business and for general corporate purposes.

In Fiscal 2025, no capital infusion was needed as the company’s financial position stabilized and the MCA business was re-built.

The re-build of the MCA program is evident in the MCA program revenues, and the transaction credits. This is illustrated in the tabulation.

	Fiscal 2025	Fiscal 2024	Fiscal 2023
	\$	\$	\$
Revenues	\$ 2,305,257	\$ 2,311,787	\$ 1,440,458
Transaction credits net of provision for delinquent accounts	\$ 7,873,292	\$ 5,097,478	\$ 5,641,940

Support of shareholders and holders of 9% 2025 debentures

In Fiscal 2024, holders of 9% 2025 debentures continued their support by agreeing in September 2023 to defer interest payments falling due in September 2023 and reset of certain financial covenants in December 2023. In March 2024, the company received agreement from the debenture holders to defer interest payments falling due in March 2024, and re-set of certain financial covenants in June 2024 (additional detail in Section 9% Non-Convertible Debentures Payable).

In Fiscal 2025, holders of 9% 2025 debentures continued their support by agreeing in June 2024 to defer interest payments falling due in September 2024 and reset of certain financial covenants in September 2024. In December 2024, the company received agreement from the debenture holders to defer interest payments falling due in March 2025 and reset of certain financial covenants in December 2024 and March 2025. In June 2025, the company received agreement from the debenture holders to defer interest payments falling due in September 2025 and reset of certain financial covenants in June 2025 and September 2025 (additional detail in Section 9% Non-Convertible Debentures Payable). The Company was in compliance with the reset financial covenants at June 30, 2025.

Agreements with other partners

Accord Financial Inc. (“Accord”). Accord provides a line of credit facility that is available to the company only for acquisition of transaction credits under its MCA program (additional details available in Section Loan Payable). This relationship enabled the company to re-build its MCA program. During Fiscal 2022 – in March 2022 - the company and Accord agreed 1) to extend the term of their agreement to July 31, 2024, and 2) a payment plan for the company to re-pay the overdraft facility. The agreement with Accord is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term. After July 31, 2024, the agreement automatically renewed for one year. Subsequent to July 31, 2025, the agreement automatically renewed for another year. During Fiscal 2025 the company was current with overdraft facility re-payment.

Aeroplan Inc. (“Aeroplan”). Under this agreement the company operated as a reseller of aeroplan points. In September 2023, the company and Aeroplan renewed their agreement for a five-year term expiring August 2028.

12% debentures. In April 2023 the company issued \$400,000 12% debentures maturing October 2025. This capital raise enabled the company to continue to re-build of its MCA business. In February 2024 the company issued \$300,000 12% non-convertible debentures also maturing October 2025. In June, 2025, the maturity date on the 12% debenture was extended to October 2026. (additional detail in Section 12% Non-Convertible Debentures Payable).

Financial Outcome

Significant improvement in key metrics which are tabulated hereunder:

	Fiscal 2025	Fiscal 2024	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
Revenues	\$ 4,236,109	\$ 3,182,651	\$ 1,053,458	33.1%
Income from operations after direct expenses	\$ 3,019,411	\$ 2,175,533	\$ 843,878	38.8%
Income (Loss) from operations before cash and non-cash interest expenses	\$ 1,309,806	\$ 512,540	\$ 797,266	155.6%

The financial performance is discussed in detail in later Sections in this document.

Outlook

The company believes its core business - MCA program - is a growth industry because institutional lenders are not focused on meeting working capital needs of independent merchants, even more so due to currently prevailing economic uncertainties. There are several competitors in the MCA space, but the company believes its strategy of transparent and competitive pricing give it an ability to grow its MCA portfolio if it has access to growth capital.

The loyalty marketing program the company provides is dependent on its agreement with Aeroplan. Operating this program gives the company a significant secondary business line and an advantage over competition in the MCA space. A five-year renewal of the agreement expiring August 2028 was signed in September 2023.

Economic impacts from the uncertainty around the tariff rate environment and inflation continue to negatively impact the MCA space with many merchants facing a turbulent outlook in 2025 and 2026. However, there is reason to be cautiously optimistic about the company's future. Inflation briefly cooled to pre-pandemic levels and is holding steady and the Bank of Canada ("BoC") is on a rate cutting path till the end of 2025. This should have the effect of stimulating the economy, improve business and consumer confidence, and in turn bolster the MCA and loyalty marketing programs. The optimism further comes from market size for the company's products and its experience of working in the market. Caution comes from uncertainty in the company's ability to raise capital which is required to maintain and expand its MCA program.

Confidence in the company's future outlook is further bolstered by access to a new source of funding. On October 10, 2025, Advantex Dining Corporation ("ADC"), a wholly owned subsidiary of the company entered into a Receivables Purchase Agreement ("RPA") with a new funder (the "Funder"). Based on the RPA, ADC can originate up to \$20 million in MCA portfolio, with potential for future growth. Under the terms of the RPA, ADC will originate the MCA portfolio and sell the rights to these receivables to the Funder. ADC will act as the servicer of this MCA portfolio and will earn a servicing fee along with an opportunity to share in the revenue generated.

Twelve months ended June 30, 2025

The financial highlights for Fiscal 2025 compared to Fiscal 2024 are summarized in the tabulation.

	Fiscal 2025	Fiscal 2024	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
Revenues				
MCA program	2,305,257	2,311,787	(6,530)	-0.3%
Aeroplan program	<u>1,930,852</u>	<u>870,864</u>	<u>1,059,988</u>	121.7%
	<u>\$ 4,236,109</u>	<u>\$ 3,182,651</u>	<u>\$ 1,053,458</u>	33.1%
Gross Profit				
MCA program	2,141,948	1,890,340	251,608	13.3%
Aeroplan program	<u>877,463</u>	<u>285,193</u>	<u>592,270</u>	207.7%
	<u>\$ 3,019,411</u>	<u>\$ 2,175,533</u>	<u>\$ 843,878</u>	38.8%
Expenses				
Selling, General & Administrative ("SG&A") - Regular	<u>1,709,605</u>	<u>1,662,993</u>	<u>46,612</u>	2.8%
Income from operations before before cash and non-cash interest expenses and other expenses	<u>\$ 1,309,806</u>	<u>\$ 512,540</u>	<u>\$ 797,266</u>	155.6%
Stated interest expense:				
Loan payable	836,534	893,393	(56,859)	
9% non-convertible debentures payable	956,310	934,875	21,435	
12% non-convertible debentures payable	84,000	60,000	24,000	
CEBA	<u>3,000</u>	<u>1,500</u>	<u>1,500</u>	
(Loss) prior to non-cash interest expenses	<u>\$ (570,038)</u>	<u>\$ (1,377,228)</u>	<u>\$ 807,190</u>	-58.6%
Non-cash interest expense - 1) accretion charges, restructuring bonus related to 9% debentures, 2) amortization of transaction costs related to 9% 2025 debentures and 12% debentures, and 3) interest on lease	<u>\$ (2,055,760)</u>	<u>\$ (1,327,129)</u>	<u>\$ (728,631)</u>	
Net (loss) and comprehensive (loss)	<u>\$ (2,625,798)</u>	<u>\$ (2,704,357)</u>	<u>\$ 78,559</u>	-2.9%

Income Statement – Fiscal 2025 compared to Fiscal 2024

The 33% increase of \$1,053,458 in Fiscal 2025 revenues to \$4,236,109 reflects maintenance of the MCA program revenues built in Fiscal 2024 and improvement of 122% in Aeroplan program revenues of \$1,930,852.

Gross profit. Fiscal 2025 reflects an expense for provision for delinquencies against MCA program transaction credits that is line with historical loss trend (Fiscal 2025 \$163,309 vs Fiscal 2024 \$421,447), while Fiscal 2024 had a higher delinquency rate due to a one-off event.

Gross margins from the MCA program increased from 82% to 93% mainly due to delinquency returning to historical trend. Similarly, the gross margin for the Aeroplan program increased from 33% to 45%, which is mainly due to competitive pricing of points sold to MCA program merchants.

Selling expenses were lower compared to Fiscal 2024 with a 12% decrease to \$488,128. In both Fiscal years, to offset some of the financial impact of pandemic, since April 1, 2020, sales staff received 85% of their pre pandemic remuneration. Fiscal 2025 also reflects lower headcount vs Fiscal 2024, contributing in the beforementioned savings.

General & Administrative (“G&A”). The below tabulation illustrates comparison of Fiscal 2025 vs Fiscal 2024.

	Fiscal 2025	Fiscal 2024	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
Regular G&A	1,221,477	1,108,763	112,714	10.2%

Income (Loss) from operations before cash and non-cash interest expenses. The above are reflected in Fiscal 2025 income from operations before cash and non-cash interest expenses and other expenses of \$1,309,806, which is \$797,266 higher vs \$512,540 for Fiscal 2024.

The stated interest cost comprised:

- Interest paid on the line of credit provided by Accord which was \$56,859 lower in Fiscal 2025 (Fiscal 2025 \$836,534 vs Fiscal 2024 \$893,393). The interest rate charged on this line of credit from September 2023 is 8.0% + prime rate of a certain Canadian Bank. The decrease in interest costs during Fiscal 2025 was due to the reduction in the prime rate through the year;
- Interest payable to 9% 2025 debentures. The increase in Fiscal 2025 cost of \$21,435 (Fiscal 2025 \$956,310 vs Fiscal 2024 \$934,875) reflects higher interest payable, on unpaid interest and deferred interest compared to Fiscal 2024. The interest payable in Fiscal 2025 and Fiscal 2024 was not paid. The company secured agreement of holders of 9% 2025 debentures agreed to defer the interest payments; and
- Interest payable to 12% debentures. Interest of \$84,000 in Fiscal 2025 vs \$60,000 in Fiscal 2024 was paid with respect to 12% debentures issued in April 2023 and March 2024.

The non-cash interest cost in Fiscal 2025 was \$2,055,760 vs Fiscal 2024 at \$1,327,129. The increase primarily is on account of 9% 2025 debentures and comprises 1) accretion charges arising on the attribution of fair value to debentures between debt and equity and 2) restructuring bonus.

The above factors are reflected in a lower net loss. Fiscal 2025 \$2,625,798 vs Fiscal 2024 \$2,704,357.

Balance Sheet – Fiscal 2025 compared to Fiscal 2024

Transaction credits, which represent balance due of working capital advanced to merchants, net of provision for delinquent accounts, are about 96% of total assets at June 30, 2025 and June 30, 2024. Transaction credits, net of provision for delinquent accounts, at June 30, 2025 of \$7,873,292 is \$2,775,814 higher vs June 30, 2024. Fiscal 2025 – Reflects continuation of process, commenced in Fiscal 2024 and 2023. In addition, the company started to engage with brokers in the MCA space starting in January 2025. A significant portion of the increase in transaction credits can be attributed to Q4 2025 through business driven by brokers. The provision for delinquent transaction credits at June 30, 2025 amounts to \$1,420,381 vs \$1,270,633 at June 30, 2024.

Loan payable of \$7,356,396 at June 30, 2025 was \$2,209,235 higher compared to \$5,147,161 at June 30, 2024. 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 the pandemic, Accord provided company with a working capital overdraft. The loan payable balance at June 30, 2025 and June 30, 2024 includes amounts payable under the working capital overdraft provided by Accord (Fiscal 2025 \$66,432 vs Fiscal 2024 \$191,442). The loan payable balance at June 30, 2025 and June 30, 2024 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods.

9% 2025 debentures. At June 30, 2025 and 2024, the principal balance outstanding is \$7,759,000. The company does not have the ability to pay interest. For additional details see Section 9% Non-Convertible Debentures Payable.

12% debentures. Issued April 2023 and March 2024. Principal \$700,000. For additional details see Section 12% Non-Convertible Debentures Payable.

Results of Operations

The presentations in this section are not set out in accordance with IFRS Accounting Standards. The presentations are extracts from the audited consolidated financial statements for the fiscal year ended June 30, 2025, and have been included to provide additional analysis for the reader.

	Fiscal 2025	Fiscal 2024
	\$	\$
Revenue	\$ 4,236,109	\$ 3,182,651
Costs of loyalty rewards, and marketing in connection as Reseller of Aeroplan program	1,053,389	585,671
Expense for provision against delinquent accounts, credit/collection expense - MCA program	163,309	421,447
Gross profit	\$ 3,019,411	\$ 2,175,533
Selling and General & Administrative	1,709,605	1,662,993
(Loss) from operations before cash and non-cash interest expenses and other expenses	\$ 1,309,806	\$ 512,540
Cash interest on loan payable and debentures	1,879,844	1,889,768
(Loss) from operations before non-cash interest and other expenses	\$ (570,038)	\$ (1,377,228)
Non-cash interest expense on 9% debentures - accretion, performance bonus, amortization of transaction costs	2,033,935	1,314,177
Non-cash interest expense - amortization of transaction costs related to 12% non-convertible debentures	21,825	12,952
Accretion charges on 12% non-convertible debentures payable	73,638	47,295
Accretion of deferred gain related to 12% non-convertible debentures payable	(73,638)	(47,295)
Net (loss) and comprehensive (loss)	\$ (2,625,798)	\$ (2,704,357)

Extract from the Statement of Financial Position

	At June 30, 2025	At June 30, 2024	Incr/(Decr)
	\$	\$	\$
Current assets	\$ 8,203,271	\$ 5,311,764	\$ 2,891,507
Total assets	\$ 8,203,271	\$ 5,311,764	\$ 2,891,507
Shareholders' deficiency	\$ (16,315,588)	\$ (14,333,386)	\$ 1,982,202

The change in current assets primarily reflects increase in transaction credits, net of provision for delinquent accounts, of \$2,775,814.

Transaction credits, which represent balance due of working capital advanced to merchants, net of provision for delinquent accounts, are about 96% of total assets at June 30, 2025 and June 30, 2024. Transaction credits, net of provision for delinquent accounts, at June 30, 2025 of \$7,873,292 is \$2,775,814 higher vs June 30, 2024.

Fiscal 2025 – Reflects continuation of process, commenced in Fiscal 2024 and 2023. In addition, the company started to engage with brokers in the MCA space starting in January 2025. A significant portion of the increase in transaction credits can be attributed to Q4 2025 through business driven by brokers. The provision for delinquent transaction credits at June 30, 2025 amounts to \$1,420,381 vs \$1,270,633 at June 30, 2024.

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

On the current liabilities side, the main change is on account of loan payable and debenture payable. Loan payable of \$7,356,396 at June 30, 2025 was \$2,209,235 higher compared to \$5,147,161 at June 30, 2024. Loan payable supports 90% investment in transaction credits. The loan payable balance at June 30, 2025 and June 30, 2024 includes amounts payable under the working capital overdraft provided by Accord. The loan payable balance at June 30, 2025 and June 30, 2024 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods.

Debenture payable of \$12,691,143 at June 30, 2025 was \$11,599,237 higher compared to \$1,109,624 at June 30, 2024. The change reflects the current portion of the 9% 2025 debenture. At June 30, 2025 and 2024, the principal balance outstanding on the 9% 2025 debentures was \$7,759,000. No new capital was raised in Fiscal 2025.

With respect to long-term liabilities:

12% debentures. Issued principal in April 2023 for \$400,000 and March 2024 for \$300,000. No new capital was raised in Fiscal 2025.

The movement in the shareholders' deficit reflects net loss during Fiscal 2025.

Extracts from the Statement of Cash Flow

	Fiscal 2025	Fiscal 2024	Change
	\$	\$	\$
Net (loss)	\$ (2,625,798)	\$ (2,704,357)	\$ 78,559
Adjustments for non-cash expenses	<u>3,099,070</u>	<u>2,323,504</u>	<u>775,566</u>
(Loss) after adjustments for non-cash expenses	473,272	(380,853)	854,125
Changes in working capital	<u>(2,560,402)</u>	<u>717,496</u>	<u>(3,277,898)</u>
Net cash generated (used) - operating activities	(2,087,130)	336,643	(2,423,773)
Net cash generated (used) - financing activities	<u>2,125,350</u>	<u>(619,041)</u>	<u>2,744,391</u>
(Decrease)/Increase in cash during the year	38,220	(282,398)	320,618
Cash at start of year	<u>58,029</u>	<u>340,427</u>	<u>(282,398)</u>
Cash at end of year	\$ 96,249	\$ 58,029	\$ 38,220

Adjustments for non-cash expenses. A significant item for Fiscal 2025 and Fiscal 2024 is accrued and unpaid interest on 9% 2025 debentures (Fiscal 2025 \$956,310 vs Fiscal 2024 \$934,875). Furthermore, Fiscal 2024 reflects charges for Accretion and Restructuring bonus respecting 9% 2025 debentures are \$1,191,746 (Fiscal 2024 \$1,287,223).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The significant item during both fiscal periods is transaction credits. Transaction credits, which represent balance due of working capital advanced to merchants, net of provision for delinquent accounts, are about 96% of total assets at June 30, 2025 and June 30, 2024. Transaction credits, net of provision for delinquent accounts, at June 30, 2025 of \$7,873,292 is \$2,775,814 higher vs June 30, 2024. Fiscal 2025 – Reflects continuation of process, commenced in Fiscal 2024 and 2023. In addition, the company started to engage with brokers in the MCA space starting in January 2025. A significant portion of the increase

in transaction credits can be attributed to Q4 2025 through business driven by brokers. The provision for delinquent transaction credits at June 30, 2025 amounts to \$1,420,381 vs \$1,270,633 at June 30, 2024.

From time to time the company enters into payment plans to settle its amounts due.

Financing activities.

These comprise:

- Loan payable of \$7,356,396 at June 30, 2025 was \$2,209,235 higher compared to \$5,147,161 at June 30, 2024. 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 pandemic Accord provided company with a working capital overdraft. The loan payable balance at June 30, 2025 and June 30, 2024 includes amounts payable under the working capital overdraft provided by Accord (Fiscal 2025 \$66,432 vs Fiscal 2024 \$191,442). The loan payable balance at June 30, 2025 and June 30, 2024 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods. Agreement with Accord automatically renewed in July 2025 for another year. See Section Loan Payable and Economic Dependence;
- 9% 2025 debentures. At June 30, 2025 and 2024, the principal balance outstanding is \$7,759,000. The company does not have the ability to pay interest. 9% 2025 debentures mature December 2025. For additional details see Section 9% non-Convertible Debentures Payable and Economic Dependence; and
- 12% debentures. Issued principal of \$400,000 in April 2023 and \$300,000 in March 2024. 12% debentures mature October 2025. For additional details see Section 12% Non-Convertible Debentures Payable.

Investing activities. The company is frugal with capital expenditures given its financial situation. The company does not expect significant capital expenditures in the next twelve months.

Revenue

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

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

The Aeroplan program. Here the company is a re-seller. The company sells aeroplan points to merchants who are small and mid-sized retailers and service providers. Revenue is recognized, at the agreed price per aeroplan point, when the participating merchant issues aeroplan points to an Aeroplan member completing a qualifying transaction at the merchant.

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

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

The revenue trends are provided in the tabulation.

MCA program

Fiscal 2024 and Fiscal 2023 reflect a re-build of the MCA program after capital raise in both fiscal years.

	Fiscal 2025	Fiscal 2024
Transaction credits (net of provision for delinquent accounts)		
At start of year	\$ 5,097,478	\$ 5,641,940
At end of year	\$ 7,873,292	\$ 5,097,478
# of merchants		
At start of year	131	146
At end of year	157	131

Aeroplan program

Average number of merchants about 100 during Fiscal 2025 and Fiscal 2024.

Direct Expenses

The MCA direct expenses are provision for delinquencies and credit and collection expense (Fiscal 2025 \$163,309 vs Fiscal 2024 \$421,447) 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 2025	Fiscal 2024	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
Revenues				
MCA program	2,305,257	2,311,787	(6,530)	-0.3%
Aeroplan program	<u>1,930,852</u>	<u>870,864</u>	<u>1,059,988</u>	121.7%
	<u>\$ 4,236,109</u>	<u>\$ 3,182,651</u>	<u>\$ 1,053,458</u>	33.1%
Direct expenses				
MCA program	163,309	421,447	(258,138)	-158.1%
Aeroplan program	<u>1,053,389</u>	<u>585,671</u>	<u>467,718</u>	79.9%
	<u>\$ 1,216,698</u>	<u>\$ 1,007,118</u>	<u>\$ 209,580</u>	20.8%

MCA program

While the company believes it has adequate provision for delinquencies as at June 30, 2025, the prevailing tariff and inflation environment are a significant risk factor when assessing the collectability of transaction credits.

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

The company monitored credit risk along above methodology during Fiscal 2025 and Fiscal 2024.

Gross Profit

Increase in Fiscal 2024 gross profit vs Fiscal 2023 reflects increase in revenues and higher gross margins. Revenues and direct costs are discussed above in respective Sections.

Gross profit tabulation:

	Fiscal 2025	Fiscal 2024	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
MCA program	2,141,948	1,890,340	251,608	13.3%
Aeroplan program	<u>877,463</u>	<u>285,193</u>	<u>592,270</u>	207.7%
	<u>\$ 3,019,411</u>	<u>\$ 2,175,533</u>	<u>\$ 843,878</u>	38.8%
Company gross margin	71.3%	68.4%		
MCA program gross margin	92.9%	81.8%		
Aeroplan gross margin	45.4%	32.7%		

Selling Expenses

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

During Fiscal 2025 and Fiscal 2024 the company's sales force was common to MCA and Aeroplan programs. Remuneration/expenses of sales staff are the primary selling expenses.

In both Fiscal years to offset some of the financial impact of pandemic, since April 1, 2020, sales staff received 85% of their pre pandemic remuneration.

	Fiscal 2025	Fiscal 2024	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
Revenues				
MCA program	2,305,257	2,311,787	(6,530)	-0.3%
Aeroplan program	<u>1,930,852</u>	<u>870,864</u>	<u>1,059,988</u>	121.7%
	<u>\$ 4,236,109</u>	<u>\$ 3,182,651</u>	<u>\$ 1,053,458</u>	33.1%
Selling expenses				
Remuneration/expenses of sales staff - MCA	442,871	450,587	(7,716)	
Remuneration/expenses of staff - Aeroplan	23,810	83,315	(59,505)	
Web marketing for MCA program	13,420	2,133	11,287	
All other	<u>21,446</u>	<u>20,327</u>	<u>1,119</u>	
	<u>\$ 501,548</u>	<u>\$ 556,363</u>	<u>\$ (54,815)</u>	-9.9%
		-	-	
Remuneration/expenses as % of selling expenses	88.3%	81.0%		

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 2024	Fiscal 2023	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
Revenues	\$ 4,236,109	\$ 3,182,651	\$ 1,053,458	33.1%
G&A:				
Non-sales staff compensation	755,301	658,300	97,000	
Directors fees	32,502	32,502	-	
All other G&A expenses	433,674	417,961	15,713	
	<u>\$ 1,221,477</u>	<u>\$ 1,108,763</u>	<u>\$ 112,714</u>	10.2%
G&A Excluding: wage and rent subsidies, extinguishment of part of vacation pay, and severance	1,221,477	1,108,763	112,714	10.2%

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

During Fiscal 2024, the Directors agreed to receive half of their fees until the company reached profitability. This fee structure continued in Fiscal 2025.

Interest Expense

	Fiscal 2025	Fiscal 2024	Incr/(Decr)
	\$	\$	\$
Stated ("Cash") interest expense			
Loan payable	836,534	893,393	(56,859)
9% debentures coupon	698,310	698,310	-
9% debentures interest on unpaid interest	258,000	236,565	21,435
12% debentures coupon	<u>84,000</u>	<u>60,000</u>	<u>24,000</u>
	\$ 1,876,844	\$ 1,888,268	\$ (11,424)
Non-cash interest expense:			
Accretion charge on 9% non convertible debentures payable	1,893,765	1,174,007	719,758
Restructuring bonus on 9% non convertible debentures payable	113,216	113,216	-
Amortization of transaction costs on 9% non-convertible debentures payable and 12% non-convertible debentures payable	48,779	39,906	8,873
Accretion charges related to 12% non-convertible debentures payable	73,638	47,295	4,439
Accretion of deferred gain related to 12% non-convertible debentures payable	(73,638)	(47,295)	(4,439)
CEBA	<u>3,000</u>	<u>1,500</u>	<u>1,500</u>
	\$ 2,058,760	\$ 1,328,629	\$ 730,131
Total interest expense	\$ 3,935,604	\$ 3,216,897	\$ 718,707

Stated interest

- (i) Interest paid on the line of credit provided by Accord which was \$56,859 lower in Fiscal 2025 (Fiscal 2025 \$836,534 vs Fiscal 2024 \$893,393). The interest rate charged on this line of credit from September 2023 is 8.0% + prime rate of a certain Canadian Bank. The decrease in interest costs during Fiscal 2025 was due to the reduction in the prime rate through the year;
- (ii) Interest payable to 9% 2025 debentures. The increase in Fiscal 2025 cost of \$21,435 (Fiscal 2025 \$956,310 vs Fiscal 2024 \$934,875) reflects higher interest payable, on unpaid interest and deferred interest

compared to Fiscal 2024. The interest payable in Fiscal 2025 and Fiscal 2024 was not paid. The company secured agreement of holders of 9% 2025 debentures agreed to defer the interest payments; and (iii) Interest payable to 12% debentures. Interest of \$84,000 in Fiscal 2025 vs \$60,000 in Fiscal 2024 was paid with respect to 12% debentures issued in April 2023 and March 2024.

Non-cash interest expense

The non-cash interest cost in Fiscal 2025 at \$2,058,760 was \$730,131 higher vs Fiscal 2024. The increase is primarily on account of 9% 2025 debentures and 12% debentures and comprises 1) accretion charges arising on the attribution of fair value to debentures between debt and equity and 2) restructuring bonus.

Net (Loss)

Highlights of Fiscal 2025 compared to Fiscal 2024 are tabulated:

	Fiscal 2025	Fiscal 2024	Incr/(Decr)	Incr/(Decr)
	\$	\$	\$	%
Revenues	\$ 4,236,109	\$ 3,182,651	\$ 1,053,458	33.1%
Income from operations after direct expenses	\$ 3,019,411	\$ 2,175,533	\$ 843,878	38.8%
Income (loss) from operations before cash and non-cash interest expenses and other expenses	\$ 1,309,806	\$ 512,540	\$ 797,266	155.6%
Net (loss) and Comprehensive (loss)	\$ (2,625,798)	\$ (2,704,357)	\$ (78,559)	2.9%
Basic and Diluted loss per share	\$ (0.01)	\$ (0.01)		

The detailed analysis of the above tabulated items is provided in Sections Twelve months ended June 30, 2025 - *Income Statement – Fiscal 2025 compared to Fiscal 2024*, and in Sections Revenue, Direct Expenses, Gross Profit, Selling Expenses, G&A, Interest Expense in this document.

Working Capital and Liquidity Management

	Fiscal 2025	Fiscal 2024
	\$	\$
Funds available to expand MCA program (Transaction credits on the balance sheet) and meet working capital needs		
Net (loss)	\$ (2,625,798)	\$ (2,704,357)
Adjustments for non-cash expenses	<u>3,099,070</u>	<u>2,323,504</u>
(Loss) after adjustment for non-cash expenses	473,272	(380,853)
Cash balances at start of the period	58,029	340,427
Increase/(Decrease) in loan payable	2,209,235	(845,126)
Net proceeds from raise of 12% debentures	-	277,816
(Increase)/Decrease in accounts receivable	<u>(72,473)</u>	<u>(69,924)</u>
	\$ 2,668,063	\$ (677,660)
Utilization of funds		
Cash balances at end of periods	\$ 96,249	\$ 58,029
Increase/(Decrease) in transaction credits	2,775,814	(544,462)
(Increase) in accounts payable and accrued liabilities	(292,885)	(242,958)
Changes in all other working capital items	5,000	-
Change in other financing items	<u>83,885</u>	<u>51,731</u>
	\$ 2,668,063	\$ (677,660)

Working Capital Movement during Fiscal 2025 and Fiscal 2024

Adjustments for non-cash expenses. A significant item for Fiscal 2025 and Fiscal 2024 is accrued and unpaid interest on 9% 2025 debentures (Fiscal 2025 \$956,310 vs Fiscal 2024 \$934,875). Furthermore, Fiscal 2025 reflects charges for Accretion and Restructuring bonus respecting 9% 2025 debentures are \$1,191,746 (Fiscal 2024 \$1,287,223).

Changes in working capital. Transaction credits, accounts receivable, accounts payable and accrued liabilities and other working capital items. The significant item during both fiscal periods is transaction credits. Transaction credits, which represent balance due of working capital advanced to merchants, net of provision for delinquent accounts, are about 96% of total assets at June 30, 2025 and June 30, 2024. Transaction credits, net of provision for delinquent accounts, at June 30, 2025 of \$7,873,292 is \$2,775,814 higher vs June 30, 2024. Fiscal 2025 – Reflects continuation of process, commenced in Fiscal 2024 and 2023. In addition, the company started to engage with brokers in the MCA space starting in January 2025. A significant portion of the increase in transaction credits can be attributed to Q4 2025 through business driven by brokers. The provision for delinquent transaction credits at June 30, 2025 amounts to \$1,420,381 vs \$1,270,633 at June 30, 2024.

From time to time the company enters into payment plans to settle its amounts due.

Financing activities.

These comprise:

- Loan payable of \$7,356,396 at June 30, 2025 was \$2,209,235 higher compared to \$5,147,161 at June 30, 2024. 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 pandemic Accord provided company with a working capital overdraft. The loan payable balance at June 30, 2025 and June 30, 2024 includes amounts payable under the working capital overdraft provided by Accord (Fiscal 2025 \$66,432 vs Fiscal 2024 \$191,442). The loan payable balance at June 30, 2025 and June 30, 2024 (net of working capital overdraft) reflects the change in transaction credits (grossed up for provision for delinquent accounts over and above actual delinquent accounts) at the end of the two periods. Agreement with Accord automatically renewed in July 2025 for another year. See Section Loan Payable and Economic Dependence;
- 9% 2025 debentures. At June 30, 2025 and 2024, the principal balance outstanding is \$7,759,000. The company does not have the ability to pay interest. 9% 2025 debentures mature December 2025. For additional details see Section 9% non-Convertible Debentures Payable and Economic Dependence; and
- 12% debentures. Issued principal of \$400,000 in April 2023 and \$300,000 in March 2024. 12% debentures mature October 2025. For additional details see Section 12% Non-Convertible Debentures Payable.

Investing activities. The company is frugal with capital expenditures given its financial situation. The company does not expect significant capital expenditure in the next twelve months.

From time to time the company negotiates payment plans with suppliers. The company does not have the wherewithal to re-pay its legacy suppliers i.e., those providing services connected to CIBC/TD program which ended in fiscal year ended June 30, 2019. It will have to reach settlement accommodation with these suppliers. Of the suppliers critical to its current operations the company has a payment plan with Accord to settle the overdraft facility portion of the loan payable by end of 2025. This payment plan commenced October 2021 and as of date hereof it is current with its payment obligations.

Cash balances at the end of periods reflect cash (used) by operations [(loss) after adjustment for non-cash expenses – see above tabulation], payments of accounts payable, collection of transaction credits, deployment of advances with merchants, raise of funds by way of 9% 2025 debentures and 12% debentures, and usage for general corporate purposes.

The company's operations are funded by debt – loan payable, 9% 2025 debentures and 12% debentures (Sections Loan Payable, 9% Non-Convertible Debentures Payable, 12% Non-Convertible Debentures Payable). The company's future success is dependent on financial stability in order to retain its existing relationships with Aeroplan, Accord and holders of 9% 2025 debentures (Section Economic Dependence), and access to additional working capital in the form of debt and or equity.

As of June 30, 2024 the company does not have any off-balance sheet financing arrangements.

Going Concern

The consolidated financial statements for years ended June 30, 2025 and June 30, 2024 (“CFS”) 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 \$16,315,588 and negative working capital of \$15,632,817 as at June 30, 2025. The prevailing tariff and inflationary environment have created a more uncertain economic environment. More so for small independent businesses operating in the hospitality segment, especially restaurants. The company's customers are primarily small independent restaurants. Consequently, there is uncertainty surrounding the company's ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to company being unable to continue operations due to: denial by suppliers of products and services; loss of access to a) loan payable (note 5 to CFS) which supports the company's merchant cash advance program, and b) general working capital provided by 9% 2025 debentures (note 6 of CFS) and 12% debentures (note 7 of CFS); and inability to access alternative economically viable sources to replace existing capital. These material uncertainties cast significant doubt on the company's ability to continue as a going concern.

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

Contractual Obligations

Contractual obligations as at June 30, 2025 were due as follow:

	Total	Payable within 1 year	Payable after 1 year – 3 years
	\$	\$	\$
Loan payable	7,356,396	7,356,396	-
Accounts payable and accrued liabilities	3,706,331	3,706,331	-
9% 2025 debentures – face amount – maturing December 31, 2025	7,759,000	7,759,000	-
9% debentures interest for period December 16, 2018 to March 14, 2021	1,150,383	1,150,383	-
9% 2025 & 12% debentures cash interest	4,626,083	4,626,083	-
9% 2025 debentures restructuring bonus	1,396,620	1,396,620	-
12% debentures - face amount - maturing October 10, 2025	700,000	-	700,000
12% debentures cash interest	84,000	84,000	-
CEBA	<u>64,500</u>	<u>64,500</u>	-
Total	<u>\$ 26,843,313</u>	<u>\$ 26,143,313</u>	<u>\$ 700,000</u>

Loan Payable

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

The loan payable has a limit of \$9.35 million and is only available to the company for acquisition of transaction credits under its MCA and Aeroplan programs. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

Due to the pandemic restrictions and their impact on the company's business, Accord allowed the company to defer payment of interest from March 2020 to June 2020. Subsequent to June 30, 2020, Accord provided the company an overdraft facility of \$460,000. This facility was increased by \$75,000 in June 2022, to be paid back by middle of September 2022 and the company repaid the \$75,000 by due date. This is a general working capital facility and is a carve-out from the loan payable limit of \$9.35 million. The interest rate is similar to the loan payable. As of June 30, 2025, the company has utilized \$66,432 from this overdraft facility (June 30, 2024 \$191,442).

The agreement with Accord is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term. Post June 30, 2025, the agreement automatically renewed for one year.

Accord funds 90% of each dollar of transaction credits acquired by the company and the company funds 10%. The company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

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

The company had utilized \$7.36 million (which includes the amount due under the overdraft facility) of the loan payable at June 30, 2025 (at June 30, 2024 \$5.1 million which includes the amount due under the overdraft facility).

9% Non-Convertible Debentures Payable

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

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

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

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

On March 24, 2022 the company issued 9% 2025 debentures for gross proceeds of \$150,000. The financing was a related party transaction (see Section Related Party Transactions in this document). In March 2022, the purchasers of 9% 2025 debenture received common shares as part of the transaction. The common shares were determined to have nil value.

On January 5, 2023, the company issued 9% 2025 debentures for gross proceeds of \$600,000. The financing was a related party transaction (see Section Related Party Transactions in this document). In January 2023, the purchasers of 9% 2025 debenture received common shares as part of the transaction. The common shares were determined to have nil value.

The 9% 2025 debentures are secured by a general security interest over the assets of the company and its subsidiaries. The 9% 2025 debentures require the company to meet financial covenants. The company was in

compliance with financial covenants at September 30, 2021, September 30, 2022, June 30, 2022, December 31, 2022, and March 31, 2023. On June 26, 2022 the company received waiver of the events of default with respect to financial covenants at December 31, 2021 and March 31, 2022. In addition, the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2022, and re-set financial covenants for quarters ended June 30, 2022 until June 30, 2023. On March 14, 2023, the company received agreement of the debenture holders to defer the payment of interest payable March 15, 2023, and for it to be payable in six equal instalments, with each instalment being added to the interest payments due on September 15, 2023, March 15, 2024, September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025. On June 26, 2023 the company received agreement of the debenture holders to re-set the financial covenants at June 30, 2023 and September 30, 2023.

On September 12, 2023 the company received agreement of the debenture holders to defer the payment of interest payable September 15, 2023, and for it to be payable in five equal instalments, with each instalment being added to the interest payments due on March 15, 2024, September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025. On December 19, 2023 the company received agreement of the debenture holders to re-set financial covenants at December 31, 2023. On March 13, 2024 the company received agreement of debenture holders to defer payment of interest payable March 15, 2024, and for it to be payable in four equal instalments, with each instalment being added to the interest payments due on September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025. In addition, the company received agreement to re-set the financial covenants at March 31, 2024. On June 18, 2024 the company received agreement of the debenture holders to re-set the financial covenants at June 30, 2024 and September 30, 2024. On December 12, 2024 the company received agreement of the debenture holders to defer the payment of interest payable March 15, 2025, and for it to be payable in two equal instalments, with each instalment being added to the interest payments due on September 15, 2025, and December 31, 2025. In addition, the company received agreement of the debenture holders to re-set financial covenants at December 31, 2024 and March 31, 2025. On June 26, 2025 the company received agreement of debenture holders to defer payment of interest payable September 15, 2025, and for it to be added to the interest payment due on December 31, 2025. In addition, the company received agreement of the debenture holders to re-set the financial covenants at June 30, 2025 and September 30, 2025.

The company was in compliance with the re-set financial covenants at June 30, 2025.

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

The principal amount of the 9% 2025 debentures at June 30, 2025 and 2024 is \$7,759,000.

12% Non-Convertible Debentures Payable

In January 2023 the company issued 400 units of 12% non-convertible debentures payable ("12% debentures") as a debt instrument and issued 300 units of 12% debentures in March 2024.

The 12% debentures bear interest at 12% per annum payable semi-annually, mature October 10, 2025, and rank pari passu on security with the 9% 2025 debentures. There was no issuance of common shares of the company to the purchaser of 12% debentures. This transaction was with a non-related party which is at arm's length with the company. The company secured the requisite approval of 9% 2025 debentures to issue the 12% debentures.

For accounting policy on presentation of the 9% 2025 and 12% debentures, refer to note 3 of the audited financial statements.

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, 2025, June 30, 2024, and June 30, 2023.

(In millions of dollars except per share amounts)

	Fiscal 2025	Fiscal 2024	Fiscal 2023
	\$	\$	\$
Revenues	4.2	3.2	2.1
Net (loss)	(2.6)	(2.7)	(2.5)
Loss per share - Basic and Diluted	(0.01)	(0.01)	(0.01)
Total assets	8.2	5.3	6.1
Current liabilities	24.0	9.7	9.6
Long-term liabilities	0.7	10.0	9.2

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 2025	Fiscal 2024	Fiscal 2023
	\$	\$	\$
Working capital	(15,767,302)	(4,358,467)	(3,514,286)

Composition of total assets is tabulated:

	Fiscal 2024	Fiscal 2024	Fiscal 2023
	\$	\$	\$
Cash and cash equivalents	96,000	58,000	340,000
Accounts receivable	227,000	155,000	85,000
Transaction credits	7,873,000	5,097,000	5,642,000
Prepaid expenses and sundry assets	<u>6,000</u>	<u>1,000</u>	<u>1,000</u>
	<u>8,202,000</u>	<u>5,311,000</u>	<u>6,068,000</u>

Transaction credits are the significant asset – 96% Fiscal 2025; 96% Fiscal 2024; and 93% Fiscal 2023.

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

Fiscal 2025. Reflects continuation of process, commenced in Fiscal 2024 and 2023. In addition, the company started to engage with brokers in the MCA space starting in January 2025. A significant portion of the increase in transaction credits can be attributed to Q4 2025 through business driven by brokers. The provision for delinquent transaction credits at June 30, 2025 amounts to \$1,420,381 vs \$1,270,633 at June 30, 2024.

Fiscal 2024. Reflects continuation of process, commenced in Fiscal 2023, at an accelerated rate to rebuild MCA program facilitated by additional infusion of capital. The business experienced higher than expected delinquent accounts in March 2024 to the tune of \$0.4 million. However, delinquencies through the rest of Fiscal 2024 were in line with the historical loss trend.

Fiscal 2023. Fiscal 2023 – Reflects continuation of process, commenced in Fiscal 2022, at an accelerated rate to rebuild MCA program facilitated by additional infusion of capital (\$1,000,000 in January 2023).

The company's transaction credits are funded by its loan payable, 9% 2025 debentures, and 12% debentures. Loan payable carries a first charge against the merchant transaction credits funded by its proceeds. The 9% 2025 debentures and 12% debentures have a general security agreement over the assets of the company and its subsidiaries. Additional details are available under Sections Loan payable, 9% Non-Convertible Debentures Payable and 12% Non-Convertible Debentures Payable in this document.

Summary of Quarterly Results

Fiscal 2025	Q1	Q2	Q3	Q4	
	Sep 30, 2024	Dec 31, 2024	Mar 31, 2025	Jun 30, 2025	Total
	\$	\$	\$	\$	\$
Revenues	1.0	0.9	1.0	1.3	4.2
% of annual revenues	23.8%	21.4%	23.8%	31.0%	100.0%
Net (loss)	(0.3)	(0.6)	(0.5)	(1.2)	(2.6)
(Loss) per share - Basic and Diluted	-	-	-	-	(0.01)

Fiscal 2024	Q1	Q2	Q3	Q4	
	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024	Jun 30, 2024	Total
	\$	\$	\$	\$	\$
Revenues	0.7	0.9	0.8	0.7	3.2
% of annual revenues	21.9%	28.1%	25.0%	25.0%	100.0%
Net (loss)	(0.5)	(0.5)	(1.0)	(0.7)	(2.7)
(Loss) per share - Basic and Diluted	-	-	-	-	(0.01)

Fiscal 2024 is a continuation of the process to re-build the business. The company started to engage with brokers in the MCA space starting in January 2025. A significant portion of the increase in transaction credits can be attributed to Q4 2025 through business driven by brokers.

Fiscal 2024 is a continuation of the process to re-build the business to pre-pandemic levels following the capital raise in 2023 and 2024. The MCA program was essentially at pre-pandemic levels by December 31, 2023 (\$5,645,935 vs December 31, 2019 of \$6,821,914). However, in March 2024 the company had substantial delinquencies from its MCA program. These delinquencies were against the historical loss trend.

Fourth Quarter of Fiscal 2025 (Q4 F2025) vs. Fourth Quarter of Fiscal 2024 (Q4 F2024)

Q4 2025	MCA program	Aeroplan program	Total
	\$	\$	\$
Revenues	649,895	610,884	1,260,780
Direct expenses	<u>122,548</u>	<u>296,751</u>	<u>419,299</u>
Income from operations after direct expenses	527,348	314,133	841,480
Gross margin	81.1%	51.4%	66.7%
Selling & marketing			130,102
General & administrative			<u>316,145</u>
			395,233
(Loss) from operations before cash and non-cash interest expenses			
Stated interest			499,837
Interest - Lease			-
Accretion charges, restructuring bonus, amortization of transaction costs			<u>1,138,536</u>
Net loss			<u>(1,243,139)</u>

Q4 2024	MCA program	Aeroplan program	Total
	\$	\$	\$
Revenues	650,117	159,609	809,726
Direct expenses	<u>8</u>	<u>114,960</u>	<u>114,967</u>
Income from operations after direct expenses	650,109	44,649	694,758
Gross margin	100.0%	28.0%	85.8%
Selling & marketing			125,868
General & administrative			<u>257,980</u>
(Loss) from operations before cash and non-cash interest expenses			310,910
Stated interest			463,002
Interest - Lease			-
Accretion charges, restructuring bonus, amortization of transaction costs			<u>515,135</u>
Net loss			<u>(667,227)</u>

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 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 Accounting Standards, 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 material accounting policies are disclosed in note 3 to the audited consolidated financial statements for year ended June 30, 2025.

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 tariffs 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, 2025 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 initial fair value of the 9% 2025 debentures and 12% 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. The key input in the determination of fair value is derived from comparable companies discount rate.

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.

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

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

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 tariffs and the economic situation being less uncertain during the period ended June 30, 2025, for unimpaired transaction credits the company estimated loss based on historical loss rate.

The historical loss rate is based on the losses experienced over the seven-year period prior to start of the pandemic, during and post pandemic. Location of the merchant business, past and current payment history, current economic activity levels, are the inputs into the forecast loss ratio.

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

During year ended June 30, 2025 and 2024, the inflationary and tariff rate environment impacted economic activity. Hence in both years there is some estimation in evaluation of collectability in future periods.

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

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

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

	June 30, 2025 \$	June 30, 2024 \$
Transaction credits	\$ 9,293,673	\$ 6,368,111
Accounts receivable	227,314	154,841
Allowance	<u>(1,420,381)</u>	<u>(1,270,633)</u>
Per Consolidated Statement of Financial Position	<u>\$ 8,100,606</u>	<u>\$ 5,252,319</u>
Maximum exposure to credit risk	\$ 8,100,606	\$ 5,252,319

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

	June 30, 2025 \$	June 30, 2024 \$
Impaired transaction credits	\$ 1,141,046	\$ 1,030,444
Allowance	<u>(1,141,046)</u>	<u>(1,030,444)</u>
Impaired transaction credits not allowed for	<u>\$ -</u>	<u>\$ -</u>

The company carries an allowance towards transaction credits based on the historical loss ratio

Stock Options

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

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

There were no stock options outstanding during the years ended June 30, 2025 and 2024.

There was no stock based compensation expense during Fiscal 2025 and Fiscal 2024.

Restricted Share Unit Plan

On December 18, 2017, the Board of Directors ("Board") authorized the creation of a restricted share unit plan (the "RSU Plan"), pursuant to which the Board may grant restricted share units (the "RSUs") to eligible persons where the a) maximum number of common shares of the company which may be made subject to issuance under RSUs granted under the RSU Plan was established, and b) eligible persons are directors, officers, employees and consultants of the company designated by the Board.

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

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

The company has not granted any RSUs under the RSU plan as at June 30, 2025 and 2024.

Outstanding Share Data

Issued and outstanding common shares	Number of shares	\$
No par value. At June 30, 2025	265,390,090	\$ 24,526,740
No par value. At June 30, 2024	265,390,090	\$ 24,526,740

Potentially Dilutive Securities

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

Related Party Transactions

9% 2025 debentures

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

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

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

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

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

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

Common shares

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

- For purchase of \$200,000 and \$975,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 175,270,833 common shares to managed accounts and principals of Generation IACP Inc. and Generation PMCA Corp. For purchase of \$50,000 and \$25,000 9% 2025 debentures on March 15, 2021 and September 7, 2021 respectively the company issued 11,187,500 common shares to Kelly Ambrose the company's President and Chief Executive Officer;
- Kelly Ambrose, the company's President and Chief Executive Officer was issued 10,833,333 common shares as a retention bonus and 219,621 common shares in lieu of a portion of vacation pay due to him; and
- Mukesh Sabharwal, the company's former Chief Financial Officer was issued 4,166,667 common shares as a retention bonus and 114,312 common shares in lieu of a portion of vacation pay due to him.

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

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

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

	June 30, 2025		June 30, 2024	
	9% 2025 debentures	Common shares	9% 2025 debentures	Common shares
Director, Chief Executive Officer				25,424,582
- K. Ambrose	\$ 575,000	25,424,582	\$ 575,000	
Director - M. Lavine	500,000	2,450,494	500,000	2,450,494
Director - D. Moscovitz	9,000	38,966	9,000	38,966
R. Abramson, GIACP, GPMCA	3,351,000	153,246,109	3,464,680	156,505,045
(a)				
Herbert Abramson (b)	<u>731,000</u>	<u>54,864,527</u>	<u>731,000</u>	<u>54,864,527</u>
	<u>\$ 5,166,000</u>	<u>236,024,678</u>	<u>\$ 5,279,680</u>	<u>239,283,614</u>
Total issued and outstanding				
9% 2025 debentures and				
common shares	\$ 7,759,000	265,390,090	\$ 7,759,000	265,390,090
% held by parties in tabulation	66.6%	88.9%	68.0%	90.2%

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

Economic Dependence

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

While both programs are dependent on the continuity of the support of the 9% 2025 debentures and 12% debentures which are 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. The 9% 2025 debentures mature December 31, 2025. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the 9% 2025 debentures agreement and, as a result, the 9% 2025 debentures holders would have the right to waive the event of default, demand immediate payment of the 9% 2025 debentures in full or modify the terms and conditions of the 9% 2025 debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the 9% 2025 debentures, the 9% 2025 debentures holders would have the right to realize upon a part or all of the security held by them. In September 2023 the company received agreement of the debenture holders to defer the payment of interest due in September 2023. In December 2023 the company received agreement of the debenture holders to re-set financial covenants at December 31, 2023. In March 2024 the company received agreement of debenture holders to defer payment of interest payable in March 2024. Additionally, the company received agreement to re-set the financial covenants at March 31, 2024. In June 2024 the company received agreement of the debenture holders to re-set the financial covenants at June 30, 2024 and September 30, 2024. In December 2024 the company received agreement of the debenture holders to defer the payment of interest payable March 2025, and for it to be payable in two equal instalments, with each instalment being added to the interest payments due on September 2025, and December 2025. In addition, the company received agreement of the debenture holders to re-set financial covenants at December 2024 and March 2025. In June 2025 the Company received agreement of debenture holders to defer payment of interest payable September 2024, and for it to be added to the interest payment due on December 2025. In addition, the Company received agreement of the debenture holders to

re-set the financial covenants at June 2025 and September 2025. The company was in compliance with the re-set financial covenants at June 30, 2025.

The company has a 20-year relationship with the principal holders of the 9% 2025 debentures and the principal holders invested \$1,925,000 through 9% 2025 debentures in the company since March 2021. The most recent investment was of \$600,000 in January 2023. Section Related Party Transactions.

The 12% debentures were issued in April 2023 and March 2024 and mature in December 2025. The 12% debentures rank pari passu on security with the 9% 2025 debentures. This is a new partnership.

In March 2022 the company and Accord agreed to: 1) extend the term of their loan payable agreement, which was due to end June 30, 2022, to July 31, 2024, and 2) a payment plan for the company to re-pay the general working capital overdraft facility – provided to enable the company to cope with the adverse impacts of Covid-19 - by July 31, 2024. The agreement is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term. Post July 31, 2025, the agreement automatically renewed for another year. The loan payable is repayable on demand to Accord pursuant to an event of default defined in the agreement. The company's partnership with Accord is since 2007.

The Aeroplan program is dependent on agreement with Aeroplan. The original five-year term of the agreement ended April 30, 2019, had been through several extensions and in September 2023 was renewed for a five-year term ending August 31, 2028. The agreement can be terminated by Aeroplan under certain circumstances, one of which is if the company is in arrears on its payment obligations to Aeroplan. As of date hereof the company is current on its payment obligations. The agreement can be terminated by AC under certain conditions during its term. The company's partnership with Aeroplan is from 2010.

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, 12% debentures (Sections Loan Payable, 9% Non-Convertible Debentures Payable, and 12% Non-Convertible Debentures Payable). The loan payable agreement term ended July 31, 2024 and automatically renewed in one year increments. The 9% 2025 debentures mature December 31, 2025. The 12% debentures matures October 10, 2025, which has been extended to October 10, 2026. The company's secondary business of re-seller of aeroplan points depends on its agreement with Aeroplan. The risks connected to the continuity of the three sources of debt and agreement with Aeroplan are explained in Section Economic Dependence.

The current tariff environment has created uncertainty to the company's business continuity, which currently are manifesting in the recurrence of inflation and a corresponding increase in the possibility of a rising interest rate environment. 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; 12% debentures; renew agreement with Aeroplan; ability to attract growth capital in the form of either debt or equity; and continuity as a going concern. To continue its current operations and fund growth, the company requires continued access to its existing levels of debt and obtain access to additional working capital in the form of debt and or equity.

The company needs to fund growth of MCA program beyond where the MCA portfolio is as of the date hereof. The MCA portfolio works on a co-funding formula which requires the company to fund 10% of each \$ of merchant cash advance and a loan payable facility to fund the balance. However, for access to a loan payable facility in excess of the current \$9.35 million provided by Accord the company needs to put in higher percentage as co-fund. The company has limited ability to fund and consequently retain the MCA portfolio at June 30, 2025 levels using the current Accord loan payable facility. The retention of June 30, 2025 level of MCA portfolio and thereafter growth of MCA portfolio is essential to the company being able to initially break-even and then generate surplus cash from its operating activities and move towards financial stability and being able to meet its obligations to 9% 2025 debenture holders, 12% debentures and other critical suppliers. General market conditions; the financial status of the company in terms of its profitability, cash flows and strength of its consolidated balance sheet, general security interest held by 9% 2025 debentures over the assets of the

company and its subsidiaries may eliminate or limit access to existing sources of debt, and / or may limit access to additional financing and / or alternative funding to replace existing debt, or the terms of accessible debt may be uneconomic and this could materially and adversely affect the company.

The loan payable facility limit is \$9.35 million and as at June 30, 2025 the company has utilized \$7.36 million. As the MCA portfolio continues to grow, the upper limit of this facility would be an impediment to growth of MCA program unless the limit is increased by Accord and or the company can secure an additional source at economic terms and conditions.

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

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

The company's activities are funded by three sources of debt. The 9% 2025 debentures and 12% debentures have 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 and 12% debentures, its future cash flows and profitability are exposed to interest risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 8.0% on loan payable. The current inflationary and resulting interest rate environment has heightened this risk to the company's future cash flows and profitability. While the company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it may be able to pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable. During year ended June 30, 2025 the company incurred interest expense of \$836,534 on utilization of loan payable. Had the prime rate, during year ended June 30, 2025, been higher by 10% the interest expense on loan payable would have been about \$920,187, an approximate increase of \$83,653.

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 tariffs and inflationary environment on economic activity however carry the possibility of adversely affecting the company's ability to expand its MCA program and this in turn could have a material effect on its revenue, costs, cash flows and profitability.

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

The Aeroplan program the company operates is its secondary line of business and is dependent on its agreement with Aeroplan, operator of Aeroplan Loyalty Program owned by Air-Canada.

Under the Aeroplan program the company operates as a re-seller for Aeroplan and is dependent upon ongoing consumer interest in accumulating frequent flyer miles for the purpose of obtaining reward air travel on Air-Canada. Due to the rising cost of travel and the security difficulties being experienced by the airline industry overall, and in general the continuous devaluation of frequent flyer miles, there is a risk that the underlying frequent flyer currency used in this program could become unavailable to the company, or that consumer

interest in accumulating these awards could decline. This, in turn, may result in difficulties in acquiring and retaining merchants and may adversely affect the company's revenue and direct costs.

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

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

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

Forward-Looking Information

This Management's Discussion and Analysis contains certain "forward-looking information". All information, other than information comprised of historical fact, that addresses activities, events or developments that the company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Forward-looking information is typically identified by words such as: anticipate, believe, expect, goal, intend, plan, will, may, should, could and other similar expressions. Such forward-looking information relates to, without limitation, information regarding the company's: belief MCA is growth industry; belief in its ability to maintain and grow its MCA program, in a competitive environment, upon availability of capital; ability to raise growth capital; expectation of growth capital required and the timing of its raise; expectation of financial stability from expansion of MCA program; expectation of timing of achieving financial stability; expectation of financial impact of tariffs on economic activity, company's customers and the company; expectation of being able to meet its payment plans, including with respect to the working capital overdraft facility with Accord; expectation of 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 tariffs, 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 and 12% debentures; securing agreement to defer interest payments and re-set financial covenants from holders of 9% 2025 debentures; securing waiver of defaults from holders of 9% 2025 debentures; meeting payment plan with respect to the working capital overdraft facility advanced by Accord; its ability to access additional working capital in the form of debt (including loan payable facility) and or equity to meet operational needs and to support the growth of the MCA program and 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 tariffs, inflationary and interest rate environment on Canadian economy, company's merchants and company's business prospects; and the appropriateness of its tax filing position.

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

Disclosure Controls and Procedures, and Internal Controls Over Financial Reporting

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

Additional Information

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

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® Aeroplan is a Registered Trademark of Aeroplan Inc.

ADVANTECH MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2025, and June 30, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Advantex Marketing International Inc. ("Company"). Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2025.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) using the accounting policies described therein. The material accounting policies which management believes are appropriate for the Company are described in note 3 to the consolidated financial statements.

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

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

(Signed) - "Kelly Ambrose"

Kelly E. Ambrose
President and Chief Executive Officer

(Signed) - "Santhosh Kumar"

Santhosh Kumar
Chief Financial Officer

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 statements of financial position as at June 30, 2025 and 2024, and the consolidated statements of (loss) and comprehensive (loss), changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

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 consolidated financial statements, which indicates that the Group has a shareholders' deficiency of \$16,315,588 and negative working capital of \$15,632,817 as at June 30, 2025. 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 Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Collectability of Transaction Credits

Description of the key audit matter

The Group has a significant balance of transaction credits as at June 30, 2025. The collectability of the Group's transaction credits, and the corresponding allowance for impaired transaction credits is a key audit matter due to the estimation involved.

We draw attention to Note 11a to the consolidated financial statements.



How the key audit matter was addressed in the audit

We reviewed the Group's processes for determining the allowance for impaired transaction credits. We also conducted additional procedures related to the Group's estimate of the allowance for impairment of transaction credits, including the following:

- reviewing payment history against contractual terms for a sample of balances;
- reviewing collections made subsequent to year end;
- considering the profile of transaction credits and the economic environment applicable to the respective merchants; and
- reviewing management's assessment including retrospectively reviewing the historical accuracy of management's forecast of the allowance for impairment of transaction credits.

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Report - 2025 and in the Management's Discussion and Analysis of Operating Results for the fiscal years ended June 30, 2025 and 2024.

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 Annual Report - 2025 and the Management's Discussion and Analysis of Operating Results for the fiscal years ended June 30, 2025 and 2024 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
October 28, 2025

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

	Note	June 30, 2025 \$	June 30, 2024 \$
Assets			
Current assets			
Cash		\$ 96,249	\$ 58,029
Accounts receivable	11 a	227,314	154,841
Transaction credits	11 a	7,873,292	5,097,478
Prepaid expenses and sundry assets		6,416	1,416
Total assets		\$ 8,203,271	\$ 5,311,764
Liabilities			
Current liabilities			
Loan payable	5	\$ 7,356,396	\$ 5,147,161
CEBA	18	64,500	-
9% non-convertible debentures payable	6	12,691,143	1,092,021
12% non-convertible debentures payable	7	17,718	17,603
Accounts payable and accrued liabilities		3,706,331	3,413,446
		\$ 23,836,088	\$ 9,670,231
Non-current liabilities			
CEBA	18	\$ -	\$ 61,500
9% non-convertible debentures payable	6	-	9,252,522
12% non-convertible debentures payable	7	663,361	567,849
Deferred fair value adjustment on 12% non-convertible debentures payable	7	19,410	93,048
		\$ 682,771	\$ 9,974,919
Total liabilities		\$ 24,518,859	\$ 19,645,150
Shareholders' deficiency			
Share capital	8	\$ 24,530,555	\$ 24,530,555
Contributed surplus		9,626,405	8,982,809
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(50,425,165)	(47,799,367)
Total deficiency		\$ (16,315,588)	\$ (14,333,386)
Total liabilities and deficiency		\$ 8,203,271	\$ 5,311,764

Going concern (note 2a) and Commitments and contingencies (note 13)

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

Approved by the Board

Director: Signed "Marc Lavine"
Marc Lavine

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of (Loss) and Comprehensive (Loss)
For the years ended June 30, 2025 and 2024
(expressed in Canadian dollars)

	Note	2025 \$	2024 \$
Revenues	17		
Marketing activities		\$ 1,930,852	\$ 870,864
Interest income		<u>2,305,257</u>	<u>2,311,787</u>
		4,236,109	3,182,651
Direct expenses	16/17	<u>1,216,698</u>	<u>1,007,118</u>
Income from operations after direct expenses		3,019,411	2,175,533
Operating expenses			
Selling and marketing	16/17	488,128	554,230
General and administrative	16/17	<u>1,221,477</u>	<u>1,108,763</u>
Income from operations before cash and non-cash interest expenses		1,309,806	512,540
<i>Stated interest expense:</i>			
Loan payable	5	836,534	893,393
9% non-convertible debentures payable	6	956,310	934,875
12% non-convertible debentures payable	7	84,000	60,000
CEBA	18	3,000	1,500
<i>Non-cash interest expense:</i>			
Accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures payable	6	2,033,935	1,314,177
Amortization of transaction costs related to 12% non-convertible debentures	7	21,825	12,952
Accretion charges related to 12% non-convertible debentures payable	7	73,638	47,295
Accretion of deferred gain related to 12% non-convertible debentures payable	7	<u>(73,638)</u>	<u>(47,295)</u>
Net (loss) and comprehensive (loss)		<u>\$ (2,625,798)</u>	<u>\$ (2,704,357)</u>
(Loss) per share			
Basic and Diluted	15	\$ (0.01)	\$ (0.01)

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, 2025 and June 30, 2024
(expressed in Canadian dollars)

	Class A preference shares \$	Common shares \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance - July 1, 2023	\$ 3,815	\$ 24,526,740	\$ 7,901,617	\$ (47,383)	\$(45,095,010)	\$(12,710,221)
Contribution on modification of 9% non- convertible debentures payable (note 6)	-	-	1,081,192	-	-	1,081,192
Net (loss) and comprehensive (loss)	-	-	-	-	(2,704,357)	(2,704,357)
Balance - June 30, 2024	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$ 8,982,809</u>	<u>\$ (47,383)</u>	<u>\$(47,799,367)</u>	<u>\$(14,333,386)</u>
Balance - July 1, 2024	\$ 3,815	\$ 24,526,740	\$ 8,982,809	\$ (47,383)	\$(47,799,367)	\$(14,333,386)
Contribution on modification of 9% non- convertible debentures payable (note 6)	-	-	643,596	-	-	643,596
Net (loss) and comprehensive (loss)	-	-	-	-	(2,625,798)	(2,625,798)
Balance - June 30, 2025	<u>\$ 3,815</u>	<u>\$ 24,526,740</u>	<u>\$9,626,405</u>	<u>\$ (47,383)</u>	<u>\$(50,425,165)</u>	<u>\$(16,315,588)</u>

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, 2025 and 2024
(expressed in Canadian dollars)

	Note	June 30, 2025 \$	June 30, 2024 \$
Operational activities			
Net (loss) for the year		\$ (2,625,798)	\$ (2,704,357)
Adjustments for:			
Accrued and unpaid 9% non-convertible debentures payable interest - current and non-current payable	6	956,310	934,875
12% non-convertible debentures interest	7	84,000	60,000
Accrued interest for CEBA	18	3,000	1,500
Accretion charge - 9% non-convertible debentures payable	6	1,893,765	1,174,007
Restructuring bonus - 9% non-convertible debentures payable	6	113,216	113,216
Amortization of transaction costs - 9% non-convertible debentures payable	6	26,954	26,954
Amortization of transaction costs - 12% non-convertible debentures payable	7	21,825	12,952
Accretion charges related to 12% non-convertible debentures payable	7	73,638	47,295
Accretion of deferred gain related to 12% non-convertible debentures payable	7	<u>(73,638)</u>	<u>(47,295)</u>
		473,272	(380,853)
Changes in items of working capital			
Accounts receivable		(72,473)	(69,924)
Transaction credits		(2,775,814)	544,462
Prepaid expenses and sundry assets		(5,000)	-
Accounts payable and accrued liabilities		<u>292,885</u>	<u>242,958</u>
		<u>(2,560,402)</u>	<u>717,496</u>
Net cash generated (used) - operating activities		\$ (2,087,130)	\$ 336,643
Financing activities			
Gross proceeds - 12% non-convertibles debentures payable	7	\$ -	\$ 300,000
Transaction costs - 12% non-convertible debentures payable	7	-	(22,184)
Payment of interest - 12% non-convertible debentures payable		(83,885)	(51,731)
Proceeds of loan payable	5	15,268,700	12,121,392
(Repayment) of loan payable		<u>(13,059,465)</u>	<u>(12,966,518)</u>
Net cash generated (used) - financing activities		\$ 2,125,350	\$ (619,041)
Increase/(Decrease) in cash during the year		\$ 38,220	\$ (282,398)
Cash at beginning of the year		<u>58,029</u>	<u>340,427</u>
Cash at end of the year		\$ <u>96,249</u>	\$ <u>58,029</u>
Additional information			
Interest paid on loan payable		\$ 836,534	\$ 893,393

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

Notes 1 to 19 to the Consolidated Financial Statements
For the years ended June 30, 2025 and June 30, 2024
(expressed in Canadian dollars)

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, 2025 and 2024 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, has been through several extensions and in September 2023 was renewed for a five-year term ending August 31, 2028. The agreement can be terminated by AC under certain conditions during its term.

The Company’s segment reporting is provided in note 17.

Advantex is incorporated and domiciled in Canada. The address of its registered office is 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5.

2a Going concern

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

The Company has a shareholders’ deficiency of \$16,315,588 and negative working capital of \$15,632,817 as at June 30, 2025. The prevailing economic conditions have created a more uncertain business environment. Consequently, there is uncertainty surrounding the Company’s ability in the foreseeable future to generate cash flows sufficient to meet its operational needs and meet its obligations on due dates. Failure to meet obligations on due dates may lead to Company being unable to continue operations due to: denial by suppliers of products and services; loss of access to a) loan payable (note 5) which supports the Company’s merchant cash advance program, and b) general working capital provided by 9% 2025 debentures (note 6) and 12% debentures (note 7); 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 and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

These consolidated financial statements and related notes have been reviewed by the Company's audit committee and approved by the Company Board of Directors on October 28, 2025.

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.

Material Accounting Judgements and Estimates

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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 and 12% non-convertible debentures payable.

Transaction credits

The Company reviews transaction credits quarterly for indication of the amounts that might be impaired. 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 11a.

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 9% 2025 debentures. Estimates applied by management in the determination of fair value were reflective of the Company's overall cost of financing. The key input in the determination of fair value is derived from comparable companies discount rates.

12% Non-convertible debentures payable ("12% debentures")

A significant amount of estimation was applied to the evaluation of the initial fair value of the 12% debentures. Estimates applied by management in the determination of fair value were reflective of the Company's overall cost of financing. The key input in the determination of fair value is derived from comparable companies discount rates.

3 Summary of material accounting policies

The material 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 17.

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 loss for year ended June 30, 2025 is \$14 (June 30, 2024 gain of \$307).

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 through profit or loss or through other comprehensive income.

Amortized cost

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

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

Impairment provisions for transaction credits is determined based on the Company's assessment of the collectability of outstanding accounts receivable and 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. 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, loan payable, 9% non-convertible debentures payable, and 12% non-convertible debentures payable.

The loan payable, 9% non-convertible debentures payable and 12% non-convertible debentures payable are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

Transaction credits

Under the merchant cash advance ("MCA") product, the Company acquires the rights to receive future cash flows, associated with future business activity, at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 365 days.

Non-convertible debentures

9% non-convertible debentures payable

The 9% non-convertible debentures payable described in note 6 as 9% debentures were issued as units which included debt and common shares.

The proceeds received upon issue of the 9% 2025 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 contributed surplus within shareholders' deficiency. Due to the issuance being with direct shareholders who are related parties, the amount has been recorded to contributed surplus.

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. A modification that is not considered substantially different is accounted for at the discounted present value of the cash flows under the new terms using the original effective interest rate, with any difference being accounted for as a modification gain or loss in the period. Due to these debentures being with direct shareholders who are related parties, the amount has been recorded as contributed surplus.

12% non-convertible debenture payable

The 12% non-convertible debentures payable described in note 7 are debt instruments. The amount is initially recorded at fair value using a market rate of interest that would be payable on a similar debt instrument if issued at a market rate. The fair value difference is accounted for on a non-related party basis as a deferred gain which is subsequently recognized over time.

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. 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.

Revenue and income*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 (Marketing activities)

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 customer earns an aeroplan point. Pre-paid points that are unearned at period end are included in accounts payable and accrued liabilities.

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 8 to these consolidated financial statements.

Stock option plan

The Company has a stock option plan which is described in note 9a. 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.

Earnings (loss) per share

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

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

4 Property, plant and equipment

At June 30, 2025 and June 30, 2024	Computer equipment \$	Furniture & equipment \$	Total \$
Cost	\$ 417,405	\$ 160,026	\$ 577,431
Accumulated amortization	(417,405)	(160,026)	(577,431)
Net book value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5 Loan payable

	June 30, 2025 \$	June 30, 2024 \$
Balance at start of year	\$ 5,147,161	\$ 5,992,287
Increase/(Decrease) in borrowing	2,209,235	(845,126)
Balance at end of year	<u>\$ 7,356,396</u>	<u>\$ 5,147,161</u>

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 \$9.35 million and is only available to the Company for acquisition of transaction credits. As security, Accord has first charge to all amounts due from establishments funded from the loan payable.

The agreement with Accord is subject to automatic renewal after July 31, 2024 for periods of one year unless terminated by either party by giving 180 days written notice prior to end of the term. Subsequent to June 30, 2025, the agreement automatically renewed for one year.

The interest rate on the facility is the prime rate of a certain Canadian bank plus 8.0%.

Accord funds 90% of each dollar of transaction credits acquired by the Company and the Company funds 10%. The Company is responsible for all delinquencies on amounts due from establishments funded from the loan payable.

The loan payable is repayable on demand to Accord.

The interest cost during year ended June 30, 2025, was \$836,534 (year ended June 30, 2024 was \$893,393).

Included in the above, Accord provided the Company with an overdraft facility.

Tabulation of re-payment of overdraft facility:

Accord overdraft facility	
12 months ended June 30, 2025	\$ 125,010
12 months ended June 30, 2026	66,432
	<u>\$ 191,442</u>

6 9% Non-convertible debentures payable

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 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 maturity date of the 9% 2025 debentures is December 31, 2025.

On September 12, 2023 the Company received agreement of the debenture holders to defer the payment of interest payable September 15, 2023, and for it to be payable in five equal instalments, with each instalment being added to the interest payments due on March 15, 2024, September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025.

On December 19, 2023 the Company received agreement of the debenture holders to re-set financial covenants at December 31, 2023.

On March 13, 2024 the Company received agreement of debenture holders to defer payment of interest payable March 15, 2024, and for it to be payable in four equal instalments, with each instalment being added to the interest payments due on September 15, 2024, March 15, 2025, September 15, 2025, and December 31, 2025. In addition, the Company received agreement to re-set the financial covenants at March 31, 2024.

On June 18, 2024 the Company received agreement of debenture holders to defer payment of interest payable September 15, 2024, and for it to be payable in three equal instalments, with each instalment being added to the interest payments due on March 15, 2025, September 15, 2025, and December 31, 2025. In addition, the Company received agreement of the debenture holders to re-set the financial covenants at June 30, 2024 and September 30, 2024.

On December 12, 2024 the Company received agreement of the debenture holders to defer the payment of interest payable March 15, 2025, and for it to be payable in two equal instalments, with each instalment being added to the interest payments due on September 15, 2025, and December 31, 2025. In addition, the Company received agreement of the debenture holders to re-set financial covenants at December 31, 2024 and March 31, 2025.

On June 26, 2025 the Company received agreement of debenture holders to defer payment of interest payable September 15, 2025, and for it to be added to the interest payment due on December 31, 2025. In addition, the Company received agreement of the debenture holders to re-set the financial

covenants at June 30, 2025 and September 30, 2025. The Company was in compliance with the re-set financial covenants at June 30, 2025.

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

Movement on 9% 2025 debentures is tabulated below:

	Debt portion \$	Accrued and Unpaid interest \$	Total \$
Balance at June 30, 2023	\$ 7,341,370	\$ 1,835,313	\$ 9,176,683
Contribution on modification of payment terms:			
September 12, 2023	(821,580)	-	(821,580)
March 13, 2024	(132,506)	-	(132,506)
June 18, 2024	(127,106)	-	(127,106)
Accretion charge for the period	1,174,007	-	1,174,007
Restructuring bonus for the period	113,216	-	113,216
Amortization of transaction costs for the period	26,954	-	26,954
Interest for the period	-	934,875	934,875
Balance at June 30, 2024	\$ 7,574,355	\$ 2,770,188	\$ 10,344,543
Contribution on modification of payment terms:			
December 12, 2024	(454,336)	-	(454,336)
June 25, 2025	(189,260)	-	(189,260)
Accretion charge for the period	1,893,765	-	1,893,765
Restructuring bonus for the period	113,167	-	113,167
Amortization of transaction costs for the period	26,954	-	26,954
Interest for the period	-	956,310	956,310
Balance at June 30, 2025	\$ 8,964,645	\$ 3,726,498	\$ 12,691,143

	Current liability (note 11c)	Non-current liability	Total
Year ended June 30, 2025	\$ 12,691,143	\$ -	\$ 12,691,143
Year ended June 30, 2024	\$ 1,092,021	\$ 9,252,522	\$ 10,344,543

The interest costs are tabulated below:

Year ended June 30, 2025			Year ended June 30, 2024		
Stated interest \$	Accretion charge \$	Restructuring bonus \$	Stated interest \$	Accretion charge \$	Restructuring bonus \$
956,310	1,893,765	113,216	934,875	1,174,007	113,216
\$ 956,310	\$ 1,893,765	\$ 113,216	\$ 934,875	\$ 1,174,007	\$ 113,216

The year-ended June 30, 2025 cost includes amortization of transaction costs of \$26,954 (2024 - \$26,954).

7 12% Non-convertible debentures payable

On April 2023 the Company issued 400 units of 12% non-convertible debentures payable (“12% debentures”) as a debt instrument. Referred herein as Series 1. On February 2024 the Company issued 300 units of 12% debentures as a debt instrument. Referred herein as Series 2.

The 12% debentures bear interest at 12% per annum payable semi-annually, mature October 10, 2025, and rank pari passu on security with the 9% 2025 debentures. There was no issuance of common shares of the Company to the purchaser of 12% debentures. This transaction was with a non-related party which is at arm’s length with the Company. The Company secured the requisite approval of 9% 2025 debentures to issue the 12% debentures. On June 24, 2025, the maturity date on the 12% debenture was extended to October 10, 2026 the impact of which was immaterial.

Movement on 12% debentures is tabulated:

<i>Series 1</i>	Debt \$	Accrued and unpaid interest \$	Deferred fair value adjustment \$	Total \$
Balance at June 30, 2023	\$ 370,129	9,334	\$ (91,993)	\$ 287,470
Amortization of transaction costs for the period	8,515	-	-	8,515
Interest for the period	-	48,000	-	48,000
Fair value adjustment - initial recognition	-	(46,911)	-	(46,911)
Fair value adjustment - accretion	-	-	37,477	37,477
Balance at June 30, 2024	<u>\$ 378,644</u>	<u>10,423</u>	<u>\$ (54,516)</u>	<u>\$ 334,551</u>
Amortization of transaction costs for the period	8,515	-	-	8,515
Interest for the period	-	48,000	-	48,000
Interest paid during the period	-	(47,934)	-	(47,934)
Fair value adjustment - accretion	-	-	41,916	41,916
Balance at June 30, 2025	<u>\$ 387,159</u>	<u>\$ 10,489</u>	<u>\$ (12,600)</u>	<u>\$ 385,048</u>
		Current liability	Non-current liability	Total
Year ended June 30, 2025		\$ 10,489	\$ 374,559	\$ 385,048
Year ended June 30, 2024		\$ 10,423	\$ 324,128	\$ 334,551
<i>Series 2</i>	Debt \$	Accrued and unpaid interest \$	Deferred fair value adjustment \$	Total \$
Principal	\$ 300,000	\$ -	\$ -	\$ 300,000
Transaction costs	(22,184)	-	-	(22,184)
Amortization of transaction costs for the period	4,437	-	-	4,437
Interest for the period	-	12,000	-	12,000
Interest paid during the period	-	(4,820)	-	(4,820)
Fair value adjustment - initial recognition	-	-	(48,350)	(48,350)
Fair value adjustment - accretion	-	-	9,818	9,818
Balance at June 30, 2024	<u>\$ 282,253</u>	<u>7,180</u>	<u>\$ (38,532)</u>	<u>\$ 250,901</u>
Amortization of transaction costs for the period	13,310	-	-	13,310
Interest for the period	-	36,000	-	36,000

Interest paid during the period	-	(35,951)	-	(35,951)
Fair value adjustment - accretion	-	-	31,722	31,722
Balance at June 30, 2025	\$ 295,563	\$ 7,229	\$ (6,810)	\$ 295,982

	Current liability	Non-current liability	Total
Year ended June 30, 2025	\$ 7,229	\$ 288,802	\$ 296,031
Year ended June 30, 2024	\$ 7,180	\$ 243,721	\$ 250,901

<i>Series 1 & Series 2</i>	Current liability (note 11c)	Non-current liability	Total
Year ended June 30, 2025	\$ 17,718	\$ 663,361	\$ 681,079
Year ended June 30, 2024	\$ 17,603	\$ 567,849	\$ 585,452

8 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	Shares (\$)
No par value. At June 30, 2025 and 2024	461,887	\$ 3,815

(c) Issued common shares

	Number of shares	Shares (\$)
No par value. At June 30, 2025	265,390,090	\$ 24,526,740
No par value. At June 30, 2024	265,390,090	\$ 24,526,740

9 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 as at June 30, 2025 and June 30, 2024 per the Company's stock option plan is 556,285.

There were no stock options outstanding during the years ended June 30, 2025 and 2024.

The Company has recorded \$nil of stock-based compensation expense during year ended June 30, 2025 and 2024.

b. Restricted Share Unit Plan

The maximum number of common shares of the Company which may be made subject to issuance under RSUs granted under the RSU Plan is 13,733,333.

The Company has not granted any RSUs under the RSU plan as at June 30, 2025 and 2024.

c. Potentially Dilutive Securities

No potentially dilutive securities exist as at June 30, 2025 and 2024.

10 Related party transactions

9% 2025 debentures

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

9% 2025 debentures are described in note 6.

Common shares

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

	June 30, 2025		June 30, 2024	
	9% 2025 debentures	Common shares	9% 2025 debentures	Common shares
Director, Chief Executive Officer - K. Ambrose	\$ 575,000	25,424,582	\$ 575,000	25,424,582
Director - M. Lavine	500,000	2,450,494	500,000	2,450,494
Director - D. Moscovitz	9,000	38,966	9,000	38,966
R. Abramson, GIACP, GPMCA (a)	3,351,000	153,246,109	3,464,680	156,505,045
Herbert Abramson (b)	<u>731,000</u>	<u>54,864,527</u>	<u>731,000</u>	<u>54,864,527</u>
	<u>\$ 5,166,000</u>	<u>236,024,678</u>	<u>\$ 5,279,680</u>	<u>239,283,614</u>
Total issued and outstanding 9% 2025 debentures and common shares	\$ 7,759,000	265,390,090	\$ 7,759,000	265,390,090
% held by parties in tabulation	66.6%	88.9%	68.0%	90.2%

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

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

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,	
	2025	2024
Salaries, management bonuses and directors fees	\$ 463,074	\$ 441,576

11 Financial instruments

(a) Credit risk

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

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

Under the merchant cash advance ("MCA") product, the Company acquires the rights to receive future cash flows, associated with future business activity, at a discount from participating establishments ("transaction credits"). Under the MCA program the transaction credits are estimated to be fully extinguishable within 365 days. 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.

During year ended June 30, 2025 and 2024, the economic uncertainties related to global trade and tariffs. For both periods, the Company estimated loss for level 1 transaction credits based on historical loss rate.

The historical loss rate is based on the losses experienced over a rolling seven-year period. Location of the merchant business, past and current payment history, current economic activity levels, are the inputs into the forecast loss ratio.

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

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

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

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

	June 30, 2025 \$	June 30, 2024 \$
Transaction credits	\$ 9,293,673	\$ 6,368,111
Accounts receivable	227,314	154,841
Allowance	(1,420,381)	(1,270,633)
Per Consolidated Statement of Financial Position	\$ 8,100,606	\$ 5,252,319
Maximum exposure to credit risk	\$ 8,100,606	\$ 5,252,319

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

	June 30, 2025 \$	June 30, 2024 \$
Impaired transaction credits	\$ 1,141,046	\$ 1,030,444
Allowance	(1,141,046)	(1,030,444)
Impaired transaction credits not allowed for	\$ -	\$ -

The Company does not have any significant transaction credits that are passed due and not considered impaired.

The company carries an allowance towards unimpaired transaction credits based on the historical loss ratio

\$ 279,335	\$ 240,189
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Movement on allowance for impaired transaction credits:

	June 30, 2025 \$	June 30, 2024 \$
Balance, beginning	\$ 1,270,633	\$ 1,492,892
Allowance created during the year	149,748	408,452
Impaired accounts adjusted against allowance	-	(630,711)
Balance, ending	\$ 1,420,381	\$ 1,270,633

(b) Currency risk

Currency risk arises due to fluctuations in foreign currency rates.

(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 has material going concern uncertainties - 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, 2025 are as follows:

	Total \$	Payable within 1 year \$	Payable after 1 year - 3 years \$
Loan payable (note 5)	7,356,396	7,356,396	-
Accounts payable and accrued liabilities	3,706,331	3,706,331	-
9% 2025 debentures principal due December 31, 2025 (note 6)	7,759,000	7,759,000	-
9% debentures interest for period December 16, 2018 to March 14, 2021	1,150,383	1,150,383	-
9% 2025 debentures interest (note 6)	4,626,083	4,626,083	-
9% 2025 debentures restructuring bonus (note 6)	1,396,620	1,396,620	-
12% debentures principal due October 10, 2026 (note 7)	700,000	-	700,000
12% debentures cash interest (note 7)	84,000	84,000	-
CEBA (note 18)	64,500	64,500	-
Total	<u>\$ 26,843,313</u>	<u>\$ 26,143,313</u>	<u>\$ 700,000</u>

The contractual maturities of the Company's financial liabilities at June 30, 2024 are as follows:

	Total \$	Payable within 1 year \$	Payable after 1 year - 3 years \$
Loan payable (note 5)	5,147,161	5,147,161	-
Accounts payable and accrued liabilities	3,413,446	3,413,446	-
9% 2025 debentures principal due December 31, 2025 (note 6)	7,759,000	-	7,759,000
9% debentures interest for period December 16, 2018 to March 14, 2021	1,150,383	-	1,150,383
9% 2025 debentures interest (note 6)	3,669,773	1,092,021	2,577,752
9% 2025 debentures restructuring bonus (note 6)	1,396,620	-	1,396,620
12% debentures principal due October 10, 2025 (note 7)	700,000	-	700,000
12% debentures cash interest (note 7)	177,764	84,000	93,764
CEBA (note 18)	69,000	-	69,000
Total	<u>\$ 23,483,147</u>	<u>\$ 9,736,628</u>	<u>\$ 13,746,419</u>

(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 marketplace.

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

The carrying value of cash, accounts receivable, transaction credits, accounts payable and accrued liabilities, loan, loan payable, and 12% debentures 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 financing. The fair value of the 9% debentures and 9% 2025 debentures are approximately \$14,932,000 at June 30, 2025. The fair value is a level 3 determination.

(e) Interest rate risk

Interest rate risk is the exposure of the Company to fluctuations in interest rates that could impact its financial performance, primarily its cost of borrowing and interest expense.

The Company's activities are funded by two sources of debt; the 9% non-convertible debentures payable (note 6) and 12% non-convertible debentures (note 7) 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 future cash flows on account of its 9% non-convertible debentures payable and 12% non-convertible debentures (note 7) since the rate is fixed, its future cash flows are exposed to interest rate risk from the floating interest rate payable on its loan payable. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Interest on loan payable is calculated daily on the amount outstanding on loan payable and charged monthly. The interest rate effective September 1, 2023 is the prime rate of a certain Canadian bank plus 8.0%. During the year ended June 30, 2025 the interest expense on loan payable was \$836,534 (June 30, 2024 - \$893,393). Had the prime rate, during year ended June 30, 2025 increased by 10%, the interest expense on loan payable would have been approximately \$920,187, an increase of \$83,653.

12 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, 12% 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, 2025 \$	At June 30, 2024 \$
Loan payable (note 5)	7,356,396	5,147,161
9% Non-convertible debentures - Principal (note 6)	7,759,000	7,759,000
12% Non-convertible debentures payable - Principal (note 7)	700,000	700,000
CEBA (note 18)	64,500	61,500
Share capital (note 8)	24,530,555	24,530,555
Contributed surplus, Accumulated other comprehensive loss and deficit	(40,846,143)	(38,863,941)
	<u>(435,692)</u>	<u>(665,725)</u>

13 Commitments and contingencies

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

14 Income taxes

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

	2025 \$	2024 \$
Current income taxes	-	-
Deferred income taxes	-	-
	<u>\$-</u>	<u>\$-</u>

The average combined federal and provincial statutory income rate applicable to the Company in Canada for 2025 and 2024 was 26.5% and in the USA for 2025 and 2024 was 21.0%.

The Company does not have any income tax expense. The Company's reconciliation between the Company's effective income tax rate and the combined statutory income tax rate results in no tax expense or recovery due to losses not being recognized.

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, 2025, 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:

	2025 \$	2024 \$
Non-capital losses carried forward	4,452,000	5,005,000
Property, plant and equipment due to amortization	<u>14,000</u>	<u>16,000</u>
	<u>\$4,466,000</u>	<u>\$5,021,000</u>
Deferred income tax assets not recognized	<u>\$(4,466,000)</u>	<u>\$(5,021,000)</u>
	<u>\$-</u>	<u>\$-</u>

As at June 30, 2025, the Company has gross non-capital income tax losses of approximately \$17,058,000 (2024 - \$20,825,000), 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 2026 and 2045, and are tabulated hereunder:

Year ending June 30, 2026	\$ 1,135,000
Year ending June 30, 2027	\$ 771,000
Year ending June 30, 2028 and thereafter	<u>\$15,152,000</u>
	<u>\$17,058,000</u>

15 Earnings (loss) per share

As at June 30, 2024 and 2023 the Company did not have any outstanding stock options or restricted share grants. Basic and Diluted EPS are tabulated.

	Year ended June 30, 2025 \$	Year ended June 30, 2024 \$
Net (loss) and comprehensive (loss)	\$ (2,625,798)	\$ (2,704,357)
<u>Basic and Diluted EPS</u>		
Average number of issued common shares during the period	265,390,090	265,390,090
Basic EPS	\$ (0.01)	\$ (0.01)

There are no potentially dilutive common shares outstanding at June 30, 2025 and 2024.

16 Nature of expenses

	Year ended June 30, 2025 \$	Year ended June 30, 2024 \$
Direct expenses		
Costs of loyalty rewards, and marketing in connection with the company's merchant based loyalty program	\$ 1,053,389	\$ 585,671
Expense for provision against impaired accounts receivable and transaction credits	163,309	421,447
	<u>\$ 1,216,698</u>	<u>\$ 1,007,118</u>
Selling and Marketing, and General & Administrative		
Salaries and wages including travel	\$ 1,256,130	\$ 1,232,718
Professional fees	194,465	212,091
Facilities, processing, and office expenses	228,914	187,457
Other	30,096	30,727
	<u>\$ 1,709,605</u>	<u>\$ 1,662,993</u>

17 Segment reporting

The Company's reportable segments include: (1) Merchant cash advance ("MCA") program and (2) Aeroplan program. The MCA program's revenue is recorded over time and the Aeroplan program is recorded point in time. 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, 2025 and 2024 is tabulated below.

<i>Year ended June 30, 2025</i>	MCA program	Aeroplan program	Total
	\$	\$	\$
Revenues	\$ 2,305,257	\$ 1,930,852	\$ 4,236,109
Direct expenses	<u>163,309</u>	<u>1,053,389</u>	<u>1,216,698</u>
	2,141,948	877,463	3,019,411
Selling & marketing	265,635	222,493	488,128
General & administrative	<u>664,718</u>	<u>556,759</u>	<u>1,221,477</u>
Income from operations before cash and non-cash interest expenses	1,211,595	98,211	1,309,806
Stated Interest expense:			
Loan payable	836,534	-	836,534
9% non-convertible debentures payable	520,416	435,894	956,310
12% non-convertible debentures payable	45,712	38,288	84,000
CEBA	1,633	1,367	3,000
Non-cash interest expense:			
Accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures payable	1,106,851	927,084	2,033,935
Amortization of transaction costs related to 12% non-convertible debentures	<u>11,877</u>	<u>9,948</u>	<u>21,825</u>
Segment (loss)	<u><u>\$(1,311,428)</u></u>	<u><u>\$(1,314,370)</u></u>	<u><u>\$(2,625,798)</u></u>
 <i>Year ended June 30, 2024</i>	 MCA program	 Aeroplan program	 Total
	\$	\$	\$
Revenues	\$ 2,311,787	\$ 870,864	\$ 3,182,651
Direct expenses	<u>421,447</u>	<u>585,671</u>	<u>1,007,118</u>
	1,890,340	285,193	2,175,533
Selling & marketing	402,577	151,653	554,230
General & administrative	<u>805,374</u>	<u>303,389</u>	<u>1,108,763</u>
Income (Loss) from operations before cash and non-cash interest expenses	682,389	(169,849)	512,540
Stated Interest expense:			
Loan payable	893,393	-	893,393
9% non-convertible debentures payable	679,067	255,808	934,875
12% non-convertible debentures payable	43,582	16,418	60,000
CEBA	1,090	410	1,500
Non-cash interest expense:			
Accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures payable	954,581	359,596	1,314,177
Amortization of transaction costs related to 12% non-convertible debentures	<u>9,408</u>	<u>3,544</u>	<u>12,952</u>
Segment (loss)	<u><u>\$(1,897,642)</u></u>	<u><u>\$ (805,215)</u></u>	<u><u>\$(2,704,357)</u></u>

18 Government subsidies

The Company received \$60,000 under the Canada Emergency Business Account in 2022. \$20,000 of this loan of \$60,000 is forgivable provided the loan is re-paid by January 18, 2024. There is no interest on the \$60,000 loan provided it is re-paid by January 18, 2024. After that none of the loan would be forgiven and interest will begin to accrue at 5% per year. The loan was not re-paid by January 18, 2024 and interest of \$4,500 has been accrued. The loan including accrued interest would be due in full by December 31, 2025.

19 Subsequent events

On October 10, 2025, the Advantex Dining Corporation (“ADC”), a wholly owned subsidiary of the Company entered into a Receivables Purchase Agreement (“RPA”) with a new funder (the “Funder”). Based on the RPA, ADC can originate up to \$20 million in small business financing, with potential for future growth. Under the terms of the RPA, ADC will originate the small business advances and sell the rights to these receivables to the Funder. ADC will act as the servicer of the advances and will earn a servicing fee along with an opportunity to share in the revenue generated from the advances based on their performance.

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Board of Directors:

Kelly Ambrose. Chairman of the Board of Directors
Marc Lavine. Chairman of the Audit Committee
David Moscovitz. Chairman of the Compensation and Governance Committee

Senior Management:

Kelly Ambrose
President and Chief Executive Officer

Santhosh Kumar
Chief Financial Officer

Listing:

Canadian Securities Exchange
Trading symbol ADX

Auditors:

BDO Canada LLP

Transfer Agent:

TSX Trust Company