



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Third Quarter Ended September 30, 2021

November 15th, 2021

The following management's discussion and analysis ("MD&A") provides information concerning the financial condition and results of operations of Propel Holdings Inc. ("Propel", the "Company", "we" or "us"). This MD&A should be read in conjunction with our audited annual consolidated financial statements together with the notes thereto. This MD&A is dated as of November 15, 2021 and is current to this date unless otherwise stated. The financial information presented in this MD&A is derived from our unaudited interim consolidated financial statements, all which have been prepared in accordance with International Financial Reporting Standards 9 ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in United States dollars except where otherwise indicated.

Forward-Looking Information

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. These statements may relate to our future financial outlook and anticipated events or results and include the reaffirmation of our short-term operating and financial targets, the increase in our administrative expenses as a result of becoming a reporting issuer, the expected growth in future revenues over upcoming periods, the expected reduction in Annualized Revenue Yield and Net Charge-Off rates as a result of the expansion of our lower cost products, the anticipated reduction in costs of credit and lower default rates resulting from the growth in new products and the return of Provision for loan losses and other liabilities as a percentage of revenue to be in the mid 40 percent range. Such statements are based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors". Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's final initial public offering prospectus dated October 13, 2021 (the "Prospectus"). These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully. A copy of the Prospectus and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Implicit in forward-looking statements in respect of the Company's expectations for: (i) Ending Combined Loan and Advance Balances compound annual growth rate ("CAGR"); (ii) Annualized Revenue Yield; (iii) Adjusted EBITDA Margin; and (iv) Net Income Margin for the 12 to 18 month period following the date of the prospectus, are certain assumptions relating to the COVID-19 pandemic and related government subsidies, the regulatory landscape, our continued expansion of our Federal Deposit Insurance Corporation ("FDIC")-insured, state-chartered bank relationships ("Bank Partner"), the availability and cost of debt capital, the maintenance and expansion of our marketing partnerships and the overall macroeconomic environment, each as further set out in the Prospectus.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Risk Factors" in the Prospectus for a discussion of the uncertainties, risks and assumptions

associated with these statements.

Non-IFRS Financial Measures and Industry Metrics

This MD&A makes reference to certain non-IFRS financial measures and industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Such measures include "Adjusted EBITDA", "Annualized Return on Equity", "Annualized Revenue Yield", "Average Combined Loan and Advance Balances", "Average New Customer Loan Amount", "Cost Per Funded Origination", "EBITDA", "Ending Combined Loan and Advance Balances", "Net Charge-Offs", "Net Charge-Offs as a Percentage of Revenues", "Net Charge-Offs as a Percentage of Total Funded" and "Total Originations Funded". See "Key Components of Results of Operations" in this MD&A.

For a reconciliation of the non-IFRS financial measures referenced herein, please see "Reconciliation of Non-IFRS Financial Measures" in this MD&A.

These non-IFRS financial measures and industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures and industry metrics in the evaluation of issuers. The Company's management also uses non-IFRS financial measures and industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management and executive compensation. The key performance indicators used by the Company may be calculated in a manner different than similar key performance indicators used by other similar companies.

Overview

Propel is an innovative online financial technology company, committed to credit inclusion and helping underserved consumers by providing fair, fast and transparent access to credit with exceptional service. The Company currently facilitates access to credit products to the over 60 million underserved American consumers who struggle to access credit from mainstream credit providers through its proprietary, leading-edge, end-to-end, artificial intelligence ("AI")-powered online lending platform that facilitates access to credit products. All of our operations are conducted through our two consumer-facing brands: *MoneyKey*TM and *CreditFresh*TM. Generally, the MoneyKey brand serves consumers with a higher credit risk profile than the CreditFresh brand.

Broadly speaking, the two types of credit products available through the Propel platform are:

- Installment Loans — six- to eighteen-month fixed term, fully amortizing loans with a fixed repayment schedule; and
- Lines of Credit — open-ended lines of credit that provide consumers the flexibility to draw cash advances and repay any amount up to their available credit with a minimum payment due each period.

The terms and conditions of the credit products vary depending on the state in which they are offered and the program under which they are offered. Credit products facilitated through the Propel platform are intended to be simple, transparent and easy to understand. The cost of the product and other important terms and product details are presented to the consumer upfront and in plain language. There are no surprise fees, origination fees, late fees or prepayment penalties for any of the products offered through our platform.

Both the MoneyKey direct lending and CreditFresh Bank programs are supported by two distinct revolving credit facilities. Such credit facilities collectively provide for up to \$140 million of borrowing capacity at any time. For further detail around working capital, liquidity, and debt financing, see "Liquidity and Capital Resources — Credit Facilities".

Summary of Factors Affecting Our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the “Risk Factors” section of the Prospectus.

Our ability to continue to grow our business and generate improvements in our financial performance depends on our ability to execute on our three-pronged strategy of: (i) continuing to generate strong and stable revenue growth by facilitating more loans; (ii) improving credit performance through continuing to enhance our AI-powered underwriting capabilities; and (iii) driving operating cost efficiencies across our platform by managing our key operating costs such as customer acquisition, personnel, and our cost of credit.

Origination Growth

Our business is based upon the principle of “credit inclusion” as we aim to serve borrowers who cannot easily access credit through the traditional banking sector. As a credit and services provider, our ability to generate strong, stable revenue growth and profitability depends upon our ability to grow our loan and advance balances, while maintaining target loan losses.

The loan portfolio, which is comprised of loan and advance balances grows through a combination of attracting new customers (for us and our Bank Partners) and by retaining and continuing to provide credit to existing customers. A growing, diversified suite of credit products is available through our platform and across our two brands. The diversified suite of products facilitated through our platform, coupled with our robust servicing capabilities allows us to maintain high customer retention rates. The potential for us or our Bank Partners to develop new credit products and/or enter into new jurisdictions, coupled with the growing transition in our industry from brick and mortar to online, is expected to allow us to further grow the loan portfolio.

Our ability to access debt capital on attractive terms is critical to our ability to make or facilitate loans, grow our receivables and grow our business. We have long-term relationships with our debt capital partners and have attractive economic terms that underpin our ability to grow loan and advance balances profitably.

Certain credit products offered through our platform are made by our state-chartered, FDIC insured Bank Partners. We plan on deepening our relationships with our existing Bank Partners and developing new relationships with other banks as we diversify the suite of products available through the Propel platform and enter new markets.

In order to be served effectively, the consumers that we work with require a deeper level of credit adjudication which looks beyond traditional credit scores and sources. Thus, growing originations is also dependent on our diverse and innovative partnerships with marketing partners and our integrations with numerous data providers to obtain various inputs, including alternative credit bureau data, employment data and banking transaction data.

Continuing to develop new and enhancing existing relationships with marketing partners enables us to fulfill on our multichannel and diversified marketing strategy which helps drive growth and increases access to consumer markets, geographically and along the credit spectrum.

Improving Credit Performance

Coupled with a growing loan portfolio, our business is dependent on ensuring that loan losses remain low and within a target range to ensure profitability. We have developed and operate a proprietary AI, machine learning underwriting technology focused on improving and optimizing our real-time loan decision-making to ensure that we are effective in evaluating a consumer’s creditworthiness when factoring in thousands of applicant specific attributes as well as current macroeconomic and credit market conditions. Maintaining and improving upon our target loan loss rate is critical to the business’ profitability and to the continued growth of our loan and advance balances.

Cost Efficiencies

One of our main variable costs is the cost related to a new origination, which consists primarily of acquisition and data costs related to underwriting. Our ability to achieve target cost efficiencies on each funded

origination dollar is based on managing our marketing costs through innovative partnerships and marketing strategies, managing our data costs by effectively leveraging products and data from our data providers, as well as increasing customer retention and scaling our business. In addition to acquiring new customers, we also focus on retaining existing customers on the Propel platform, generally at a significantly lower cost than acquiring new customers.

Apart from our customer acquisition costs, our operating costs are an important factor in our profitability. As we grow our business, we expect to generate meaningful operating cost efficiencies relating to salaries and overhead costs, as well as processing costs connected with the funding and servicing of loans originated and serviced through our proprietary technology platform.

Seasonality

Our business is seasonal with a higher proportion of loan and advance balance growth generated during the second half of the year (with the three-month quarter ending December 31 (“Q4”) having strongest demand), which includes back-to-school and holiday seasons where the need for disposable income generally increases. Conversely, we tend to see higher rates of repayment of credit products coupled with lower rates of default in the first quarter of the year (particularly in February and March) when consumers receive their tax refunds, which coupled with the lower post-holiday demand, results in more disposable income. As a result, our Ending Combined Loan and Advance Balances hit their high point near the end of the year and their low point around the end of the three-month quarter ending March 31 (“Q1”). Revenues, which are generated from such outstanding balances therefore tend to be highest in Q4 and Q1 assuming a normal and steady-state business environment with normal seasonal patterns.

Initial Public Offering

On October 20, 2021, the Company successfully closed its initial public offering (the “IPO”) of common shares (the “Common Shares”) at a price of C\$9.75 per Share. On October 26, 2021, the underwriters exercised the over-allotment option granted to them in connection with the IPO. In aggregate, the Company sold 7,187,500 Common Shares (including the exercise of the over-allotment option) for gross proceeds of C\$70,078,125.

In connection with and immediately prior to the closing of the IPO, the Company implemented the following pre-closing capital changes (the “Pre-Closing Capital Changes”):

- our share capital was amended to create class A common shares;
- certain shareholders exchanged their common shares for class A common shares on a 1:1 basis;
- the stated capital of the class A common shares was increased by \$6.0 million resulting in a non-cash dividend to the class A common shareholders;
- our issued and outstanding share capital was split on a 2:1 basis;
- our share capital was amended again to be comprised of an unlimited number of Common Shares and unlimited number of preferred shares;
- all outstanding shares of the Company were exchanged for Common Shares on a 1:1 basis;
- all other classes of shares included in our authorized share capital prior to such amendments were repealed from our articles; and
- 221,110 Common Shares were issued pursuant to the exercise of all outstanding options issued under the Company’s legacy option plan.

Outlook

The Company reaffirms the short-term operating and financial targets for the 12 to 18 months following June 30, 2021 as set out in the Company’s final Prospectus filed on October 13, 2021.

<u>Operating and Financial Target</u>	<u>Short Term Target</u>
Ending Combined Loan and Advance Balances CAGR ⁽¹⁾ . . .	100%
Annualized Revenue Yield ⁽¹⁾	140 – 150%
Adjusted EBITDA Margin ⁽¹⁾	22% – 26%
Net Income Margin	8% – 10%

Note: (1) See “Non-IFRS Financial Measures and Industry Metrics”

Financial and operational highlights

Q3 2021 highlights

Comparable metrics relative to Q3 2020

- **Loans and Advances Receivable:** increased by 138% to \$77.2 million, a record ending balance
- **Total Originations Funded:** increased by 120% to \$55.8 million in Q3 2021, a record performance for quarterly originations, and increased by 144% to \$136.7 million for year-to-date Q3 2021
- **Ending Combined Loan and Advance Balances:** increased by 150% to \$96.8 million in Q3 2021, a record ending balance
- **Revenue:** increased by 99% to \$32.7 million in Q3 2021, and increased by 73% to \$88.5 million for year-to-date Q3 2021, representing record performance for both periods
- **Net Income:** decreased by 76% to \$0.6 million in Q3 2021, and increased by 4% to \$8.8 million for year-to-date Q3 2021
- **Adjusted EBITDA:** decreased 26% to \$5.0 million in Q3 2021, and increased 42% to \$22.7 million for year-to-date Q3 2021
- **Cost of Debt Capital:** decreased average interest rate to 9.2%, from 11.6%, in part through retirement of higher cost term loan at the end of Q2 2021
- **Product structure additions:** rolled out variable pricing and graduation capabilities through our platform, consistent with strategy of providing more competitive products and lower cost of credit to new and existing customers
- **Geographic expansion:** from Q1 to Q3 2021, facilitated expansion of bank programs into 4 and 3 new states through the MoneyKey and CreditFresh brands, respectively

Highlights subsequent to Q3 2021

- **Successful IPO:** raising gross proceeds C\$61 million
- **Over-allotment options exercised in full:** adding C\$9.1 million to the Company's treasury
- **Trading on TSX:** began trading on the Toronto Stock Exchange under the symbol "PRL"
- **Geographic expansion:** Operations in several new states rolled out through bank programs under both the MoneyKey and CreditFresh brands
- **Dividend:** Declared its first dividend as a public company of \$0.095 per share, to be paid December 9, 2021

Key Components of Results of Operations

The measures below are used by management in assessing our business. We refer to certain measures used by management, some of which are not recognized under IFRS. See "Non-IFRS Financial Measures and Industry Metrics".

Loans and advances receivable

Loans and advances receivable include the following: (i) all MoneyKey direct lending products including Installment Loans and Lines of Credit; (ii) participation interest held in Line of Credit products originated by our Bank Partners pursuant to the CreditFresh Bank Program; (iii) Installment Loans that have become delinquent and have been purchased pursuant to the guarantee obligation under the MoneyKey credit service organization ("CSO") program; (iv) Line of Credit advances that have defaulted and are purchased from a non-bank financial institution ("NBFI") pursuant to the MoneyKey Bank Program; (v) fees and interest that have been earned and assured of collections in accordance with our revenue recognition policy (See "Critical Accounting Estimates and Judgements — Loans and advances receivable"); (vi) deferred acquisition and data costs; and (vii) allowances for credit losses that are computed by applying the Expected Credit Loss ("ECL")

methodology (See “Critical Accounting Estimates and Judgements — Loans and advances receivable”).

Revenue

For the MoneyKey direct lending and CreditFresh Bank program products, — our revenues consist of interest and/or fees that are earned from Installment Loans and Lines of Credit originated by Propel and/or facilitated through Propel’s lending platform. We also earn CSO fee revenue in conjunction with the MoneyKey CSO program in Texas. Under the MoneyKey Bank Service Program, we earn revenues consisting of service fees for marketing, analytics, and loan servicing provided to an NBFBI who in turn has a partnership with a Utah based FDIC-insured state-chartered bank. We also earn revenue on collection or recovery of purchased defaulted receivables (from lines of credit originated by the NBFBI’s Bank Partner). All revenues are recognized as they are earned and assured of collectability.

Provision for loan losses and other liabilities

Our Provision for loan losses and other liabilities is composed of the following:

Gross Charge-Offs: Loans and advances receivable are charged-off when they are in default status (Stage 3) for greater than 30 days, which is generally 60 to 90 days in arrears. The charged-off balance is recognized as a component of Provision for loan losses and other liabilities under the consolidated statement of operations and comprehensive income. (See “Critical Accounting Estimates and Judgements — Loans and advances receivable”).

Recoveries on charged-off loans and advances: Any principal dollar amounts collected on charged-off account balances are recorded as recoveries. Also included within recoveries are principal dollar proceeds on any sold charged-off debt.

Provision for movements in our allowance for credit losses: The allowance for credit losses is calculated by applying an ECL methodology in accordance with IFRS 9 (see “Critical Accounting Estimates and Judgements — Loans and advances receivable”). Factors used in the calculation of the allowance include the probability of default over a particular time period using historical loan performance, the average loss incurred given a default, as well as forward-looking indicators, which include the impact of macroeconomic forces, internal portfolio composition, and operational factors.

Provisions for CSO Guarantee Liability and Bank Service Program Liability: For our MoneyKey CSO product, and as part of being a CSO, we are required to guarantee the loans made and owned by the two unaffiliated third-party lenders whom we partner with. The Provision for financial guarantee represents the movement in the CSO guarantee liability that is estimated by management. Such estimate is made by applying expected credit loss estimates on the loans owned by the third-party lender.

Under the MoneyKey Bank Service Program the NBFBI that holds participation in the Line of Credit advances, originated by their Bank Partner, has the right to sell accounts that default to MoneyKey. The Bank Service Program Liability represents management’s estimate of expected losses on accounts that we project to purchase. The movement in this liability is included as a component of Provision for loan losses and other liabilities.

Other Lending Program Costs: Other costs such as consumer discounts, refunds, and others relating to the credit products are included under other lending program costs.

Acquisition and data expense

Acquisition expenses include costs incurred to attract consumers through our established marketing channels. Such channels include, but are not limited to: lead affiliate partners, online marketplace partners, expenses relating to search engine optimization, direct mail initiatives, amongst others.

Data expenses include costs incurred for data and tools that are required as key inputs in our underwriting and verification processes. Our AI and machine learning models incorporate and use this third party data, in addition to our own proprietary data, as an input for determining the creditworthiness of a potential customer and what product and/or loan amount to offer. These costs include amounts paid to credit bureaus and alternative data providers.

Together, acquisition and data expenses form the basis of our Cost Per Funded Origination metric (see “Non-IFRS Financial Measures and Industry Metrics”), which helps management assess the efficiency of our marketing and underwriting strategies. We capitalize only the expenses that are directly attributable to the

origination of a Loan or Line of Credit advance and recognize those expenses over the estimated term of the related credit products. The acquisition and data expenses that are not directly attributable to an identified successful origination are expensed as incurred.

Salaries, wages and benefits

Salaries, wages and benefits include payroll and other personnel-related expenses. This includes salaries, wages, bonuses, stock-based compensation expense, and benefits; all of which are recognized in the period that they are incurred.

A portion of salaries, wages and benefits relating to the development of our technology and proprietary lending platform is capitalized as intangible assets in accordance with IAS 38 and recognized over the estimated life of those assets. See “Critical Accounting Estimates and Judgements”.

General and administrative expense

General and administrative expenses include occupancy (not including rent) and office expenses, legal, accounting and professional fees, telecommunications expenses, travel, and general office expenses. All expenses are recognized in the period incurred. We expect our general and administrative expense to increase as a result of costs associated with being a reporting issuer.

Processing and technology

Processing expenses include all costs associated with payment processing for credit products originated through our technology platform. This includes automated clearing house (“ACH”) processing fees, card and other payment form processing fees, general banking expenses, and fees paid to our Bank Partners.

Technology expenses include web hosting expenses, as well as any expenses relating to software and computer hardware that are expensed as incurred.

Interest and fees on credit facilities, term loans, and lease liabilities

See “Liquidity and Capital Resources” for a full breakdown and discussion around our credit facilities and term loans.

Amortization of intangible assets, right of use assets, and depreciation of property and equipment

Amortization of right-of-use assets relates to our lease obligations in accordance with IFRS 16. In accordance with IAS 38, we capitalize allowable software development costs and amortize those costs using a straight-line method over the estimated useful life of the related intangible assets. Costs associated with software development research and post-deployment are expensed as incurred.

Non-IFRS Financial Measures and Industry Metrics

Non-IFRS Financial Measures

Ending Combined Loan and Advance Balances

Ending Combined Loan and Advance Balances measures the ending balances of all credit products originated by Propel and/or facilitated through the Propel platform as at the end of a relevant period. Such balances include (i) MoneyKey’s direct lending products; (ii) participation interest held in Line of Credit receivables originated by CreditFresh Bank Program partners; (iii) Installment Loans originated and owned by third-party lenders pursuant to the MoneyKey CSO product; and (iv) participation interest held in receivables purchased by an unaffiliated NBFi pursuant to the MoneyKey Bank Service Program. As some credit products facilitated over the Propel platform are neither originated nor owned by our brands and thus not recognized as Loans and advances receivable under IFRS, we believe that this measure provides investors with important information to evaluate the magnitude of potential revenue performance.

Average Combined Loan and Advance Balances

Average Combined Loan and Advance Balances measures the average outstanding balances of all credit products originated by Propel and/or facilitated through the Propel platform over the relevant period. Such average balances include (i) MoneyKey’s direct lending products; (ii) participation interest held in Line of

Credit receivables originated by CreditFresh Bank Program partners (iii) Installment Loans originated and owned by third-party lenders pursuant to the MoneyKey CSO product; and iv) participation interest held in receivables purchased by an unaffiliated NBFi pursuant to the MoneyKey Bank Service Program. As some credit products facilitated over the Propel platform are neither originated nor owned by our brands and thus not recognized as Loans and advances receivable under IFRS, we believe that this measure provides investors with important information to evaluate the magnitude of potential revenue performance.

EBITDA

EBITDA is a supplemental measure used by management and other users of our financial statements including shareholders and lenders, to assess the financial performance of our business without regard to financing methods or capital structure. For the applicable period, EBITDA equals net income/loss *plus* (i) interest and financing costs, plus (ii) amortization on intangible assets, depreciation on property and equipment and amortization on lease assets, plus (iii) income taxes, in each case to the extent deducted from net income in such period determined on a consolidated basis in accordance with IFRS.

Adjusted EBITDA

Adjusted EBITDA is a supplemental measure used by management and other users of our financial statements that removes the effect of the non-cash forward-looking credit loss provisions that are recorded on accounts that are otherwise in good standing with no past-due amounts owed. Under IFRS 9 we are required to apply an ECL model where twelve months of estimated losses are booked on loans and advances as soon as they are originated while their associated income is recognized over their lifetimes as well as on accounts that are in good standing (current or Stage 1 accounts — see “Critical Accounting Estimates and Judgements — Loans and advances receivable”). These provisions are included in our Provision for loan losses and other liabilities and management believes that adjusting for them provides investors a more accurate picture of the portfolio’s credit performance and the company’s overall financial results for a given period.

Furthermore, we deduct, as applicable, certain expenses, costs, charges or benefits incurred in a given period which in management’s view are not indicative of continuing operations, including financing transaction costs as an example.

Adjusted EBITDA equals EBITDA *plus* (i) non-recurring costs (i.e. financing transaction costs); plus (ii) provision for loan losses on good standing current principal (Stage 1 — Performing) balances (see “Critical Accounting Estimates and Judgements — Loans and advances receivable”); plus (iii) Provision for CSO Guarantee liabilities and Bank Service Program liabilities.

Net Charge-Offs

Net Charge-Offs represent principal balances of credit products originated or facilitated on our platform that are charged off, net of any recoveries. Accounts are charged-off once they exceed 30 days in default status. Furthermore, an account enters default after a period of delinquency (having payments in arrears), the duration of which is dependent on several factors, but is generally between 30 and 60 days. We believe that the Net Charge-Offs methodology provides important information regarding credit quality and performance over a specified period.

Net Charge-Offs as a Percentage of Revenue

Net Charge-Offs as a Percentage of Revenues represents the amount of Net Charge-Offs we expense as a percentage of Revenues that we recognize during the period.

Net Charge-Offs as a Percentage of Total Funded

Net Charge-Offs as a Percentage of Total Funded represents the amount of Net Charge-Offs we expense as a percentage of total principal balances originated over the Propel platform during the period.

Annualized Return on Equity

Annualized Return on Equity is calculated by dividing net income by the Average Shareholders Equity balance over a specific period and multiplying by an amount necessary to annualize the rate.

Industry Metrics

Annualized Revenue Yield

Annualized Revenue Yield is calculated by dividing the Revenue generated over a specific period by the Average Combined Loan and Advance Balances outstanding over the same period and multiplying such quotient by an amount necessary to annualize the yield. We believe that, in addition to providing a view on the portfolio's revenue generation, this metric also provides investors a meaningful representation of the company's mix of products that make up the loan and advance portfolio.

Average New Customer Loan Amount

Average New Customer Loan Amount represents the average amount borrowed by customers for Installment Loans and the average first draw down on a customer Line of Credit advance over a specified period. Using this metric, investors will be able to view trends on both (i) how much consumers are borrowing; and (ii) how loan sizes originated through the Propel platform, that in many cases reflect the type of product offered and consumer credit quality, are changing over time.

Cost Per Funded Origination

Cost Per Funded Origination represents total marketing and data expenses incurred for each dollar funded through Installment Loans and Lines of Credit to new and repeat customers and to existing Line of Credit customers via redraws. This metric is the amount of direct costs incurred during a period divided by the total dollars funded during that same period. We believe that this metric provides investors a view of (i) how much we spend per dollar funded; and (ii) trends on how much it costs to grow the loan and advance portfolio.

Total Originations Funded

Total Originations Funded represents the dollar amounts of all credit products originated by Propel and/or facilitated through the Propel platform across all of Propel's products and programs, not all of which are originated or owned by Propel and thus not treated as Loans and advances receivable under IFRS. The funded amount includes new and return customers for Installment Loans and Lines of Credit as well as redraws on Lines of Credit. Total Originations Funded may be useful to an investor because it helps provide an understanding of total Propel platform volumes and the growth and trajectory of our revenues.

Results of Operations

Selected Financial Information

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2021	2020	2021	2020
Revenue	32,742,895	16,468,013	88,471,249	51,022,187
Provision for loan losses and other liabilities	15,420,843	4,668,724	33,175,000	13,618,114
Operating expenses				
Acquisition and data	6,201,683	2,768,863	14,684,904	7,546,134
Salaries, wages and benefits	5,240,934	2,372,433	14,630,381	8,881,511
General and administrative	1,184,597	551,224	2,860,520	1,920,396
Processing and technology	1,571,133	899,512	4,148,219	2,277,733
Total operating expenses	14,198,347	6,592,032	36,324,024	20,625,774
Operating income	3,123,705	5,207,257	18,972,225	16,778,299
Other income (expenses)				
Interest and fees on credit facilities	(1,212,845)	(456,164)	(3,237,909)	(1,601,395)
Interest on term loans	-	(446,542)	(886,852)	(1,287,558)
Interest expense on lease liabilities	(106,564)	(114,941)	(334,008)	(356,929)
Amortization of intangible assets	(493,375)	(441,239)	(1,529,846)	(1,236,002)
Depreciation of property and equipment	(25,186)	(38,211)	(87,191)	(127,064)
Amortization of right-of-use assets	(159,629)	(179,090)	(502,129)	(536,154)
Foreign exchange gain (loss)	197,830	(38,912)	224,826	(96,545)
Unrealized gain (loss) on derivative financial Instruments	(148,960)	-	(314,841)	-
Total other income (expenses)	(1,948,729)	(1,715,099)	(6,667,950)	(5,241,647)
Income before transaction costs and income tax	1,174,976	3,492,158	12,304,275	11,536,652
Transaction costs	323,216	-	364,821	22,149
Income tax expense (recovery)				
Current	638,246	1,395,299	4,152,089	2,455,510
Deferred	(412,530)	(469,877)	(988,133)	595,833
Net income for the period	626,044	2,566,736	8,775,498	8,463,160
Earnings per share:				
Basic	0.02	0.11	0.35	0.36
Diluted	0.02	0.11	0.34	0.35
Dividends:				
Dividends	672,913	826,397	5,525,692	826,397
Dividend per share	0.024	0.032	0.228	0.034
Earnings per share (pre 2:1 share capital split Oct 19):				
Basic	0.05	0.22	0.70	0.72
Diluted	0.05	0.21	0.68	0.70
Dividends (pre 2:1 share capital split Oct 19, 2021):				
Dividends	672,913	826,397	5,525,692	826,397
Dividend per share	0.049	0.064	0.456	0.068

(US\$ other than percentages)	As at Sept 30,		As at Dec 31,
	2021	2020	2020
Loans and Advances Receivable	77,216,368	33,282,125	51,577,558
Total Assets	105,655,792	56,707,402	79,052,833
Total Liabilities	78,740,412	45,440,260	70,637,369
Total Non-Current Liabilities	52,490,367	23,657,094	37,900,035

(US\$ other than percentages)	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2021	2020	2021	2020
Non-IFRS measures				
Ending Combined Loan and Advance Balances	96,841,777	38,735,070	96,841,777	38,735,070
Average Combined Loan and Advance Balances	91,337,808	34,563,663	77,470,418	33,728,160
Net Charge-Offs	10,471,145	1,997,584	25,222,846	16,792,808
Net Charge-Offs as % of Revenue	32%	12%	29%	33%
Net Charge-Offs as % Total Funded	19%	8%	18%	30%
EBITDA	2,849,359	5,168,345	18,517,389	16,659,605
EBITDA as % of Revenue	9%	31%	21%	33%
Adjusted EBITDA	5,008,050	6,753,265	22,748,623	15,992,244
Adjusted EBITDA as % of Revenue	15%	41%	26%	31%
Annualized Return on Equity ⁽¹⁾	9.3%	98.8%	66.2%	151.2%
Industry Metrics				
Total Originations Funded	55,786,711	25,340,129	136,723,506	55,994,974
Average New Customer Loan Amount	1,040	893	1,052	822
Annualized Revenue Yield	143%	191%	152%	202%
Cost Per Funded Origination	0.111	0.109	0.107	0.135

Note:

(1) 2021 periods reflect the \$15 million Raptor Group led equity financing that closed June 24, 2021

Analysis of Results for the three and nine months ended September 30, 2021, compared to September 30, 2020

The following section provides an overview of our financial performance during the three- and nine-month periods ended September 30, 2021 compared to the three and nine month periods ended September 30, 2020 and the year ended December 31, 2020.

(US\$ other than percentages)

	As at Sept 30,		% Change	As at Dec 31,		% Change
	2021	2020		2020	2021	
Loans and Advances Receivable	77,216,368	33,282,125	132%	51,577,558	50%	
Ending Combined Loan and Advance Balances ⁽¹⁾	96,841,777	38,735,070	150%	62,643,735	55%	

	Three Months Ended		% Change	Nine Months Ended		% Change
	Sept 30,			Sept 30,		
	2021	2020		2021	2020	
Average Combined Loan and Advance Balances ⁽¹⁾	91,337,808	34,563,663	164%	77,470,418	33,728,160	130%
Total Originations Funded ⁽¹⁾	55,786,711	25,340,129	120%	136,723,506	55,994,974	144%

Note:

(1) See “Non-IFRS Financial Measures and Industry Metrics”

Loans and advances receivable

Loans and advances receivable increased by 132% to \$77.2 million as at September 30, 2021, compared to \$33.3 million as at September 30, 2020. The growth in these balances was driven predominantly by the growth in the Bank Programs under our CreditFresh brand which included the ramp up of our new bank partnership with First Electronic Bank (launched in Q2 2021) and the roll-out of several new states, the general economic recovery as a result of easing of COVID-19 related restrictions and the addition of a number of new marketing partners and channels during the period. See discussion below for commentary on the financial results generated from the growth in Loans and advances receivable.

Ultimately, the growth in Loans and advances receivable is driven by Total Originations Funded which increased by 120% to \$55.8 million for the three months and 144% to \$136.7 million for the three months ended September 30, 2021, compared to \$25.3 million and \$56.0 million for the same periods in 2020. Total Originations Funded for both the three- and nine-month periods in 2021 set new records for the Company.

Ending and Average Combined Loan and Advance Balances

Ending Combined Loan and Advance Balances increased by 150% to \$96.8 million as at September 30, 2021, compared to \$38.7 million as at September 30, 2020. Our Average Combined Loan and Advances Balances increased by 164% to \$91.3 million for the three months ended September 30, 2021, compared to \$34.6 million over the same period in 2020 and increased by 130% to \$77.5 million for the nine months ended September 30, 2021 compared to \$33.7 million over the same period in 2020. As these balances are related to and impacted by similar forces as our Loans and advances receivable above, the growth in our Combined Loan and Advance Balances is a result of the same factors that drove Loans and advances receivable growth.

In addition, the MoneyKey Bank Service program was launched in September 2020 and subsequently rolled out to 10 states through September 2021. This further contributed to the growth in Ending and Average Combined Loan and Advance Balances. As this program is an off-balance sheet arrangement, the associated balances are not

included in our Loans and advances receivable, however, are included in our Ending and Average Combined Loan and Advance Balances. See “Reconciliation of IFRS measures” for a comparison of these measures and “Off-Balance Sheet Arrangements” for detail around this program.

Revenue

Revenue increased by 99% to a record \$32.7 million for the three months ended September 30, 2021, compared to \$16.5 million in the corresponding quarter of the previous year and 73% to a record \$88.5 million for the nine-month period ended September 30, 2021, compared to \$51.0 million in the corresponding period of the previous year. This growth was primarily a result of the 164% growth in Average Combined Loan and Advance Balances for the three months ended September 30, 2021 and 130% growth for the nine months ended September 30, 2021. Our revenue growth and growth in Average and Ending Combined Loan and Advance Balances is primarily a result of the growth in the Bank Programs under our CreditFresh brand, the launch and roll-out of the MoneyKey Bank Service program, the general economic recovery as a result of an easing of COVID-19 related restrictions and the addition of a number of new marketing partners and channels during the period. All of these results are expected to drive continued growth in future revenue over the upcoming periods.

The growth in the Bank Programs under our CreditFresh brand is reflected in the chart below. CreditFresh revenue grew by 174% to \$20.2 million for the three months ended September 30, 2021, compared to \$7.4 million in the corresponding quarter of the previous year and grew by 210% to \$53.6 million for the nine-month period ended September 30, 2021, compared to \$17.3 million in the corresponding period of the previous year. As a result of this growth, products originated by Bank Partners through the CreditFresh brand now represent the majority of Propel’s revenues increasing to 62% in the three months ended September 30, 2021 compared to 45% in the corresponding quarter of the previous year and 61% in the nine-month period ended September 30, 2021, compared to 34% in the corresponding period of the previous year.

The MoneyKey Bank Service Program was launched in September 2020. After its initial launch in 3 states, the program was rolled out to an additional 7 states over the remainder of 2020 and through September 30, 2021. As reflected in the chart below, this program has grown to represent 9% of the Company’s revenue for the three months ended September 30, 2021 and accounts for \$3.0 million of the Company’s period over period growth in revenue. The program has grown to represent 7% of the Company’s revenue for the nine months ended September 30, 2021 and accounts for \$6.4 million of the Company’s period over period growth in revenue.

The growth in the Bank Programs under our CreditFresh brand and our MoneyKey Bank Service Program is a reflection of state expansion and providing credit access to a wider and increasing consumer market through direct and indirect Bank Programs. These Bank Programs provide products to consumers that have lower credit risk profiles as compared to MoneyKey’s legacy direct lending and CSO programs. As such, the Bank Programs have resulted in the Company broadening its presence and coverage across the sub-prime credit risk spectrum.

Offsetting the significant growth of CreditFresh and the MoneyKey Bank Service Program was low growth over the three month and reduced revenues over the nine-month periods ending September 30, 2021 generated from our legacy MoneyKey products. Revenue generated from MoneyKey direct lending and CSO products increased by 5% for the three months ended September 30, 2021 compared to the same quarter in the previous year, and decreased by 16% for the nine month period ended September 30, 2021 compared to the same period in the previous year. This lower growth and decrease in revenues resulted from two primary factors. As a result of a legislation change in California affecting MoneyKey’s Installment Loan product, which was part of the MoneyKey direct lending business, we ceased originations for this product effective December 29, 2019. As such, we generated Installment Loan revenues in California over the course of 2020 as the portfolio ran off whereas there were nominal associated 2021 revenues for this product. Revenues for this product were \$10.0 million for 2019, \$4.5 million for 2020, and \$0.2 million for the nine months ending September 30, 2021.

Furthermore, due to the COVID-19 pandemic, overall demand was muted, especially in the three-month quarter ended June 30 and the three-month quarter ended September 30 2020 (“Q2 2020” and “Q3 2020”), as lower discretionary spending coupled with increased government stimulus resulted in lower general consumer demand for credit. In response to the market uncertainty, we took proactive steps to tighten underwriting criteria and accept less volume which further decreased origination volume. This especially impacted the legacy MoneyKey direct lending and CSO products where the Company had established mature portfolio balances. CreditFresh and the MoneyKey Bank Service Program were still able to grow through this period considering they were nascent and newly launched

programs that were rolled out across a number of new states. Additionally, we established a number of new marketing partnerships and strategies which drove notable growth over the period. Were it not for COVID-19, we are confident that growth through these Bank Programs would have been higher than what was actually realized.

	Three Months Ended Sept 30,					
	2021		2020		Period to period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
(US\$ other than percentages)						
MoneyKey direct lending and CSO	9,563,895	29%	9,100,260	55%	463,635	5%
CreditFresh Bank program	20,186,752	62%	7,365,275	45%	12,821,477	174%
MoneyKey Bank Service program . .	2,992,248	9%	2,478	0%	2,989,770	
Total Combined Revenue	32,742,895		16,468,013		16,274,882	99%

	Nine Months Ended Sept 30,					
	2021		2020		Period to period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
MoneyKey direct lending and CSO	28,482,629	32%	33,744,866	66%	(5,262,237)	(16)%
CreditFresh Bank program.	53,591,962	61%	17,274,843	34%	36,317,118	210%
MoneyKey Bank Service program	6,396,659	7%	2,478	0%	6,394,181	
Total Combined Revenue.	88,471,249		51,022,187		37,449,062	73%

Our Annualized Revenue Yield for the three-month period ended September 30, 2021 decreased to 143% from 191% for the same period in 2020. The Annualized Revenue Yield for the nine-month period ended September 30, 2021 decreased to 152% from 202% for the same period in the previous year. This reflects the growth of CreditFresh and the Bank Programs relative to our legacy MoneyKey direct lending and CSO products and the general reduction of rates across products facilitated over our platform which have impacted the business. Products offered by our Bank Partners through the Bank Programs generally serve lower risk consumers when compared to our legacy direct lending and CSO products offered under the MoneyKey brand. As such, products offered to consumers through the Bank Programs have lower costs of credit, higher average loan amounts, as well as lower default rates, therefore maintaining and potentially enhancing margins while expanding the potential customer base that can receive products by and through the Propel platform. We expect this trend impacting the Annualized Revenue Yield to continue as the lower cost products available through our platform continue to expand and be offered to new and existing customers.

Furthermore, the Company rolled out variable pricing and graduation functionality on its platform for its own programs as well as its Bank Partners in late Q3 2021. This is consistent with our strategy of providing access to more competitive products and facilitating a lower cost of credit to new customers as well as existing customers who exhibit positive payment performance over a period of time. This enables us to further increase origination volumes on our platform by expanding up the credit spectrum by facilitating access to lower and appropriately priced products to customers with lower credit risk attributes. The graduation functionality on our platform enables our Bank Partners to continually offer reduced rates to existing, well performing customers helping with overall customer retention and with improving their credit profiles over time. These initiatives are expected to further reduce Annualized Revenue Yield in the future as well as Net Charge-Off rates for the portfolio while driving significant growth in Total Originations Funded and Combined Loan and Advance Balances.

	Three Months Ended Sept 30,			%	Nine Months Ended Sept 30,		
	2021	2020	Change		2021	2020	Change
(US\$ other than percentages)							
Revenue.	32,742,895	16,468,013	99%	88,471,249	51,022,187	73%	
Average Combined Loan and Advance Balances ⁽¹⁾	91,337,808	34,563,663	164%	77,470,418	33,728,160	130%	
Annualized Revenue Yield ⁽¹⁾	143%	191%	(25)%	152%	202%	(25)%	

Note:
(1) See "Non-IFRS Financial Measures and Industry Metrics"

Coupled with lower costs of credit and lower default rates, products offered by our Bank Partners through the Bank Programs have higher maximum loan amounts appropriate for lower risk consumers. This is reflected by our consistently increasing Average New Customer Loan Amount. This amount increased to \$1,040 for the three months ended September 30, 2021 relative to \$893 for the three month period in the prior year and increased to \$1,052 for the nine months ended September 30, 2021 relative to \$822 for the same period in the prior year. We expect this trend to continue as the addressable market of consumers able to be serviced by the Propel platform continues to have better credit risk and ability to repay higher loan amounts.

Provision for loan losses and other liabilities

Provision for loan losses and other liabilities increased by 230% to \$15.4 million for the three-months ended September 30, 2021, compared to \$4.7 million in the corresponding quarter of the previous year and 144% to \$33.2 million for the nine months ended September 30, 2021, compared to \$13.6 million in the corresponding period of the previous year. The increases in Provision for loan losses and other liabilities was more than offset by the increases in revenues over the same periods leading to increases in revenue net of Provisions for loan losses and other liabilities for both the three month and nine-month periods respectively. However, Provision for loan losses and other liabilities as a percentage of revenue increased to 47% for the three months ended September 30, 2021 as compared to 28% for the corresponding period of the previous year, and increased to 37% for the nine months ended September 30, 2021 as compared to 27% for the corresponding period of the previous year.

Generally, in periods of high growth, the business experiences a higher Provision for loan losses and other liabilities as a percentage of revenue, while in periods of low growth the inverse holds true. This is due to several factors. Firstly, new customers tend to have higher default rates relative to existing customers in the portfolio that have been consistently making payments. Therefore, in periods of high new customer origination growth, the overall receivables portfolio shifts towards a higher weighting of new customers and leads to a higher average missed payment and default rate and consequently a higher provision percentage. In periods of low growth, the portfolio is more mature leading to lower missed payment rates, defaults, and consequently provisions as a percent of revenue. Secondly, under IFRS we record loan loss provisions based on future expected credit losses as soon as a new loan is originated without matching revenue that is earned over the life of a loan (for a further discussion of this accounting treatment see “Critical Accounting Estimates and Judgements — Loans and advances receivable”).

Consumer demand for credit and therefore our business is significantly impacted by seasonality where demand is highest in the second half of the year with the back-to-school period in Q3 and in particular Q4 during holiday season where our origination volume and balance growth is at its highest. In contrast, Q1 tends to be the lowest demand period driven in large part by the tax refund season. As such, Provision for loan losses and other liabilities as a percentage of revenue is highest in Q3 and Q4 and lowest in Q1 in a normalized environment.

Q2 and Q3 2020 were atypical periods due to the early stages of the COVID-19 pandemic. Demand was especially muted because of a temporary reduction in consumer spending coupled with an increase in government stimulus. In addition, out of prudence, we proactively tightened underwriting due to the market uncertainty. The above dynamics led to exceptional credit performance which in turn drove the Provision for loan losses and other liabilities as a percentage of revenue to historically low levels. Very low origination volume coupled with higher loan repayments for the nine months ended September 30, 2020 resulted in relatively small growth in the Ending Combined Loan and Advance Balances from the prior year end growing to \$38.7 million from \$37.3 million as at December 31, 2019. Contrast this with the growth for the nine months ended September 30, 2021 where the Ending Combined Loan and Advance Balances grew to \$96.8 million from \$62.6 million as at December 31, 2020.

As outlined above, in especially muted demand environments such as Q2 and Q3 2020, the loan balances are weighted significantly towards a more mature portfolio. As such, entering Q3 2020 with a mature portfolio coupled with muted demand, government stimulus, low discretionary spending, and tightened underwriting led to the Provision for loan losses and other liabilities as a percentage of revenue to be 28% and 27% for the three and nine months ended September 30, 2020 respectively.

While the COVID-19 pandemic is still present and demand has not returned to pre-COVID levels, 2021 has seen a gradual return in demand as the economy reopens and government stimulus packages are being wound down. Both the three months and nine months ended September 30, 2021 were record periods for Total Originations Funded as outlined above (see “Loans and advances receivable”) driving our highest Average and Ending Combined Loan and Advance Balances to date. As a result of this high growth, we experienced higher Provision for loan losses and other liabilities as a percentage of revenue for both periods as compared to 2020.

In normalized periods of growth that are anticipated moving forward as we move beyond COVID-19, we expect our Provision for loan losses and other liabilities as a percentage of revenue to be in the mid 40 percent range. From a seasonal standpoint, in periods of low growth usually in the first half of the year, and particularly in Q1, this percentage is expected to be in the low 40% range and possibly lower. In higher growth periods during the second half of the year, and particularly in Q4, this percentage is expected to be in the high 40% range and possibly higher.

(US\$ other than percentages)	Three Months Ended Sept 30,		% Change	Nine Months Ended Sept 30,		% Change
	2021	2020		2021	2020	
Provision for loan losses and other liabilities.	15,420,843	4,668,724	230%	33,175,000	13,618,114	144%
Provision for loan losses and other liabilities as a % of Revenue ⁽¹⁾	47%	28%	66%	37%	27%	40%
Net Charge-Offs ⁽¹⁾	10,471,145	1,997,584	424%	25,222,846	16,792,808	50%
Net Charge-Offs as a % of Revenue ⁽¹⁾	32%	12%	164%	29%	33%	(13)%
Net Charge-Offs as a % of Total Funded ⁽¹⁾	19%	8%	138%	18%	30%	(38)%

Note:

(1) See “Non-IFRS Financial Measures and Industry Metrics”

Net Charge-Offs

Net Charge-Offs increased by 424% to \$10.5 million for the three months ended September 30, 2021, compared to \$2.0 million over the same quarter in 2020 and increased by 50% to \$25.2 million for the nine months ended September 30, 2021 compared to \$16.8 million over the same period in 2020. Net Charge-Offs represent the actual credit performance in a specified period for Loans and advances receivable. Furthermore, considering that Net Charge-Offs are the major driving component of the Provision for loan losses and other liabilities (see “Reconciliation of Non-IFRS Measures”), the discussion and analysis presented in the above section is directly applicable to the period over period changes and performance, both in absolute terms and as a percentage of revenue, of this measure (see “Provision for loan losses and other liabilities”).

Net Charge-Offs as a percentage of Total Funded increased to 19% from 8% for the three months ended September 30, 2021 compared to the same quarter in the previous year and decreased to 18% for the nine months ended September 30, 2021 relative to 30% over the same period in the prior year. Overall, we expect Net Charge-Offs as a percentage of Total Funded, when measured over a period of time and adjusted for seasonal and other demand fluctuations, to decrease over time with our enhanced underwriting and as the products facilitated through our platform evolve to serve lower credit risk consumers. Products offered by our Bank Partners through the Bank Programs generally serve lower risk consumers as compared to our legacy products offered under the MoneyKey brand. Products offered to consumers through the Bank Programs have (i) higher loan amounts; (ii) lower cost of credit to consumers; and (iii) experience lower default rates. This is evidenced by our consistently decreasing Net Charge-Offs as a percentage of Total Funded since 2018. This rate was 37% in 2018, 33% in 2019, 22% in 2020, and 18% for the nine months ended September 30, 2021 respectively. Due to the impact of COVID-19, particularly in Q2 and Q3 of 2020 (see discussion above “Provision for loan losses and other liabilities”), we do note that Net Charge-Offs as a percentage of Total Funded were lowered beyond what we would have expected over fiscal year 2020, however, the resulting demand and growth was also lower as discussed above.

As outlined above, Q2 and Q3 of 2020 were atypical as a result of COVID-19 and therefore, comparing the three- and nine-month periods for this particular measure is difficult and we believe is not a true reflection of period over period performance changes for the business. For the three months ended September 30, 2020, the Net Charge-Offs as a percentage of Total Funded was at a historical and abnormal low of 8%. Given demand was at historic lows, we entered into Q3 2020 with a mature portfolio (given the low new customer originations in the prior quarter), which coupled with government stimulus, low discretionary spending, tightened underwriting over the quarter as well as a jump in Total Originations Funded towards the end of the quarter, drove the historical low rate in the three months ended September 30, 2020 period. With regards to the nine months ended September 30, 2020, Net Charge-Offs as a percentage of Total Funded of 30% was abnormally high which was also abnormal and due to the significant demand shocks experienced in the period. Total Originations Funded were abnormally lower for the period as discussed and considering Net Charge-Offs lag originations, and as such are related to originations from periods

going back several quarters, this measure reflected a high rate that was not indicative of the true credit performance of the business.

While the COVID-19 pandemic is still present and demand has not returned to pre-COVID levels, 2021 has seen a gradual return in demand as the economy is reopening and government stimulus packages are being wound down. Therefore, the three- and nine-month periods ending September 30, 2021 are more reflective of a normalized high growth operating environment. As such, we expect the Net Charge-Offs as a percentage of Total Funded to be in a similar range as they have been in 2021, adjusted for seasonality, moving forward over the short-term.

Acquisition and data expense

Acquisition and data expense increased by 124% to \$6.2 million for the three months ended September 30, 2021, compared to \$2.8 million over the same quarter in 2020. The Company saw acquisition and data expense increase by 95% to \$14.7 million for the nine months ended September 30, 2021 compared \$7.5 million over the prior year period. The increase in both periods above in 2021 is primarily due to the significant growth in Total Originations Funded over the periods and consequently our Ending Combined Loan and Advance Balances and Loans and advances receivable.

Total Originations Funded grew by 120% for the three months ended September 30, 2021 and grew by 144% for the nine months ended September 30, 2021 compared to the prior periods ended September 30, 2020. This growth is a result of both new customer origination volume as well as repeat customers and redraws on existing Lines of Credit. As discussed above, funding volume for the periods in 2020 were lower than they otherwise would have been if not for the impacts on reduced consumer demand as well as tightened underwriting due to the initial periods of COVID-19. The growth in Total Originations Funded was 4% lower than the growth in our acquisition and data costs for the three months ended September 30, 2021 which resulted in a small increase in our Cost Per Funded Origination to \$0.111 for the period as compared to \$0.107 for the three months ended September 30, 2020. For the nine months ended September 30, 2021 the growth in our Total Originations Funded was significantly higher than the increase in our acquisition and data costs. This resulted in a decrease in Cost Per Funded Origination to \$0.109 for the nine months ended September 30, 2021 from \$0.135 for the comparable period in 2020. This decline reflects improved efficiency for the business as we were able to originate more dollars at a reduced acquisition and data cost relative to the amounts originated.

Salaries, wages and benefits

Salaries, wages, and benefits expense was higher by \$2.9 million for the three months ended September 30, 2021 versus the same period in 2020, representing a 121%, and by \$5.7 million for the nine months ended September 30, 2021 over 2020, representing a 65% increase. This increase was due to overall growth in our business and the reduced workforce as a result of temporary and permanent layoffs at the onset of the COVID-19 pandemic in 2020. Furthermore, we received government subsidies including the Canadian Emergency Wage Subsidy (“CEWS”) of \$1.4 million and \$2.3 million for the three- and nine-months ending September 30, 2020 that we recognized against salaries, wages and benefits expense in 2020. We have not received any government subsidies in 2021.

General and administrative expense

General and administrative expenses increased by 115% to \$1.2 million for the three months ended September 30, 2021, compared to \$0.6 million over the corresponding quarter in 2020 and by 49% to \$2.9 million for the nine months ended September 30, 2021 compared to \$1.9 million over the same nine month period in 2020. This increase was due primarily to the overall growth in our business. In addition, the integration and launch of our new computer telephony integration (CTI) system, which leads to notable improvements in customer experience and delivers significant efficiencies to our call center operations, was a further contributing factor to the increase in expenses for the three months ended September 30, 2021 period.

Processing and technology

Processing and technology costs increased by 75% to \$1.6 million for the three months ended September 30, 2021, compared to \$0.9 million for the same three-month period in 2020 and by 82% to \$4.1 million for the nine months ended September 30, 2021, compared to \$2.3 million for the same nine-month period in 2020. The increase

in processing and technology expense was primarily due to the growth in our Total Originations Funded and consequently our Ending Combined Loan and Advance Balances discussed above as these are predominantly variable costs associated with originating and servicing loans facilitated through the Propel platform.

Interest and fees on credit facilities, term loans, and lease liabilities

Three Months Ended Sept 30,

	2021		2020		Period over period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
(US\$ other than percentages)						
Interest and fees on credit facilities.	1,212,845	4%	456,164	3%	756,681	166%
Average facility outstanding.	52,716,667		15,666,667		37,050,000	236%
Interest on term loans.	-	0%	446,542	3%	(446,542)	(100)%
Average Term loans outstanding.	-		11,161,048		(11,161,048)	(100)%
Other Interest (lease)	106,564	0%	114,941	1%	(8,377)	(7)%
Total Interest Expense.	1,319,409	4%	1,017,647	6%	301,762	30%

Nine Months Ended Sept 30,

	2021		2020		Period over period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
Interest and fees on credit facilities.	3,237,909	4%	1,601,395	3%	1,636,514	102%
Average facility outstanding.	46,677,778		16,727,778		29,950,000	179%
Interest on term loans.	886,852	1%	1,287,558	3%	(400,706)	(31)%
Average Term loans outstanding.	6,258,645		11,048,923		(4,790,278)	(43)%
Other Interest (lease)	334,008	0%	356,929	1%	(22,921)	(6)%
Total Interest Expense.	4,458,769	5%	3,245,882	6%	1,212,887	37%

Total Interest Expense increased by 30% to \$1.3 million for the three months ended September 30, 2021, compared to \$1 million for the same three-month period in 2020 and by 37% to \$4.5 million for the nine months ended September 30, 2021, compared to \$3.2 million for the same nine-month period in 2020. The increase was due to the increase in borrowing under our credit facilities to fund the growth in our Ending Combined Loan and Advance Balances discussed above. The increased interest expense driven by higher borrowing was somewhat offset by a lower borrowing rate on our credit facilities. The effective annualized borrowing rate on our credit facilities (as measured over the Average facility outstanding amount) decreased to 9.2% for the three months ended September 30, 2021 as compared to 11.6% for the same three month period in 2020 and decreased to 9.2% for the nine months ended September 30, 2021 as compared to 12.8% for the same nine month period in 2020. The lower rate in our debt financing costs was due to (i) the general growth of the CreditFresh Bank Programs and consequently higher usage of the CreditFresh debt facility which has a lower cost of capital relative to our other debt facilities; and (ii) the restructuring of our CreditFresh debt facility in Q1 2021 which further reduced our borrowing rate. See “Liquidity and Capital Resources”.

In addition, we paid off our Old Term Loan using the proceeds from the Raptor financing at the end of June 2021. This resulted in no interest expense on term loans for the three months ended September 30, 2021 and a reduction in the nine months ended period. This reduction further offset the increased interest expense stemming from our higher borrowing during the respective periods.

Net income

Net income fell by 76% to \$0.6 million for the three months ended September 30, 2021 from \$2.6 million for the same period in 2020, however, it increased by 4% to \$8.8 million for the nine months ended September 30, 2021 from \$8.5 million for the same period in 2020. The decrease in the three months ended September 30, 2021 is driven primarily from changes in (i) Provision for loan losses and other liabilities; (ii) acquisition and data expenses; (iii)

other operating expenses including salaries, wages, and benefits, G&A, and processing; and (iv) transaction costs of \$0.3 million relating to our Raptor financing and IPO process. See the discussion for each of these measures above. In summary, the impact of COVID-19 in Q3 2020 resulted in consumer demand being lower due to a temporary reduction in consumer spending coupled with government stimulus. Furthermore, we proactively tightened underwriting which reduced volume further. As a result, for the three months ending September 30, 2020, Provision for loan losses and other liabilities declined relative to revenue resulting in an improved revenue net of Provision for loan losses and other liabilities as a percentage of revenue (see “Provision for loan losses and other liabilities” above), reduced new customer volume drove lower acquisition and data expenses, and salaries, wages, and benefits as well as other operating expenses also declined as discussed in the sections above. Now that consumer demand is returning, in the three months ending September 30, 2021 relative to the same period last year, business growth has accelerated. In periods of accelerated growth, the factors above can reverse and with the added impact of IFRS accounting for loan losses, we expect to see relative margin contraction which materialized in the three-month period ended September 30, 2021 compared to the same period ended September 30, 2020. See “Provision for loan losses and other liabilities” for a discussion around the impact to margins when growth is accelerated.

The increase in net income for the nine months ended period is primarily driven by the significantly higher profitability we achieved in Q1 2021 as compared to Q1 2020. Q1 2020 was less impacted by decreases in consumer demand due to COVID-19 and the resulting actions of the Company (although some impacts were felt towards the latter part of the quarter). As such, Q1 2020 had more normalized net income margins and is a reasonable comparison with Q1 2021. Offsetting the increased net income in Q1 2021 were decreases in Q2 and Q3 2021 as compared to the same periods in 2020 which, as discussed throughout the sections above, were abnormally high on a relative basis as a result of the initial impact on demand from COVID-19 and the associated actions taken by the Company to manage through the uncertain environment. The significant growth experienced in Q2 and Q3 2021 relative to the same periods in 2020 drove considerable increases in Provisions for loan losses and other liabilities as a result which were further amplified by the accounting treatment under IFRS for loan losses. See “Provision for loan losses and other liabilities” above.

(US\$ other than percentages)	<u>Three Months Ended Sept 30,</u>			<u>Nine Months Ended Sept 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>% Change</u>	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Net Income.	626,044	2,566,736	(76)%	8,775,498	8,463,160	4%
Net Income as % of Revenue	2%	16%		10%	17%	
EBITDA ⁽¹⁾	2,849,359	5,168,345	(45)%	18,517,389	16,659,605	11%
EBITDA as % of Revenue ⁽¹⁾	9%	31%		21%	33%	
Adjusted EBITDA ⁽¹⁾	5,008,050	6,753,265	(26)%	22,748,623	15,992,244	42%
Adjusted EBITDA as % of Revenue ⁽¹⁾	15%	41%		26%	31%	
Annualized Return on Equity ⁽¹⁾	9%	99%		66%	151%	

Note:

(1) See “Non-IFRS Financial Measures and Industry Metrics”

EBITDA

EBITDA decreased by 45% to \$2.8 million for the three months ended September 30, 2021, from \$5.2 million for the same period in 2020, however, it increased by 11% to \$18.5 million for the nine months ending September 30, 2021 from \$16.7 million for the same period in 2020. The movements in EBITDA can be explained by similar dynamics and factors as those driving net income (see above).

Adjusted EBITDA

Adjusted EBITDA decreased by 26% to \$5.0 million for the three months ended September 30, 2021 from \$6.8 million for the same period in 2020 and increased by 42% to \$22.7 million for the nine months ended September 30, 2021, from \$16.0 million for the same period in 2020. Adjusted EBITDA removes the effects of non-cash estimated credit loss provisions that are required under IFRS to be recorded against balances that are otherwise in good standing (see “Critical Accounting Estimates and Judgements — Loans and advances receivable”). As a result, in periods of significant growth where we record estimated loan losses on new originations without any corresponding income, our margins can appear artificially decreased and do not reflect the actual credit performance of the portfolio and the overall financial performance of the business. Making this adjustment results in a higher Adjusted EBITDA relative to EBITDA in both the three- and nine-month periods ended September 30, 2021 given these were especially high growth periods for the Company (see “Reconciliation of Non-IFRS measures”). Management believes Adjusted EBITDA is a truer reflection of business performance over the respective periods.

Annualized Return on Equity

Annualized Return on Equity fell to 9% in the three months ended September 30, 2021, from 99% for the same three months ended in 2020 and fell to 67% for the nine months period ended September 30, 2021, from 152% for the same nine-month period in 2020. The decrease for the three- and nine-month ending periods were driven by many of the same factors as those driving net income and EBITDA (see above). In addition, the Raptor Group led equity financing that closed on June 24, 2021 in the amount of \$15 million contributed to a larger shareholder’s equity base for 2021 as compared to 2020 resulting in a further reduction in Annualized Return on Equity for the three and nine month periods in 2021.

Reconciliation of Non-IFRS Financial Measures

The following table provides a reconciliation of our net income to EBITDA and to Adjusted EBITDA for the three- and nine-month periods ending September 30, 2021 and September 30, 2020:

(US\$ other than percentages)	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2021	2020	2021	2020
Net Income.	626,044	2,566,736	8,775,498	8,463,160
Interest on Debt.	1,212,845	902,706	4,124,761	2,888,953
Interest on lease liabilities.	106,564	114,941	334,008	356,929
Amortization of intangible assets	493,375	441,239	1,529,846	1,236,002
Depreciation of property and equipment	25,186	38,211	87,191	127,064
Amortization of right-of-use assets.	159,629	179,090	502,129	536,154
Income Tax Expense (Recovery)	225,716	925,422	3,163,956	3,051,343
EBITDA	2,849,359	5,168,345	18,517,389	16,659,605
EBITDA margin as a % of revenue	9%	31%	21%	33%
Transaction Costs and Financing Costs.	323,216	-	364,821	22,149
Provision for credit losses on current status accounts ⁽¹⁾	1,194,979	1,419,197	2,627,786	(274,066)
Provisions for CSO Guarantee liabilities and Bank Service Program liabilities.	640,496	165,724	1,238,627	(415,444)
Adjusted EBITDA	5,008,050	6,753,265	22,748,623	15,992,244
Adj. EBITDA margin as a % of revenue	15%	41%	26%	31%

Note:

- (1) Provision included for (i) loan losses on good standing current principal (Stage 1 — Performing) balances (see “Critical Accounting Estimates and Judgements — Loans and advances receivable”).

The following table provides a reconciliation of our Provision for loan losses and other liabilities to Net Charge-Offs for the three- and nine-month periods ending September 30, 2021 and September 30, 2020:

(US\$ other than percentages)	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2021	2020	2021	2020
Charge-offs.	(12,367,844)	(3,213,703)	(29,538,250)	(20,344,316)
Recoveries.	1,896,699	1,216,119	4,315,404	3,551,508
Net charge-offs.	(10,471,145)	(1,997,584)	(25,222,846)	(16,792,808)
Movement in allowance for doubtful accounts.	(4,271,167)	(2,432,155)	(6,403,477)	3,041,049
Provision for loan losses.	(14,742,312)	(4,429,739)	(31,626,323)	(13,751,759)
Movement in financial obligation ⁽¹⁾	(640,496)	(165,724)	(1,238,627)	415,444
Other cost of revenue items (lender costs)	(38,035)	(73,264)	(310,050)	(281,801)
Provision for loan losses and other liabilities.	(15,420,842)	(4,668,726)	(33,175,000)	(13,618,116)

Note:

(1) Movement in financial obligation is equivalent to Provisions for CSO Guarantee liabilities and Bank Service Program liabilities.

The following table provides a reconciliation of our Ending Combined Loan and Advance Balances to Loans and advances receivable for periods ending September 30, 2021, September 30, 2020, and December 31, 2020 (See “Critical Accounting Estimates and Judgments — Loans and advances receivable”):

(US\$ other than percentages)	As at Sept 30,		As at Dec 31,
	2021	2020	2020
Ending Combined Loan and Advance balances.	96,841,775	38,735,070	62,643,735
Less: Loan and Advance balances owned by third party lenders pursuant to CSO program.	(3,204,174)	(2,560,981)	(2,487,802)
Less: Loan and Advance balances owned by a NBFII pursuant to the MoneyKey Bank Service program.	(9,519,178)	(280,498)	(3,316,385)
Loan and Advance owned by the Company	84,118,425	35,893,590	56,839,548
Less: Allowance for Credit Losses.	(19,809,595)	(8,304,746)	(13,406,118)
Add: Fees and interest receivable.	9,076,161	4,177,246	5,262,181
Add: Deferred acquisition and data costs	3,831,377	1,516,036	2,881,948
Loans and Advances Receivable.	77,216,368	33,282,125	51,577,558

Liquidity and Capital Resources

Overview

Our principal uses of funds are for making Loans and advances originated by Propel and/or facilitated through our platform as well as for operating expenses and debt service requirements. We believe that we have sufficient capacity under our existing credit facilities to support the future growth of our Ending Combined Loan and Advance Balances as well as the earnings and cash flow to support our operating expenses as well as future dividends. However, our ability to fund future Combined Loan and Advance Balances and our operating expenses depends upon, among other things, our ability to access debt capital at attractive rates, the credit quality of our Combined Loan and Advance Balances as well as the future growth and stability of our operating performance. See “Risk Factors” for additional information.

Credit Facilities

	As at Sept 30, 2021		As at Dec 31, 2020	
	Max Borrowing Base	Amount Drawn	Max Borrowing Base	Amount Drawn
MoneyKey Facility.	9,533,194	8,300,000	9,432,660	4,400,000
CreditFresh Facility.	54,334,490	48,550,000	36,494,014	33,700,000
Total.	63,867,684	56,850,000	45,926,674	38,100,000

MoneyKey Facility

The MoneyKey Facility is secured by a general security agreement over all of the assets of the Company and certain of its operating subsidiaries.

On April 21, 2017, the Company, and certain of its state-licensed, direct lending operating subsidiaries entered into a revolving credit facility (the “MoneyKey Facility”) with a US based group of lenders party thereto from time to time. The MoneyKey Facility provides for a maximum borrowing of \$35 million at a 75% to 85% advance rate (based on the product type included in the collateral), and interest rate of 13% plus three-month London Interbank Offered Rate (“LIBOR”) per annum. On November 15, 2018, the MoneyKey Facility was amended, decreasing the interest rate to 10% plus three-month LIBOR per annum. On October 31, 2019, the maximum borrowing amount under the MoneyKey Facility was decreased to \$20 million as a result of lower usage of the facility. We pay an unused fee of 0.75% on unborrowed amounts. The maturity date on the MoneyKey Facility has been extended from November 15, 2021 to May 15, 2022.

Under the terms of the MoneyKey Facility, the Company is subject to certain financial and non-financial covenants, including restrictions on us, and certain of our operating subsidiaries, subject to certain exceptions as to: indebtedness; liens; dividends or distributions on or redemptions of equity interests; material changes to our business; liquidations, mergers, or consolidations into any other entity; and transfers of equity interests of the Company or certain of its operating subsidiaries. The Company is permitted to pay dividends on its Common Shares provided that an event of default has not occurred and would not occur as a result of the payment of the dividend. In addition, several of the material financial covenants include tangible net worth, liquidity, and leverage tests. Furthermore, several material operating covenants include default and cash recovery tests. The Company continues to be compliant with all such covenants.

CreditFresh Facility

On March 24, 2021, the Company, CreditFresh DST I and CreditFresh DST II entered into a revolving credit facility with a US based syndicate of lenders party thereto from time to time (the “**CreditFresh Facility**”). The CreditFresh Facility provides for a maximum borrowing amount of \$120 million in three tranches: \$45 million from “Tranche A”, \$60 million from “Tranche B”, and \$15 million from “Tranche C”. Advances for up to 85% of the advance rate of the CreditFresh Facility have a blended effective interest rate of approximately 7.7% (based on the current prime rate and 3-month LIBOR rates; and excluding other lenders fees). Pursuant to the CreditFresh Facility, Tranche A has an advance rate of 40% with first priority level for repayment in the event of default, Tranche B has an advance rate of 45% with second priority level for repayment in the event of default, and Tranche C has an advance rate of 10% with last priority level for repayment in the event of default. Draws on Tranche A and Tranche B of the CreditFresh Facility are required to be made in proportion to their advance rate (providing an effective advance rate of 85% for such draws). Tranche C of the CreditFresh Facility may be drawn on independently. The CreditFresh Facility matures on March 23, 2024. We pay an unused fee of 0.50% on unborrowed amounts.

The CreditFresh Facility is secured (i) by a pledge of the beneficial interest of the Company in CreditFresh DST I and CreditFresh DST II and (ii) by general security over all of the assets of CreditFresh DST I and CreditFresh DST II.

Under the terms of the CreditFresh Facility, the Company, CreditFresh DST I, and CreditFresh DST II are subject to certain financial and non-financial covenants including restrictions on us, and certain of our operating subsidiaries, subject to certain exceptions as to: indebtedness; liens; dividends distributions on or redemptions of equity interests; material changes to our business; liquidations, mergers, or consolidations into any other entity; transfers of equity interests of the Company or certain of its operating subsidiaries; minimum equity and liquidity; and leverage. The Company is permitted to pay dividends on its Common Shares provided that an event of default has not occurred and would not occur as a result of the payment of the dividend. In addition, several of the material financial covenants include tangible net worth, liquidity, and leverage tests. Furthermore, several material operating covenants include default and cash recovery tests. The Company continues to be compliant with all such covenants.

Contractual Obligations

Our contractual obligations consist of principal repayments on long-term debt, interest on long-term debt, equipment loans and capital leases for equipment and vehicles, operating leases for vehicles, office equipment and facilities. Our contractual obligations and commitments as of September 30, 2021 are shown in the following table.

	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Debt.	56,850,000	8,300,000	48,550,000	-	-
Leases.	3,179,670	529,443	1,243,518	1,341,327	65,382
Other Obligations.	3,092,770	1,103,791	1,582,927	406,052	-
Total Contractual Obligations . .	63,122,440	9,933,234	51,376,445	1,747,379	65,382

Other Commitments

MoneyKey has certain commitments, obligations, and liabilities under both its CSO Program and its Bank Program. See “Off-Balance Sheet Arrangements” for further detail.

Propel has the legal requirement to maintain various cash reserve balances to operate its programs through both brands and for payment processing with banks. Such cash reserves are reported as Restricted cash in the Consolidated Statement of Financial Position.

We also enter into forward exchange contracts to hedge against currency fluctuations between the United States dollar and the Canadian dollar. At December 31, 2020 the Company was obligated to sell \$8.6 million through such forward contracts.

Cash Flows

Analysis of cash flows for three and nine months ended September 30, 2021 compared to September 30, 2020

Our cash flows in the applicable period are summarized in the following table for the periods indicated, which have been derived from our audited consolidated financial statements and related notes.

(US\$ other than percentages)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2021	2020	2021	2020
Net income	626,044	2,566,736	8,775,498	8,463,160
Items not affecting cash	16,441,215	5,088,999	36,541,189	17,553,156
Net additions of loans and advances receivable and principal recoveries	(24,530,074)	(12,950,304)	(56,315,704)	(19,971,941)
Changes in working capital and other	(2,823,853)	81,958	(5,564,451)	(2,920,481)
Net cash from (used in) operating activities . . .	(10,286,668)	(5,212,611)	(16,563,468)	3,123,894
Cash flows from (used in) financing activities				
Advances from credit facilities	9,000,000	7,500,000	18,750,000	13,000,000
Payments on credit facilities	-	-	-	(14,000,000)
Advances (repayments) from term loans	-	32,254	(11,195,703)	1,803,902
Payments on lease liabilities	(237,297)	(244,750)	(740,499)	(747,236)
Dividends paid	(672,913)	(826,397)	(5,525,692)	(826,397)
Proceeds from shares issued	-	-	14,999,849	-
Proceeds from options exercised	58,352	14,300	236,011	14,310
Net cash from (used in) financing activities . . .	8,148,142	6,475,407	16,523,966	(755,421)
Cash flows from (used in) investing activities				
Purchases of property and equipment	(25,786)	(24,442)	(269,102)	(256,918)
Cost of internally generated intangible assets	(725,507)	(450,000)	(1,523,811)	(1,350,000)
Net cash from (used in) investing activities	(751,293)	(474,442)	(1,792,913)	(1,606,918)
Net change in cash	(2,889,819)	788,354	(1,832,415)	761,555
Cash, beginning of period	6,303,321	6,176,096	5,245,917	6,202,895
Cash, end of period	3,413,502	6,964,450	3,413,502	6,964,450

Operating Activities

Net cash generated from (used in) operating activities was \$(10.3 million) and \$(16.6 million) for the three- and nine-month periods ended September 30, 2021, respectively, compared to \$(5.2 million) and \$3.1 million for the corresponding periods in 2020. The increase in cash used was primarily driven by an increase in net additions of Loans and advances receivable as well as additions to net working capital, period over period, for the three- and nine-month periods ended September 30, 2021 respectively. This is consistent with the growth in the Total Originations Funded (see “Results of operations” above).

Financing Activities

Net cash generated (used in) from financing activities was \$8.1 million and \$16.5 million for the three- and nine-month periods ended September 30, 2021, respectively, compared to \$6.5 million and \$(0.8 million) for the corresponding periods in 2020. The increase was primarily a result of the draw down on our MoneyKey and CreditFresh credit facilities to fund the growth in the Company’s loans and advance balances in the financial year ended December 31, 2021 (“Fiscal 2021”) relative to the financial year ended December 31, 2020 (“Fiscal 2020”). In Fiscal 2020, a decrease and deceleration of growth in our Loans and advances receivable balances facilitated a net repayment on our credit facilities for the nine-month periods ending September 30, 2020 due to factors discussed in the results of operations above. The increase during the nine-month period ended September 30, 2021 came also as a result of our Raptor led equity financing that was closed June 24, 2021 in the amount of \$15 million. These increases were partially offset by the repayment of our Old Term Loan (from the Raptor financing proceeds) and dividends that were paid over the course of the year in the amounts of \$0.7 million for the three month and \$5.5 million for the nine-month periods ending September 30, 2021.

Investing Activities

Net cash from (used in) investing activities was \$(0.8 million) and \$(1.8 million) for the three- and nine-month periods ended September 30, 2021, respectively, compared to \$(0.5 million) and \$(1.6 million) for the corresponding periods in 2020. The relatively steady cash used was due primarily to consistent investment in internally generated intangible assets which comprise our proprietary loan management system and AI powered underwriting technology platform. Continued investments in our technology platform enable us to expand product and service offerings, integrate with new partners including banks, marketing and data partners, improve our machine learning underwriting capabilities, optimize the online customer experience, and increase automation and ease-of-use of customer service agent activities in our proprietary loan management system, amongst other things.

Off-Balance Sheet Arrangements

Through our MoneyKey brand, we provide services related to unaffiliated third-party lenders’ consumer loan products as a state-licensed CAB and CSO in the state of Texas. These services include arranging loans, assisting in the preparation of loan applications and documents, and providing guarantees of consumer loan payment obligations to the unaffiliated third-party lenders in the event that the customer defaults on their loan payments. In addition, we provide loan servicing over the duration of the loan. A borrower who obtains a loan through the CSO program pays MoneyKey a fee for the services (the “CSO Fee”), which includes the guarantee to the third-party lender of the repayment of the borrower’s loan. Once the loan is originated and the guarantee is provided, the Company sets up a reserve with the lender (as a percentage of the outstanding loan amount) which is reported as restricted cash in our consolidated statement of financial position. We estimate a liability for losses associated with the guarantee provided to the lender (the “CSO Guarantee Liability”) using a similar ECL methodology to the allowance for credit losses on our Loans and advances receivable. The loan products provided under this program are Installment loans.

In addition, through our MoneyKey brand, we provide services to a non-bank financial institution (“NBFI”) which has a program agreement with a Bank Partner to whom it provides services, some of which have been outsourced to MoneyKey, including marketing, analytics, and loan servicing services. The Bank Partner offers unsecured Lines of Credit to borrowers in which the NBFI purchases an economic interest in the advances on those Lines of Credit. Under the program, the Company has an agreement to purchase balances originated through this program should the accounts default or become non-performing loans and are presented for sale. Once the economic interest is purchased from the Bank Partner by the NBFI, the Company sets up a reserve with the NBFI (as a percentage of the outstanding advance amount) which is reported as restricted cash in our consolidated statement of financial position. We also estimate a liability (the “Bank Service Program Liability”) for losses associated with the purchase of defaulted loans from the

NBFI using a similar ECL methodology to the allowance for credit losses on our Loans and advances receivable.

(US\$ other than percentages)	Nine months ended		Year ended
	Sept 30,		Dec 31,
	2021	2020	2020
<u>CSO Program Products (MoneyKey)</u>			
Revenue.	8,362,429	11,964,425	15,435,239
Loans and Advances Receivable (On Balance Sheet)	1,383,742	1,205,548	1,404,351
CSO Guarantee Liability	788,523	617,948	660,600
CSO Obligation.	2,172,027	2,968,956	3,325,996
Installment loan borrower balances (Off Balance Sheet)	3,204,174	2,493,102	2,487,802
Reserve balances (Reflected in Company's Restricted cash)	1,949,455	2,005,365	2,009,989
<u>Bank Service Program Advances (MoneyKey)</u>			
Revenue.	6,396,659	2,478	664,375
Loans and Advances Receivable (On Balance Sheet)	722,792	-	147,937
Bank Service Program Guarantee Liability.	1,689,814	39,292	579,082
Line of credit borrower balances (Off Balance Sheet)	9,519,178	280,498	3,316,385
Reserve balances (Reflected in Company's Restricted cash)	1,628,038	-	616,669

Risks and Uncertainties

We are exposed to a variety of financial risks and uncertainties in the normal course of operations including credit risk, liquidity risk, interest rate risks, covenant risk and exchange rate risk. See “Risk Factors” in the Prospectus for a more detailed discussion of risks we may face.

Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance. Risk management is carried out under practices approved by the board of directors of the Company (the “Board”). This includes identifying, evaluating, and hedging financial risks based on our requirements. Our Board provides guidance for overall risk management, covering many areas of risk including:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s cash, restricted cash, and Loans and advances receivable. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances. Cash is maintained with Canadian and US financial institutions. Deposits held with banks may exceed the amount of federal insurance provided on such deposits. Unless otherwise disclosed, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk. In relation to Loans and advances receivable, the Company closely monitors its customer default rate and overall recovery per dollar loaned, adjusts its lending terms and policies as deemed necessary and establishes an allowance for credit losses.

The Company has a concentration of credit risk because substantially all of its Loans and advances receivable balance is comprised of unsecured small dollar, high interest/financing fee advances and loans to US customers with higher credit risk characteristics.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate cash flow risk on its credit facilities as they bear interest at a fixed rate plus a floating rate which is the bank's 3-month LIBOR rate per annum. As of September 30, 2021 and December 31, 2020, we are exposed to interest rate risk on our credit facility balance of \$56.9 and \$38.1 million. Changes in the LIBOR rate may impact our cost of borrowing and any subsequent changes to our credit facility may increase our interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities or will not have sufficient funds to issue loans and/or advances to its customers. The Company is exposed to liquidity risk depending on the timing of customer payments, customer default rates and the availability of third-party financing. The Company manages its liquidity risk by closely monitoring its available cash on hand, available financing and expected collection rates and timing to ensure it has sufficient cash to meet its financial obligations as they come due and provide loans and advances to customers when requested. The Company is also obligated to purchase Bank Program advances that are offered for sale to the Company by both Bank Partners. The amount of Bank Program advances that were funded by the Bank Partners but not yet offered for sale to the Company as of September 30, 2021 was \$1,713,965 (December 31, 2020 — \$1,332,558). Management has determined no provisions are required on these amounts as of the balance sheet date, but regularly assesses these amounts and considers whether provisions may be required in advance of an offer to sell.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2021:

	Carrying amount	Year 1	Year 2	Year 3	Onwards
Accounts Payable.	1,502,243	(1,502,243)	-	-	-
Accrued Liabilities.	9,858,482	(9,858,482)	-	-	-
Incomes taxes payable.	6,059,877	(6,059,877)	-	-	-
Lease obligations.	4,304,494	(909,571)	(909,422)	(871,725)	(1,613,776)
Credit facilities.	56,850,000	(8,300,000)	-	-	(48,550,000)
Total	78,575,096	(26,630,173)	(909,422)	(871,725)	(50,163,776)

Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into transactions denominated in Canadian dollar for which the related expenses, accounts payable and term loan balances are subject to exchange rate fluctuations. As at September 30, 2021 and December 31, 2020 the following items are denominated in Canadian dollars:

	As at Sept 30, 2021	As at Dec 31, 2020
Cash.	146,829	174,988
Accounts Payable.	173,811	359,117
Accrued Liabilities.	703,656	954,371
Term loans.	-	3,317,703

To minimize foreign currency risk management enters into forward currency hedging instruments to exchange US dollars for Canadian dollars at a rate that is at or close to the companies budgeted currency rate.

Critical Accounting Estimates and Judgments

This MD&A uses information from our consolidated financial statements which are prepared in accordance with IFRS. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make determinations and estimates including the functional currency, impairment testing, the useful life intangible assets, the recognition of Loans and advances receivable, the estimation of income taxes, the value of right-to-use assets and lease liabilities, share-based compensation and industry risk.

Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that we may undertake in the future. Actual results could differ from these estimates.

The estimates and assumptions described in this section depend upon subjective judgment that may be uncertain and changes in these estimates and assumptions could materially impact our consolidated financial statements.

Functional currency

The Company assesses the relevant factors related to the primary economic environment in which its entities operate to determine the functional currency. Where the assessment of primary indicators is mixed, management assesses the secondary indicators, including the relationship between the foreign operations and reporting entity.

Impairment testing

Management is required to use judgment in determining the cash-generating units (the "CGU"s) and reviewing impairment indicators. Management considers the recoverable amount of the CGU to be based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Budgets comprise forecasts of revenue, Provision for loan losses and other liabilities, operating expenses and overheads based on current and anticipated market conditions that have been considered and approved by the Board. While the Company is able to manage most of the forecasted costs, the revenue projections are inherently uncertain due to market and economic factors.

Useful lives of intangible assets and property and equipment

The estimated useful lives of intangible assets and property and equipment are reviewed at the end of each reporting period.

Loans and advances receivable

The recognition of Loans and advances receivable owned by the Company and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity problems as well as available information indicating a change in the status of each customer in performing this assessment.

The Company applies the general approach for Loans and advances receivable. The Company has determined the likely impairment loss on Loans and advances receivable which have not maintained their contractual loan and advance repayment schedule. The expected credit losses factors in the Company's portfolio and is calculated considering a variety of factors, including, but not limited to: aging, delinquency levels, composition and quality of the portfolio, historical data regarding collection success rate, and the Company's historical charge-off and loss experience. The methodology and assumptions used in setting the expected credit losses are reviewed regularly in an effort to reduce any differences between loss estimates and actual losses experienced.

In accordance with IFRS 9 requirements, an ECL model applies to our Loans and advances receivable. The Company builds an allowance for loan losses irrespective of whether a loss ‘trigger’ event has occurred or not. Therefore, expected losses are built up against receivables that are otherwise performing as at a specific reporting date. As part of this application, the Company segments its loans and advances into 3 stages:

- (1) Stage 1 (Performing) — These are current and good standing loans and advances that have no payments in arrears.
- (2) Stage 2 (Under-performing) — These are delinquent loans and advances that have one or more payments in arrears. An account in this status has the potential to go back to Stage 1 if the past due payment is brought up to date. The length of time that an account can stay in Stage 2 (before moving into Stage 3) depends on the type of product offering. However, an account can generally remain in Stage 2 anywhere between 30 and 60 days with payments in arrears before moving to Stage 3.
- (3) Stage 3 (Non-performing) — These are defaulted loans and advances where an account has either (a) a certain number of payments missed, or (b) a defined period of time to remedy a missed payment has elapsed (depending on the product offering design) and the full amount of outstanding principal plus accrued fees to the date of default become due. Once an account has moved to Stage 3, it cannot return back to Stage 2 or Stage 1. The criteria for each loan or advance, as applicable, to move to Stage 3 is predefined and objective. There is no further judgment applied in determining the time before Stage 3 classification (beyond the product design strategy which determines when the loan defaults) and is deemed credit impaired. An account remains in Stage 3 for up to 30 days after which point it is charged-off.

There are no further fees charged to accounts in Stage 3 and the account is no longer cycling actively in our loan management system. Furthermore, the Company does not provide any additional credit to borrowers who are in arrears (whether Stage 2 or Stage 3).

The above stages are further segmented at a program, product and aging level. Allowances for loan losses are applied to each stage by computing ECLs for each granular segment using a combination of detailed historical loan performance data, forward-looking indicators, and an element of management judgement. Additionally, the longest period of time a borrower can go between mandatory repayments is monthly, and as such, impairment of loans can be adequately assessed in a timely manner. For accounts in Stage 1, a 12-month expected credit loss is applied and for accounts in Stages 2 and 3, a lifetime expected credit loss is applied.

Years of vintage performance data by granular segment provides a baseline of how much loan principal ends up being charged-off, net of recoveries and any proceeds from debt sales. As part of this analysis, we examine a combination of the number of accounts that default (probability of default) and the average amount lost or charged-off when a default occurs (average loss given default). The product of these two elements provides us with the ECL for a particular segment.

Our measurement of ECLs is also influenced by forward looking indicators which include the impact of macroeconomic forces on our business as well as internal portfolio constitution and operational factors. With respect to the macroeconomic forces, consideration is given to variables such as national gross domestic product growth, unemployment rate, inflation rate, and oil prices that have an influence on our business. Portfolio constitution which is influenced by product strategy as well as operational factors at period end also have an impact on the go forward performance of Loans and advances receivable and consequently ECLs in so far as how such factors have evolved or been modified relative to the prior period.

	As at Sept 30,		As at Dec 31,
	2021	2020	2020
Loan and Advance balances owned by Company⁽¹⁾			
Current Principal (Stage 1 - Performing)	69,233,229	30,456,629	47,591,614
Delinquent Principal (Stage 2 - Under-Performing)	9,299,969	3,883,991	6,439,426
Default Principal (Stage 3 - Non-Performing)	5,585,227	1,552,970	2,808,507
Total	84,118,425	35,893,590	56,839,547
Allowances for Loan Losses/Expected Credit Losses			
Current Principal (Stage 1 - Performing)	(10,069,559)	(4,772,850)	(7,441,773)
Delinquent Principal (Stage 2 - Under-Performing)	(4,961,944)	(2,157,540)	(3,520,869)
Default Principal (Stage 3 - Non-Performing)	(4,778,092)	(1,374,356)	(2,443,476)
Total	(19,809,595)	(8,304,746)	(13,406,118)
Allowances for Loan Losses/Expected Credit Losses %			
Current Principal (Stage 1 - Performing)	(15)%	(16)%	(16)%
Delinquent Principal (Stage 2 - Under-Performing)	(53)%	(56)%	(55)%
Default Principal (Stage 3 - Non-Performing)	(86)%	(88)%	(87)%
Total	(24)%	(23)%	(24)%
Loan and Advance balances owned by Company net of Allowance			
Current Principal (Stage 1 - Performing)	59,163,670	25,683,779	40,149,841
Delinquent Principal (Stage 2 - Under-Performing)	4,338,025	1,726,451	2,918,557
Default Principal (Stage 3 - Non-Performing)	807,135	178,614	365,031
Total	64,308,830	27,588,844	43,433,429
Fees and interest receivable ⁽²⁾	9,076,161	4,177,246	5,262,181
Deferred acquisition and data costs	3,831,373	1,516,036	2,881,948
Loans and advances receivable	77,216,364	33,282,125	51,577,558

Note:

- (1) See “Reconciliation of Non-IFRS financial measures — reconciliation of our Ending Combined Loan and Advance Balances to Loans and advances receivable”
- (2) Fees and interest receivable are accounted for on a net basis and are earned and assured of collection as at a given period end date. Therefore, no allowance for losses is required in accordance with the Company’s revenue recognition policy

The movement in these allowances for loan losses shown above are a large component that drives the Provision for loan losses and other liabilities expense (see “Key Components of Results of Operations — Provision for loan losses and other liabilities”)

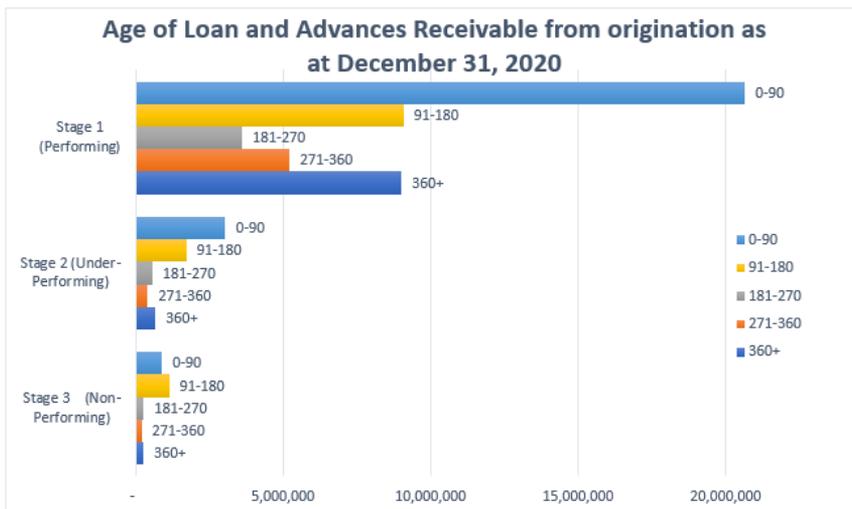
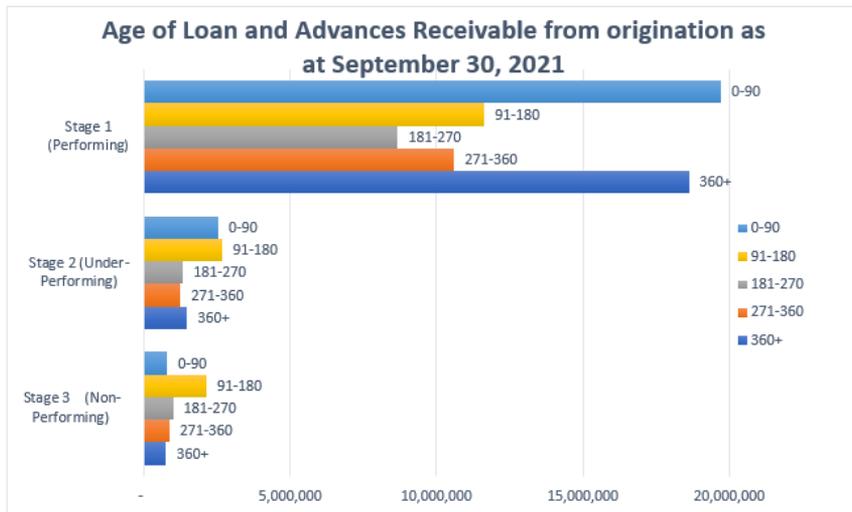
IFRS 9 impact on Provision for loan losses and other liabilities

As outlined above, in accordance with IFRS 9 requirements, an ECL methodology applies to our Loans and advances receivable — 12-month ECLs for Stage 1 and lifetime ECLs for Stages 2 and 3. This requires the Company to set-up an ECL allowance for credit losses upon acquisition of new finance receivables and irrespective of whether a loss ‘trigger’ event has occurred or not. Therefore, expected losses are built up against receivables that are otherwise performing and have no negative payment history as at a specific reporting date. This early recognition of future credit losses is materially different than an ‘incurred’ credit loss methodology and management feels is a very conservative way to account for loan losses.

Under IFRS, an allowance for loan losses is required for Stage 1 representing the total expected credit losses over a 12-month period. Therefore, from an accounting perspective, the Company is required to take a material Provision for loan losses and other liabilities expense today and only recognize revenue over the term of the product as it is earned. In periods of significant growth in Loans and advances receivable such as Fiscal 2020 and the nine-months ending September 30, 2021, a charge to Provision for loan losses and other liabilities is required for future expected losses prior to any revenue being generated. Note that we are also required to set up provisions for estimated CSO Guarantee Liabilities and Bank Service Program liabilities that are computed using the ECL model as well (see “Key Components of Operations — Provision for loan losses and other liabilities”). This is included in the impact to Provision for loan losses and other liabilities shown below

The approximate impact of applying this methodology can be estimated by the movement of the Stage 1 allowance. Therefore, in Fiscal 2020, the impact on the company’s Provision for loan losses and other liabilities and consequently on EBITDA was approximately \$2.5 million and the impact on the nine months ending September 30, 2021 was approximately \$3.9 million. As discussed above, as the origination volume grows, the larger the non-cash impact on Provision for loan losses and other liabilities and EBITDA. Management has introduced an Adjusted EBITDA metric (See “Non-IFRS Measures and Industry Metrics”) in order to present a supplemental financial metric that we believe is more indicative of the actual portfolio credit and overall company performance.

Aging of Loans and advances receivable from origination



Note:

(1) All line of credit advances are aged from the date the line of credit is opened, as opposed to the age of each individual draw. In most

instances, balances are drawn, repaid, and then drawn again over the life of the line of credit.

- (2) Materially all receivables aged 360+ days are line of credit advances from lines opened for more than 360 days. Management believes these older aged line of credit advances in Stage 1 will continue to perform equal to or better than the younger aged Stage 1 line of credit advances since they have demonstrated strong repayment behaviour for longer, while remaining in Stage 1 (performing) status. Given the characteristics of the credit products offered through the Company's platform, including a mandatory principal repayment component on each scheduled payment, delinquent status (Stage 2) and non-performing status (Stage 3) loans have historically been identified shortly after a borrower is unable to repay. In addition, if a borrower has drawn up to its credit limit, they will be unable to draw any further until a principal repayment is collected. If the borrower does not pay any portion of the mandatory scheduled payment, the full principal balance outstanding is moved to delinquent status (Stage 2).

Income taxes

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Leases

Values of right-of-use assets and lease liabilities require judgment in determining lease terms such as extension options and the discount rate applied. In the case where the incremental borrowing rate is used, the Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

Share-based payments

For equity-settled plans, expense is based on the fair value of the awards granted, including options, deferred share units, performance share units and restricted share units, calculated on the grant date, with a corresponding increase in contributed surplus. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

The Company uses the Black-Scholes valuation model to determine the fair value of equity settled share options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in the stock options note.

Industry risk

The consumer lending industry within which the Company operates is subject to a number of laws and regulations at both the US state and federal levels. Changes to these laws and regulations as well as differences in interpretation when applying them to the Company's business pose a risk to the Company as the impact of these changes could have a material adverse impact on the Company's asset values and overall financial results. The Company manages this risk by employing both internal and external legal counsel, as well as an internal compliance department, and being an active participant in an industry trade organization, to assist in interpreting and applying new and existing laws and regulations, and in identifying and monitoring upcoming changes.

Continued impact of COVID-19

Throughout the COVID-19 pandemic, the Company has been closely monitoring all related developments and managing any potential impact on the business. Due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, and the unpredictable and continuously

changing nature of the pandemic and related government responses, there is uncertainty associated with the related assumptions, expectations, and estimates.

At this time, the long-term impact of the COVID-19 outbreak on the Company is unknown. Despite the global economy beginning to reopen, the extent of the impact will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the spread of the disease from current, new, and emerging variants of the virus which may have an impact on the overall global economy. Management continues to monitor the impact of the virus on the Company and our customer base. The COVID-19 virus continues to be a source of uncertainty with respect to managements significant judgements and estimates.

Future Changes in Accounting Policies

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the current fiscal year, and have not been applied in preparing our consolidated financial statements. Future changes to our existing accounting policies and other note disclosures may result. The Company is assessing the impact these new pronouncements may have on its results of operations, financial position and disclosure.

Initial application of standards, interpretations and amendments to standards and interpretations

Interest rate benchmark reform (amendments to IFRS 9, IFRS 4, and IFRS 16)

In August 2020, the International Accounting Standards Board issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The amendments are effective for periods beginning on or after January 1, 2021.

Standards issued but not effective

Classification of liabilities as current or non-current (Amendments to IAS 1)

In January 2020, IASB issued Classification of Liabilities as “Current” or “Non-current”, which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Cost of Fulfilling a contract (Amendments to IAS 37)

In May 2020, amendments to IAS 37, clarified which costs should be included in determining the cost of fulfilling a contract when assessing whether a contract is onerous. In assessing whether a contract is onerous, cost of fulfilling a contract comprise both of (i) incremental costs and (ii) an allocation of other direct costs. The amendments are effective for annual periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. Early adoption is permitted. The Company is still assessing the impact of adopting these amendments on its financial statements.

Presentation of Financial Statements (amendments to IFRS 1)

In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted.

Income taxes (amendments to IAS 12)

In May 2021, the International Accounting Standards Board issued targeted amendments to IAS 12, Income Taxes. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Related Party Transactions

The Company recorded the following related party transactions relating to compensation arrangements with its key management as well as the old term loan for financing purposes (see “Credit Facilities”) for the nine months ended September 30, 2021 and for the nine months ended September 30, 2020:

	Nine Months Ended Sept 30,	
	2021	2020
Salaries and benefits	3,801,468	2,704,306
Share-based compensation.	14,250	-
	<u>3,815,718</u>	<u>2,704,306</u>

Share Capital Prior to the Pre-Closing Capital Changes

As of September 30, 2021, our share capital consisted of (i) an unlimited number of common shares, of which 12,056,696 common shares were issued and outstanding, and (ii) an unlimited number of Class B preferred shares, of which 1,401,559 Class B Preferred shares were issued and outstanding. In addition, the Company has 543,449 options to acquire common shares issued and outstanding.

Subsequent Events

In anticipation of its initial public offering (“Offering”), the Company filed articles of amendment on October 15, 2021 and on October 19, 2021 to effect a number of pre-Offering re-organization steps. Such steps included, but were not limited to, (i) creating a new class of Class A Common Shares (“Class A Common Shares”) to facilitate a tax efficient inter-corporate deemed dividend by the Company to its two founding shareholders, MPI Capital Inc. and Kinross Family Holdings Inc.; by way of US\$6,000,000 increase to the stated capital of the Class A Common Shares (ii) implementing a subdivision of the share capital of the Company on an equal basis whereby all issued and outstanding shares were split on a 2:1 basis; (iii) immediately following (ii) all issued and outstanding shares of the Company were exchanged on a 1:1 basis into Toronto Stock Exchange listed common shares (“Pubco Common Shares”). After giving effect to all such re-organization steps, the share capital of the Company consists of an unlimited number of Pubco Common Shares and an unlimited number of blank cheque preferred shares, issuable in series (“Pubco Preferred Shares”).

On October 20, 2021, the Company closed the Offering of 6,250,000 common shares at a price of C \$9.75 per share for gross proceeds of C \$60,937,500. The Pubco Common Shares are listed and began trading on the Toronto Stock Exchange on October 20, 2021 under the symbol “PRL”. The Offering was completed pursuant to the Company’s final prospectus dated October 13, 2021 and filed with the securities regulators in each of the provinces and territories of Canada. The Offering was made through a syndicate of underwriters (the “Underwriters”) led by Canaccord Genuity and Scotiabank, as joint bookrunners, and Raymond James, TD Securities, INFOR Financial, Roth Canada and Stifel Nicolaus Canada.

On October 26, 2021, the Underwriters exercised their over-allotment option in full and the Company received aggregate gross proceeds of \$9,140,625 for the sale of an additional 937,500 common shares pursuant to the over-allotment.

After the closing of the Offering and the over-allotment option, the total issued and outstanding Pubco Common Shares is 34,325,120 and nil Pubco Preferred Shares.

Disclosure Controls & Procedures and Internal Control Over Financial Reporting

As we recently became a reporting issuer, we intend to file abbreviated CEO and CFO certifications pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings* in respect of our first period ending after becoming a reporting issuer.

Additional Information

Additional information relating to the Company, including the Company’s most recent annual and quarterly reports filed with the Prospectus is available on SEDAR at www.sedar.com. The Company’s Common Shares are listed for trading on the TSX under the symbol “PRL”