IOU FINANCIAL INC.

IOU Financial Inc.

Condensed Consolidated Interim Financial Statements

For the Three- and Six- Month Period Ended
June 30, 2022 and 2021

NOTICE OF NO AUDITOR REVIEW
The accompanying condensed consolidated interim financial statements of IOU Financial Inc. for the three- and six- month period ended June 30, 2022 and 2021 have not been reviewed or audited by the Company's auditors.

IOU FINANCIAL INC.

Condensed Consolidated Interim Financial Statements

For the Three- and Six- Month Period Ended
June 30, 2022 and 2021

IOU FINANCIAL INC.

Consolidated Statements of Financial Position
As at June 30, 2022 and December 31, 2021
(in Canadian dollars)
(unaudited)

	Note	**June 30, 2022 $ (unaudited)**	December 31, 2021 $
Assets			
Cash and cash equivalents		**11,772,768**	7,358,752
Restricted cash		**218,963**	1,205,688
Commercial loans receivable, net	**5**	**5,057,488**	6,789,281
Servicing assets, net	**5**	**4,100,037**	3,092,164
Service fees receivable		**2,785,182**	1,368,210
Purchase price receivable on loans sold		**2,645,291**	2,604,411
Other receivables		**1,580,756**	1,948,871
Equipment and leasehold improvements, net	**6**	**162,371**	118,416
Intangible assets	**7**	**1,220,346**	763,782
Lease Receivable	**8**	**470,686**	507,570
Right-of-use assets	**8**	**147,490**	213,955
Other Assets		**522,814**	592,636
Total Assets		**30,684,192**	26,563,736
Liabilities			
Accounts payable and accrued liabilities		**3,240,811**	2,453,207
Payable to loan purchasers		**3,071,839**	201,491
Convertible debentures	**9**	**5,721,679**	7,619,634
Lease liabilities	**8**	**671,690**	783,846
Total Liabilities		**12,706,019**	11,058,178
Shareholders' Equity			
Share capital		**28,929,953**	28,929,953
Contributed surplus		**4,841,735**	4,764,941
Accumulated other comprehensive income		**2,066,415**	1,711,442
Accumulated Deficit		**(17,859,930)**	(19,900,778)
Total Shareholders' Equity		**17,978,173**	15,505,558
Total Liabilities and Shareholders' Equity		**30,684,192**	26,563,736

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

Approved by the Board on August 26, 2022

Robert Gloer (signed), Director
Neil Wolfson (signed), Director

IOU FINANCIAL INC.

Consolidated Statements of Comprehensive Income/(Loss)
For the Three- and Six- Month Periods Ended June 30
(in Canadian dollars)
(unaudited)

	Note	**3 Months Ended 2022 $**	3 Months Ended 2021 $	**6 Months Ended 2022 $**	6 Months Ended 2021 $
Revenue					
Interest revenue	**5**	**24,166**	232,598	**59,943**	824,210
Servicing income	**5**	**3,064,808**	1,295,078	**5,484,285**	2,367,498
Net gain recognized on sale of loans	**5**	**3,079,854**	2,004,381	**6,266,500**	3,432,247
Amortization of servicing assets	**5**	**(2,076,237)**	(1,193,981)	**(3,772,029)**	(1,917,979)
Other fees		**644,188**	416,059	**1,342,684**	692,834
Gross Revenue		**4,736,779**	2,754,135	**9,381,383**	5,398,810
Cost of Revenue					
Interest expense	**9**	**204,653**	352,568	**443,487**	677,000
Net recovery of loan losses	**5**	**(113,373)**	(388,021)	**(374,777)**	(430,221)
Total Cost of Revenue		**91,280**	(35,453)	**68,710**	246,779
Net Revenue		**4,645,499**	2,789,588	**9,312,673**	5,152,031
Operating expenses	**12**	**3,722,055**	2,778,834	**7,271,825**	5,220,741
Earnings/(Loss) Before Income Taxes		**923,444**	10,754	**2,040,848**	(68,710)
Income Tax Expense	**16**	**-**	-	**-**	-
Net Earnings/(Loss) for the Period		**923,444**	10,754	**2,040,848**	(68,710)
Currency translation differences		**676,998**	(349,246)	**354,973**	(438,651)
Comprehensive Income/ (Loss) for the Period		**1,600,442**	(338,492)	**2,395,821**	(507,361)
Earnings (Loss) per Share:					
Basic	**10**	**0.01**	0.00	**0.02**	(0.00)
Diluted	**10**	**0.01**	0.00	**0.02**	(0.00)

Income/(Loss) and Comprehensive Income/(Loss) are entirely attributable to the shareholders of the Company. Other Comprehensive Income/(Loss) is entirely subject to be reclassified to Income/(Loss).

IOU FINANCIAL INC.

Consolidated Statements of Changes in Shareholders' Equity
For the Six-Month Periods ended June 30, 2022 and 2021
(in Canadian dollars, except as otherwise noted)
(unaudited)

	Note	Common Shares (#)	Share Capital ($)	Contributed Surplus ($)	AOCI ($)	Deficit ($)	Shareholders' Equity ($)
Balance as at December 31, 2021		**104,990,596**	**28,929,953**	**4,764,941**	**1,711,442**	**(19,900,778)**	**15,505,558**
Comprehensive income for the period		-	-	-	354,973	2,040,848	2,395,821
Exercise of Stock Options	**11**	345,000	-	27,600			27,600
Stock-based compensation	**11**	-	-	49,194	-	-	49,194
Balance as at June 30, 2022		**105,335,596**	**28,929,953**	**4,841,735**	**2,066,415**	**(17,859,930)**	**17,978,173**

	Note	Common Shares (#)	Share Capital ($)	Contributed Surplus ($)	AOCI ($)	Deficit ($)	Shareholders' Equity ($)
Balance as at December 31, 2020		**104,643,928**	**28,887,186**	**4,614,728**	**1,728,918**	**(23,212,173)**	**12,018,659**
Comprehensive (loss) income for the period		-	-	-	(438,651)	(68,710)	(507,361)
Stock-based compensation	11	-	-	101,019	-	-	101,019
Balance as at June 30, 2021		**104,643,928**	**28,887,186**	**4,715,747**	**1,290,267**	**(23,280,883)**	**11,612,317**

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

IOU FINANCIAL INC.

Consolidated Statements of Cash Flows
For the Six- Month Periods Ended June 30
(in Canadian dollars)
(unaudited)

	Note	2022 $	2021 $
Operating Activities			
Net income/(loss) for the period		**2,040,848**	(68,710)
Adjustment for non-cash items included in net income/(loss)	**13**	**(2,199,935)**	(2,222,673)
Origination of commercial loans		**(148,720,604)**	(67,240,874)
Sale of commercial loans	**5**	**152,158,796**	72,908,992
Interest received	**5**	**34,081**	1,092,813
Interest expense	**9**	**443,487**	699,073
Interest paid with cash	**9**	**(353,364)**	(629,416)
Change in other operating assets/liabilities	**13**	**2,638,037**	(1,513,962)
Cash generated in operating activities		**6,041,346**	3,025,243
Investing Activities			
Additions to equipment and leasehold improvements	**6**	**(80,524)**	(32,742)
Additions to intangible assets	**7**	**(535,131)**	(145,262)
Reductions to restricted cash		**986,725**	108,862
Cash generated in investing activities		**371,070**	(68,872)
Financing Activities			
Redemption of convertible debentures	**9**	**(2,094,433)**	(1,714,345)
Cash received on exercise of stock options	**11**	**27,600**	-
Decrease in lease receivable	**8**	**36,884**	-
Increase/(decrease) in lease liabilities	**8**	**(114,071)**	104,454
Cash used in financing activities		**(2,144,020)**	(1,609,891)
Net Increase in Cash		**4,268,396**	1,346,480
Exchange rate differences on cash		**145,620**	(221,761)
Cash			
Beginning of period		**7,358,752**	9,958,977
End of period		**11,772,768**	11,083,696

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

1. General Information

IOU Financial Inc. ("IOU Financial", or "the Company") is a wholesale lender that provides small businesses quick and easy access to growth capital through a network of preferred brokers across the US. We also operate a commercial lending brokerage business through our wholly owned subsidiary, ZING Funding. These condensed consolidated interim financial statements include the results of our wholly owned subsidiaries: IOU Central, IOUF Canada, IOU SBAF I, IOU SBAF II, and ZING Funding.

IOU Financial is a public company in Quebec listed on the TSX Venture Exchange (TSX-V) under the ticker symbol IOU. Our registered office is located at 1 Place Ville-Marie, Suite 1670, Montréal, Quebec, Canada.

2. Basis of Preparation

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") including IAS 34 *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in the annual consolidated financial statements has been omitted or condensed and therefore these interim financial statements should be read in conjunction with the annual audited consolidated financial statements.

These condensed consolidated interim financial statements have been prepared using the historical cost basis except where indicated. The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2021, unless otherwise indicated. There have been no new accounting standards adopted in the six months ended June 30, 2022. Presentation of prior year amounts have been conformed to current year presentation where applicable.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on August 26, 2022.

3. Use of Estimates and Judgments

In preparing these condensed consolidated interim financial statements, management has made judgements and estimates in the process of applying the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(in Canadian dollars, except as otherwise noted)

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the audited consolidated financial statements for the year ended December 31, 2021, unless otherwise noted.

4. Financial Instruments

Classification and Measurement – Financial Assets and Liabilities

The following tables presents the Company's classification of its financial assets and liabilities. The Company has no financial assets at FVOCI and has not used the fair value option. The Company has determined that the fair value of its financial assets and liabilities are equal to their respective carrying amounts.

Financial Assets	Classification	Carrying Amounts
Cash	Amortized cost	$ 11,772,768
Restricted cash	Amortized cost	$ 218,963
OTH loans	Amortized cost	$ 1,105,241
OTS loans	FVTPL	$ 3,952,247
Servicing fees receivable	Amortized cost	$ 2,785,182
Purchase price receivable on loans sold	Amortized cost	$ 2,645,291
Other receivables	Amortized cost	$ 1,580,756

Financial Liabilities	Classification	Carrying Amounts
Accounts payable and accrued liabilities	Amortized cost	$ 3,240,811
Payable to loan purchasers	Amortized cost	$ 3,071,839
Convertible debentures	Amortized cost	$ 5,721,679
Lease Liabilities	Amortized cost	$ 671,690

(in Canadian dollars, except as otherwise noted)

5. Commercial Loans Receivable

As at June 30, 2022 and December 31, 2021, the Company's commercial loans receivable balance consisted of the following:

	June 30, 2022 **$**	December 31, 2021 $
Originate-to-hold (OTH) principal balance	**1,407,586**	2,647,198
Unamortized fees and transaction costs	**36,504**	49,160
Total OTH loans balance	**1,444,090**	2,696,358
Allowance for expected credit losses	**(338,849)**	(788,060)
Net carrying amount of OTH loans	**1,105,241**	1,908,298
Originate-to-sell (OTS) loans	**3,952,247**	4,880,983
Commercial loans receivable, net	**5,057,488**	6,789,281

Originate-to-Hold (OTH) Commercial Loans Receivable

All OTH loans have original maturity dates of 18 months or less, are US dollar denominated, bear interest at a fixed rate of 9.25% and have guarantee fees charged on the original principal that range between 11.00% and 29.00%. These loans are repaid daily or weekly over their contractual terms. The fair value of the OTH loans is estimated to be equivalent to their net carrying amount, due to the residual short-term nature of these loans.

The Company has not originated any new OTH loans in 2022 and has recognized interest revenue on existing OTH loans of $24,166 and $59,943 for the three- and six- month periods ended June 30, 2022 (2021: $232,598 and $824,210).

Allowance for expected credit losses

Due to the short-term nature of the OTH loans, the Company assesses the credit quality of loans solely at the time of origination. Subsequent to origination, the credit quality of the loan portfolio is derived principally through the monitoring of payment delinquencies and interactions with the borrowers which then have a corresponding impact on the classification of the ECL impairment stages.

The following table presents the gross carrying amount of commercial loans receivable as at June 30, 2022 according to their ECL impairment stages. Stage 3 loans are subdivided into two subgroups described as Tier 1 and Tier 2. Tier 1 includes credit-impaired loans that are still responsive and have made at least one payment in the last 30 days. Tier 2 includes credit-impaired loans that are not responsive and have not made a payment in the last 30 days. Inactive loan balances are estimated ultimate recoverable amounts for delinquent loans that are in the last stages of the collection process.

(in Canadian dollars, except as otherwise noted)

	%	Gross Carrying Amount	Allowance for Expected Credit Losses	Net Carrying Amount
Stage 1	14.85	216,683	(4,389)	212,294
Stage 2	0.00	-	-	-
Stage 3 Tier 1	59.91	859,052	(301,570)	557,482
Stage 3 Tier 2	2.68	39,154	(32,890)	6,264
Inactive	22.56	329,201	-	329,201
Total	**100.00**	**1,444,090**	**(338,849)**	**1,105,241**

The following table presents the gross carrying amount of commercial loans receivable as at December 31, 2021, according to credit quality and ECL impairment stages.

	%	Gross Carrying Amount	Allowance for Expected Credit Losses	Net Carrying Amount
Stage 1	6.29	169,587	(4,172)	165,415
Stage 2	0.00	-	-	-
Stage 3 Tier 1	66.82	1,801,822	(621,629)	1,180,193
Stage 3 Tier 2	7.16	193,166	(162,259)	30,907
Inactive	19.72	531,783	-	531,783
Total	**100.00**	2,696,358	**(788,060)**	**1,908,298**

(in Canadian dollars, except as otherwise noted)

The following table presents the movements of the allowance for expected credit losses for the six-month period ended June 30, 2022.

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2021	**4,172**	**-**	**783,888**	**788,060**
Transfers to stage 1	135,330	-	(135,330)	-
Transfers to stage 2	(10,683)	10,683	-	-
Transfers to stage 3	(10,683)	-	10,683	-
Impact of originations	-	-	-	-
Net remeasurement	(113,834)	(10,683)	(261,130)	(385,647)
Net variation of the allowance	130	-	(385,777)	(385,647)
Loans written off	-	-	(120,640)	(120,640)
Recoveries of loans previously written off	-	-	40,684	40,684
Net write-offs	-	-	(79,956)	(79,956)
Translation differences	87	-	16,305	16,392
Balance at June 30, 2022	**4,389**	**-**	**334,460**	**338,849**

Amounts are charged off to the allowance for losses based on the passage of time from when the last payment was received from the borrower and when there is no further expectation of receiving additional payments from the borrower. Loans charged off to the allowance for losses remain subject to enforcement activity.

Originate-to-Sell (OTS) Commercial Loans Receivable

During the six-month period ended June 30, 2022, the Company sold substantially all of the commercial loans receivable it originated for total proceeds of $152.2 million (2021: $72.9 million). At the time of sale, the Company transferred to the purchaser all rights and risks associated with the loans sold, and the Company determined that the criteria for derecognition had been met. As at June 30, 2022, the Company held approximately $4.0 million of commercial loans receivable which were sold subsequent to June 30, 2022.

The Company recognized a net gain on sale of OTS commercial loans receivable of $3.1 million and $6.3 million for the three- and six- month period ended June 30, 2022, respectively (2021: $2.0 million and $3.4 million). Servicing assets of $2.3 million and $4.7 million, respectively (2021: $1.6 million and $2.7 million) were recognized as part of the net gain on sale. The servicing asset recognized is determined by comparing the actual expected cash flows to be received by the Company for servicing the loans sold to the fair value of providing such services, with the difference being recorded as the asset.

(in Canadian dollars, except as otherwise noted)

Servicing assets are amortized as a reduction of revenue in the condensed consolidated interim statements of comprehensive income/(loss) over the term of the loan. The Company recognized servicing asset amortization expense (including the impacts of sold loans that were repaid before their scheduled maturity) of $2.1 million and $3.8 million for the three- and six- month period ended June 30, 2022, respectively (2021: $1.2 million and $1.9 million).

As at June 30, 2022, the carrying amount of these servicing assets amounted to $4.1 million (2021: $3.1 million).

6. Equipment and Leasehold Improvements

The following table presents the changes in the carrying amount of the equipment and leasehold improvements as at June 30, 2022:

Cost	**Office Equipment**	**Computer Equipment**	**Leasehold Improvements**	**Total**
	$	**$**	**$**	**$**
Balance at December 31, 2021	178,926	284,549	213,386	676,861
Translation differences	1,421	3,520	546	5,487
Additions	-	40,086	40,438	80,524
Balance at June 30, 2022	**180,347**	**328,155**	**254,370**	**762,872**
Accumulated Depreciation				
Balance at December 31, 2021	177,699	207,015	173,731	558,445
Translation differences	1,420	2,555	426	4,401
Depreciation expense for the period	382	18,762	18,511	37,655
Balance at June 30, 2022	**179,501**	**228,332**	**192,668**	**600,501**
Carrying Amounts				
At December 31, 2021	1,227	77,534	39,655	118,416
At June 30, 2022	**846**	**99,823**	**61,702**	**162,371**

(in Canadian dollars, except as otherwise noted)

7. Intangible Assets

Intangible assets represent costs capitalized in connection with the development of software for internal use by the Company. The following table presents the changes in the carrying amount of intangible assets as at June 30, 2022 and December 31, 2021:

Cost	**June 30, 2022** $	December 31, 2021 $
Balance at beginning of period	**2,491,346**	1,710,478
Translation differences	**41,119**	(1,074)
Additions	**535,131**	781,942
Balance at end of period	**3,067,596**	2,491,346
Accumulated Amortization		
Balance at beginning of period	**1,727,564**	1,710,478
Translation differences	**26,509**	(7,130)
Amortization expense for the period	**93,177**	24,216
Balance at end of period	**1,847,250**	1,727,564
Carrying Amount at end of period	**1,220,346**	763,782

(in Canadian dollars, except as otherwise noted)

8. Right-of-use assets, lease receivable and lease liabilities

The following table presents the changes in the value of the right-of-use assets and lease liabilities as at June 30, 2022 and December 31, 2021:

Right-of-use Assets	**June 30, 2022 $**	December 31, 2021 $
Balance at beginning of period	**213,955**	672,456
Additions	**-**	270,223
Derecognition of right-of-use assets	**-**	(497,831)
Depreciation of right-of-use assets	**(68,098)**	(228,780)
Translation differences	**1,633**	(2,113)
Balance at end of period	**147,490**	213,955
Lease receivable		
Balance at beginning of period	**507,570**	-
Additions	**-**	528,971
Depreciation of net investment	**(36,884)**	(21,401)
Balance at end of period	**470,686**	507,570
Lease Liabilities		
Balance at beginning of period	**783,846**	731,123
Additions	**-**	270,223
Principal payments	**(114,071)**	(214,728)
Translation differences	**1,915**	(2,772)
Balance at end of period	**671,690**	783,846

9. Convertible Debentures

The components of the liability recognized in the consolidated statements of financial position as at June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022 $	December 31, 2021 $
Par value of the Debentures	**5,979,874**	8,075,368
Unamortized discount and transaction costs	**(258,195)**	(455,734)
Convertible Debenture Liability	**5,721,679**	7,619,634

The conversion period for the Debentures expired in 2020. In 2022, the Company redeemed $2,095,494 of principal value of certain convertible debentures for cash payments of

(in Canadian dollars, except as otherwise noted)

$2,094,433. The company incurred a net loss of $106,335 on redemption of the convertible debentures due to the difference between $107,396 accounted for as accelerated amortization of transaction costs and a discount to the principal amount of convertible debentures in the amount of $1,061 on redemption.

The Company recognized $204,653 and $443,487 in interest expense on the debentures for the three- and six- month period ended June 30, 2022, respectively (2021: $352,568 and $677,000).

The Debentures mature on December 31, 2023.

10. Earnings (Loss) per Share

For the three months ended:

	June 30, 2022 **$**	June 30, 2021 $
Basic and Diluted Earnings per Share		
Net earnings	**923,444**	10,754
Weighted average number of common shares for the purposes of basic earnings per share	**104,994,429**	104,643,928
Basic earnings per share	**0.01**	0.00
Effect of dilutive securities: Options	**2,480,388**	1,751,349
Weighted average number of common shares for the purposes of diluted earnings per share	**107,474,817**	106,395,277
Diluted earnings per share	**0.01**	0.00

(in Canadian dollars, except as otherwise noted)

For the six months ended:

	June 30, 2022 **$**	June 30, 2021 $
Basic and Diluted Earnings per Share		
Net earnings (loss)	**2,040,848**	(68,710)
Weighted average number of common shares for the purposes of basic earnings per share	**104,991,513**	104,643,928
Basic earnings (loss) per share	**0.02**	(0.00)
Effect of dilutive securities: Options	**2,709,998**	-
Weighted average number of common shares for the purposes of diluted earnings per share	**107,701,511**	104,643,928
Diluted earnings (loss) per share	**0.02**	(0.00)

Stock options representing common shares to be issued of 5.3 million and 5.2 million shares for the three- and six-month period ended June 30, 2022 (2021: 8.2 and 9.9 million), respectively, are anti-dilutive and therefore excluded from the weighted average number of common shares for the purposes of diluted earnings per share.

11. Share-Based Compensation

Movements in options for the six months ended June 30, 2022 are as follows:

	Options Outstanding (#)	**Average Exercise Price ($)**
Balance as at December 31, 2021	**9,375,000**	**0.15**
Granted	55,000	0.20
Exercised	(345,000)	0.08
Forfeited/Expired	(1,265,000)	0.26
Balance as at June 30, 2022	**7,820,000**	**0.14**

On February 1, 2022, the Company granted options entitling a director of the Company to acquire up to an aggregate of 55,000 common shares of the Company at an exercise price of $0.2005. These options have a contractual term of five years from the date of grant with one-third (1/3) vesting immediately and one-third (1/3) which will vest on each of the first and second anniversaries of the date of grant.

(in Canadian dollars, except as otherwise noted)

The following summarizes information about stock options outstanding as at June 30, 2022:

Exercise Price ($)	Outstanding Options (#)	Exercisable (#)	Expiry Date
0.08	200,000	200,000	January 2023
0.27	500,000	500,000	July 2023
0.20	650,000	650,000	July 2023
0.08	525,000	525,000	July 2023
0.27	500,000	500,000	March 2024
0.22	650,000	650,000	March 2024
0.08	725,000	725,000	March 2024
0.08	1,675,000	1,046,667	July 2025
0.11	55,000	36,667	December 2025
0.12	2,285,000	1,453,333	May 2026
0.2005	55,000	18,333	January 2027
Total	**7,820,000**	**6,305,000**	

Stock-based compensation expense of $24,597 and $49,194 has been recognized as a component of compensation within operating expenses for the three- and six-month period ended June 30, 2022 (2021: $80,588 and $101,019).

12. Operating Expenses

The following table provides additional information on operating expenses for the three- and six-month periods ended June 30:

	3 Months Ended		6 Months Ended	
	2022	2021	**2022**	2021
	$	$	**$**	$
Compensation	**2,082,993**	1,711,526	**4,159,505**	3,109,637
Marketing	**322,258**	149,505	**595,355**	281,365
Data Services	**492,043**	262,895	**1,007,291**	536,897
Professional Services	**536,918**	263,960	**897,707**	531,343
General & Administrative	**208,745**	376,974	**481,135**	734,150
Depreciation & Amortization	**79,098**	13,974	**130,832**	27,349
Total	**3,722,055**	2,778,834	**7,271,825**	5,220,741

(in Canadian dollars, except as otherwise noted)

13. Supplemental Cash Flow Information

Non-cash items included in net earnings/(loss) for the six months ended June 30, 2022 and 2021 comprise the following:

	Note	2022 $	2021 $
Depreciation of equipment and leasehold improvements	6	**37,655**	27,349
Amortization of intangible assets	7	**93,177**	-
Amortization of servicing assets	5	**3,772,029**	1,917,979
Amortization of right-of-use assets	8	**68,098**	(110,500)
Stock-based compensation	11	**49,194**	101,019
Interest revenue	5	**(59,943)**	(824,210)
Net gain recognized on sale of loans	5	**(6,266,500)**	(3,432,247)
Accelerated amortization of unamortized transaction cost due to redemption of convertible debentures	9	**106,355**	-
Amortization of transaction costs – financing credit facility		**-**	97,937
Total non-cash items in net income/(loss)		**(2,199,935)**	(2,222,673)

Changes in operating assets and liabilities for the six months ended June 30, 2022 and 2021 comprise the following:

	2022 $	2021 $
Service fees receivable	**(1,416,972)**	(1,802,291)
Other receivables	**368,115**	(118,034)
Purchase price receivable on loans sold	**(40,880)**	-
Other assets	**69,822**	(15,925)
Accounts payable and accrued liabilities	**787,604**	1,811,029
Payable to loan purchaser	**2,870,348**	(1,388,741)
Total	**2,638,037**	(1,513,962)

14. Related Party Transactions

Transactions in the Normal Course of Operations

The Company had the following transactions with related parties in the normal course of its operations:

i) The Company leases its Canadian office space from Palos Management Inc ("PMI"). The terms of the lease are similar to those that would have been present for an arm's-length transaction. PMI is indirectly owned by The Marleau Capital Corporation ("MCC"). Philippe Marleau, a director of the Company, holds a significant interest in MCC and therefore MCC is deemed to have significant influence over the Company. The Company made payments totaling approximately $0.13 million and $0.3 million to PMI for the three- and six-month periods ended June 30, 2022, respectively under the terms of the lease. Future non-cancellable liabilities under the lease are $1,532,921 as at June 30, 2022.

ii) The Company sells loans to funds managed by NB Specialty Finance Fund LP ("NB"). NB is deemed to have significant influence over the Company as they are a significant shareholder of the Company. For the six-month period ended June 30, 2022, the Company sold loans to NB in the amount of US$72.2 million (2021: US$21.5 million) and earned service fees of $3.6 million (2021: $0.6 million) from loans sold. The Company has approximately $5.6 million in receivables from NB as at June 30, 2022 (2021: $2.1 million) for servicing fees earned and purchase price deferred on loans sold

Key Management Compensation

Key management includes directors (executive and non-executive), the Chief Executive Officer and the Chief Financial Officer (who is also the Company Secretary). Compensation paid or payable to key management for services as employees of the Company for the three and six-month periods ended June 30, 2022 and 2021 are as follows:

(in Canadian dollars, except as otherwise noted)

For the three-month period ended June 30:

	2022 $	2021 $
Salaries and other short-term employee benefits	**301,799**	202,925
Stock-based payments	**15,837**	51,082
	317,636	254,007

For the six-month period ended June 30:

	2022 $	2021 $
Salaries and other short-term employee benefits	**492,172**	390,929
Stock-based payments	**32,220**	64,839
	524,392	455,768

15. Segment Information

The Company determines its operating segments according to the manner in which financial information is reviewed and used by the chief operating decision-maker (who we have identified as the Chief Executive Officer) to allocate resources and make decisions.

The Company continues to operate one reportable operating segment with two main revenue-generating activities: those related to the origination of loans and the income from loans held by the Company (lending) and those related to the sale of loans to institutional purchasers and the related servicing activities of those loans on behalf of the purchasers (servicing).

Substantially all of the Company’s assets are located in the United States.

Revenues earned by the Company from these activities are as follows:

(in Canadian dollars, except as otherwise noted)

For the three months ended June 30:

	2022			2021		
	Lending $	**Servicing $**	**Total $**	Lending $	Servicing $	Total $
Revenue						
Interest revenue	**24,166**	**-**	**24,166**	232,598	-	232,598
Other Fees	**644,188**	**-**	**644,188**	416,059	-	416,059
Servicing income	**-**	**3,064,808**	**3,064,808**	-	1,295,078	1,295,078
Accelerated recognition of transaction costs on loans sold	**-**	**769,741**	**769,741**	-	418,251	418,251
Amortization of servicing assets	**-**	**(2,076,237)**	**(2,076,237)**	-	(1,193,981)	(1,193,981)
Gain on sale of loans	**-**	**2,310,113**	**2,310,113**	-	1,586,130	1,586,130
Total	**668,354**	**4,068,425**	**4,736,779**	648,657	2,105,478	2,754,135

For the six months ended June 30:

	2022			2021		
	Lending $	**Servicing $**	**Total $**	Lending $	Servicing $	Total $
Revenue						
Interest revenue	**59,943**	**-**	**59,943**	824,210	-	824,210
Other Fees	**1,342,684**	**-**	**1,342,684**	692,834	-	692,834
Servicing income	**-**	**5,484,285**	**5,484,285**	-	2,367,498	2,367,498
Accelerated recognition of transaction costs on loans sold	**-**	**1,552,549**	**1,552,549**	-	743,436	743,436
Amortization of servicing assets	**-**	**(3,772,029)**	**(3,772,029)**	-	(1,917,979)	(1,917,979)
Gain on sale of loans	**-**	**4,713,951**	**4,713,951**	-	2,688,811	2,688,811
Total	**1,402,627**	**7,978,756**	**9,381,383**	1,517,044	3,881,766	5,398,810

16. Income Tax Expense

The Company has not recognized any income tax expense for the three and six months ended June 30, 2022 as the Company's best estimate of the effective tax rate for the 2022 fiscal year is 0%, as the Company believes any taxable income will be fully offset by its historical net operating losses.

17. Event after the Reporting Date

The Company granted options entitling its senior officers, directors, and certain managers and consultants to acquire up to an aggregate of 2,650,000 common shares of IOU Financial at an exercise price of $0.16. These options have a term of five years from the date of grant with one-third (1/3) vesting immediately and one-third (1/3) which will vest on each of the first and second anniversaries of the date of grant.