



Everyday People Financial Corp.  
(formerly Justify Capital Corp.)

## Management's Discussion and Analysis

*For the three & twelve months ended September 30, 2022 and 2021*

*November 18, 2022*

The effective date of this Management's Discussion and Analysis is, November 18, 2022, except as otherwise noted.

## INTRODUCTION

Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Everyday People Financial Corp. ("EP" or the "Company") (formerly Justify Capital Corp.) constitutes management's review of the factors that affected the Company's financial and operating performance for the three and twelve months ended September 30, 2022 and September 30, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements of the Company for the three and twelve months ended September 30, 2022 and the audited consolidated financial statements for the year ending September 30, 2021, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included in the MD&A. Information contained herein is presented as of November 18, 2022, unless otherwise indicated.

The Company's unaudited condensed consolidated financial statements and the financial information contained in the MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement the IFRS financial measures contained herein by providing further metrics to understand the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS financial measures, including adjusted earnings before interest, tax, depreciation and amortization, share based compensation and Reverse Takeover ("RTO") cost ("Adjusted EBITDA") and 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 financial measures. We also use non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. See "selected quarterly financial information".

## FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "Forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are Forward-looking statements. Often, but not always, Forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The Forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

Forward-looking statements may include, but are not limited to, comments regarding:

- the Company's business strategy;
- the Company's strategy for protecting its intellectual property;
- the Company's ability to obtain necessary funding on favorable terms or at all;
- the Company's plan and ability to secure revenues;
- the risk of competitors entering the market;
- the Company's ability to hire and retain skilled staff;
- the impact of adoption of new accounting standards; and
- the Company's risk pertaining to regulatory compliance.

Although the Company believes that the plans, intentions and expectations reflected in these Forward-looking statements are reasonable, the Company cannot be certain that these plans, intentions, or expectations will be achieved. Actual results, performance, or achievements could differ materially from those contemplated, expressed or implied by the Forward-looking statements contained in this report. Disclosure of important factors that could cause actual results to differ materially from the Company's plans, intentions, or expectations is included in this report under the heading Risks and Uncertainties.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by Forward-looking statements. All Forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on Forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any Forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more Forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other Forward-looking statements, unless required by law.

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## CORPORATE OVERVIEW

EP has its registered office at Suite 450, 11150 Jasper Avenue, Edmonton, Alberta T5K 0C7. EP is a Fintech company that provides financial services and innovative credit products through its proprietary platform, relationship with banks, partners and financial literacy programs.

On August 31, 2022, the Company completed a RTO by way of a three-cornered amalgamation pursuant to which EP Financial amalgamated with a subsidiary of Justify Capital Corp. ("Justify"). The amalgamation was completed pursuant to the terms and conditions of the Business Combination Agreement dated December 6, 2021. In connection with the amalgamation, Justify changed its name effective August 31, 2022 from Justify Capital Corp. to Everyday People Financial Corp. ("Resulting Issuer"). The symbol for the common shares of the Resulting Issuer was changed from "JST" to "EPF" on the TSX Venture Exchange ("TSXV").

The Company changed its fiscal year-end from September 30 to December 31, and this is the first financial reporting period adopting the new year-end date. The financial statements are therefore interim condensed consolidated financial statements for the twelve months ended September 30, 2022.

### *Basis of consolidation*

Please refer to the interim condensed consolidated financial statement as at and for the three and twelve months ended September 30, 2022 and September 30, 2021 for details for the companies included in the interim condensed consolidated financial statements.

## THE BUSINESS

EP is a FinTech credit provider that offers secured credit and payment cards, payment processing, homeownership facilitation and collections services to serve an ecosystem of everyday people living in Canada and the United Kingdom. EP operates in the following four distinct segments that contribute to EP's overall product and service offerings:

1. Financial Services: EP offers secured credit cards, loans and operates business lines that offer distinct credit products that are branded for targeting specific credit and payment markets. EP is partnered with a Schedule I Canadian Chartered Bank, a card issuer for all EP card programs, with access to Visa®, MasterCard®, Interac® and Swift® networks, to provide credit and payment card programs directly to consumers. The current product in the market is the EP Secured Credit Card, which is designed to provide assistance to everyday people who are in the process of rebuilding or establishing their credit.
2. EP Homes: EP Homes is a home ownership facilitator that acquires new homes directly from homebuilders and offers eligible clients the ability to acquire a new home through a structured lease and dedicated down payment accumulation program. EP Homes currently offers the Bridge to Homeownership™ program. The Bridge to Homeownership™ program targets homes' purchase values between \$300,000 to \$550,000, and targets consumers with household income of \$110,000 or more and average to excellent credit scores.
3. Collection Services: This segment offers collection services through BPO that operates in Ayrshire, Scotland. BPO is a debt collection agency specializing in the collection of consumer and commercial debt.
4. Contract Receivables Services: This segment acquires residential and commercial security contracts between the consumer and the alarm companies at a certain discount. Full ownership of the contracts are transferred to EP Security, however, the alarm companies have continued obligations to service customers pursuant to their service agreements with the customer.

## CORPORATE AND BUSINESS DEVELOPMENT DURING THE TWELVE MONTHS ENDED SEPTEMBER 30, 2022 AND SUBSEQUENT EVENTS

- On October 1, 2021, the Company's wholly-owned subsidiary, EP Security signed a definitive agreement with Hatch Holdings Ltd. and She Holdings Ltd. o/a Turnip Smart Home ("Turnip") to acquire a minimum of 2,000 contracts during the next 12 months, which is expected to result in approximately \$0.8 million in revenue over the term of the contracts purchased.
- On October 1, 2021, the existing management service agreement between EAM and senior executives was cancelled and the executives entered into agreements directly with the Company.
- On October 25, 2021, the Company completed the non-brokered private placement of unsecured convertible debentures of \$2,760,000. The convertible debentures bear an interest rate of 8.75% payable on the conversion of the convertible debenture. The convertible debentures mature on October 24, 2024 and are convertible at the holder's option in whole or in part into common shares of the Company at the price of \$1.00 per share.

Immediately prior to the following events, the outstanding convertible debentures shall automatically be converted into common shares of the Company at the conversion price of \$1.00:

- a. The Company completing a *bona-fide* public offering of common shares under a prospectus filed with securities regulatory authorities in Canada; or
- b. The consummation of any transaction including, without limitation, and consolidation amalgamation, merger, plan of arrangement, reverse take-over, qualifying transaction or any other business combination or similar transaction.

At any time prior to the above-detailed events, the convertible debenture holders have the option of converting their convertible debentures in whole or in part into common shares of the Company at the conversion price of \$1.00. Upon conversion of a convertible debenture, a payment (the "Make-Whole Payment") shall be made to the holder of the convertible debenture equal to the interest amount that the holder of the convertible debenture would have received in respect of the converted principal amount of the convertible debenture if such amount remained outstanding from the conversion date until the maturity date.

- On November 12, 2021, the existing credit arrangement of \$4 million with a Canadian bank was increased to \$10 million, with no material changes in the existing terms.
- On December 6, 2021, Justify and EP entered into a RTO agreement (the "RTO Agreement"), pursuant to which Justify and the Company agreed to effect a series of transactions (collectively, the "Reverse takeover" or "RTO"), including, among other things, the amalgamation (the "Amalgamation") of a subco ("Subco") and the Company pursuant to Section 181 of the Business Corporations Act (Alberta) on the terms and conditions set forth in the Business Combination Agreement and the amalgamation agreement (the "Amalgamation Agreement") to be entered into among Justify, Subco and the Company resulting in the amalgamated entity ("Amalco") becoming a wholly-owned subsidiary of Justify. The transactions contemplated by the Business Combination Agreement will constitute Justify's RTO as such term is defined in Policy 2.4 – Capital Pool Companies of the TSXV Corporate Finance Manual.

On May 7, 2021 the Company signed a letter of intent with Justify. Justify is a CPC pursuant to TSX venture exchange ("TSXV") Policy 2.4, and since its incorporation it has not carried on any business or operations other than identifying and evaluating business opportunities for the purposes of completing a RTO. On August 31, 2021, the Company signed an amended letter of intent with Justify to combine assets and operations of the Company and Justify.

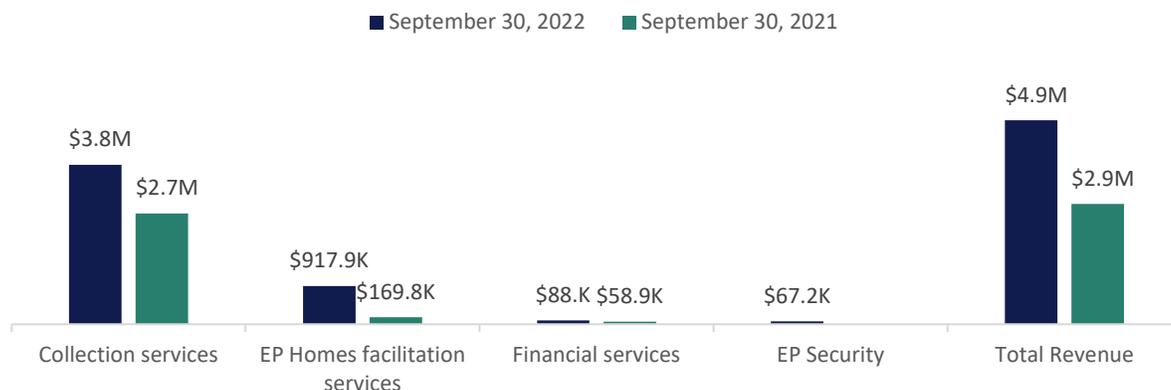
Based on the terms and subject to the conditions set forth in the Business Combination Agreement, Justify and the Company propose to combine the businesses and assets of Subco and the Company such that the business and assets of the Company will become the primary business and primary assets of Amalco, a wholly-owned subsidiary of Justify upon completion of the RTO and it is expected that Justify will be continued under the Business Corporations Act (Alberta) under the name "Everyday People Financial Corp.", or such other name as may be determined by the parties and accepted by applicable regulatory authorities, prior to the completion of the RTO.

On August 31, 2022, the Company completed the RTO with Justify, in relation to the Company amalgamating with a subsidiary of Justify.

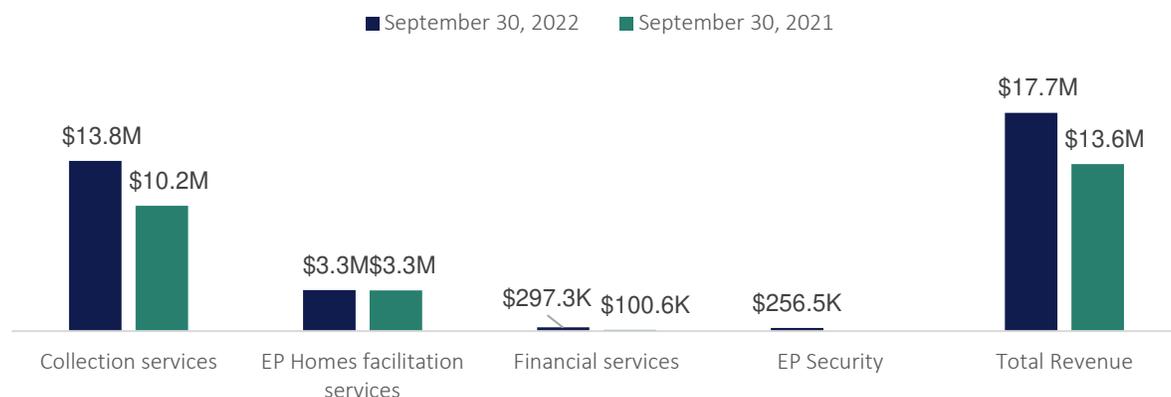
- During January 2022, the Company issued 4,684,000 units from treasury at \$1.00 per unit, which includes 4,684,000 shares and 2,342,000 warrants exercisable at \$1.25 to shareholders for a total value of \$4,684,000.
- On January 6, 2022, the Company settled and paid out the promissory notes outstanding for the EP Homes inventory for \$1,111,772.
- On March 14, 2022, the Company announced that it intends to, subject to market conditions and other usual conditions, offer up to \$5.0 million principal amount of 12% unsecured medium term notes with a 2-year term to maturity (the "Offering"). EP has raised \$2.65 million and the Offering is still open.
- On March 31, 2022, the Company sold its interest in Newt Kiosks, S.A. DE C.V. ("Newt Kiosks") to Newt Corporation ("Newt") for 268,000 Newt shares.
- On April 22, 2022, the Company signed a letter of intent ("LOI") with SEB Administrative Services Inc., a subsidiary of Smart Employee Benefits Inc. (TSXV: SEB), to jointly own an Special Purpose Vehicle ("SPV"), to launch an bespoke healthcare spending account program, offering a challenger product to traditional employer health spending accounts.
- During May, June, and August 2022, the Company received \$2.65 million in medium-term notes in accordance with the terms of the Offering.
- On July 28, 2022, Justify announced in a press release that they received conditional acceptance from TSXV for the closing of the RTO and has filed its filing statement in connection with the RTO.
- On August 31, 2022, \$3,484,500 of convertible debentures were converted into common shares as part of the RTO.
- On August 31, 2022, the Company set up EP Segregated Cell within a segregated accounts company pursuant to the Segregated Accounts Companies Act 2000, Bermuda, a licensed insurer, managed by Davies Captive Management Limited, for the purposes of providing Directors and Officers liability insurance.
- On September 19, 2022, the Company entered into a letter of intent ("LOI") with General Credit Services Inc. ("GCS"), which outlines the general terms and conditions of the proposed acquisition by EP Financial of 100% of the issued and outstanding shares of GCS.
- On November 1, 2022, the Company, through its subsidiary, EP Homes entered into a new credit arrangement of \$15.0 million revolving line of credit with KV Capital Inc. ("KV Capital). The term of the credit arrangement is for 24 months and at the end of the term, the credit arrangement shall automatically renew for a period of 24 months, continuing to auto-renew for 24 month periods at 12 month intervals. The interest rate for the credit arrangement is the greater of 8.45% or non-mortgage prime lending rate plus 3% not exceeding 10.45%. The credit arrangement is secured by a GSA, which provides KV Capital first-priority security against the EP Homes II inventory, a personal guarantee of \$2.5 million from Gordon Reykdal and another \$2.5 million from Carrie Reykdal. The credit arrangement contains certain financial covenants that will be measured prior to release of the funds against each home.
- On November 3, 2022, the Company appointed Mr. Gordon Reykdal as the Chief Strategy Officer ("CSO") of the Company. As the CSO of the Company, Gord will be leading the Company's strategic plan, including capital projects, joint ventures, and potential M&A targets, while creating new and innovative financial programs for underserved and underserved financial markets.

## OVERALL PERFORMANCE

For the three months ended September 30, 2022, EP recorded revenue of \$4.9 million as compared to \$2.9 million for the three months ended September 30, 2021. For the twelve months ended September 30, 2022, EP recorded revenue of \$17.7 million as compared to \$13.6 million for the twelve months ended September 30, 2021.

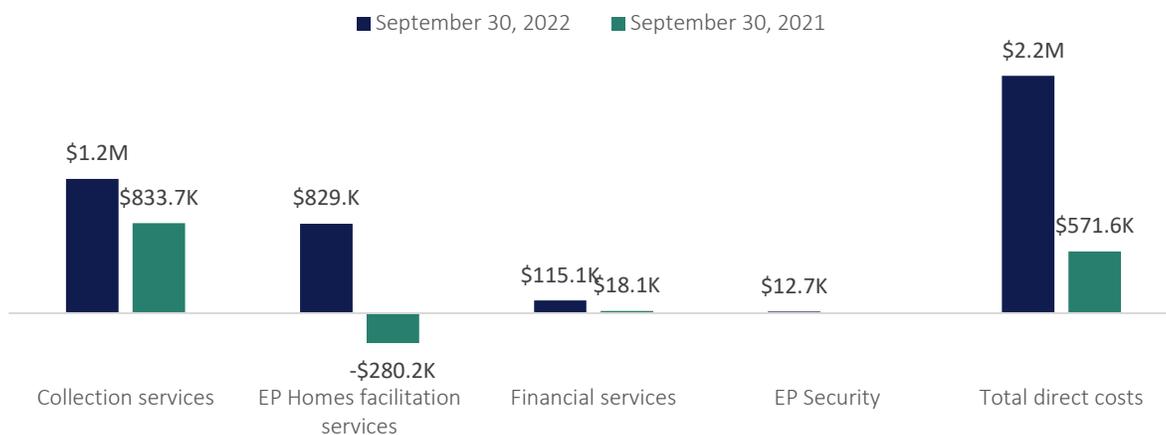


- The increase of \$2 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 is primarily due to an increase of \$1.1 million in collection services revenue, as number of contracts increased (primarily from Her Majesty's Revenue and Customs "HMRC") and also the release of holds that were put in place in 2021 by clients due to the COVID-19 pandemic, as well as, \$0.1 million increase in EP Security revenue as EP Security did not exist in Q4 2021. The additional increase of \$0.7 million in EP Homes facilitation services revenue was primarily due to two homes sold for the three months ended September 30, 2022, as compared to nil homes sold for the three months ended September 30, 2021.

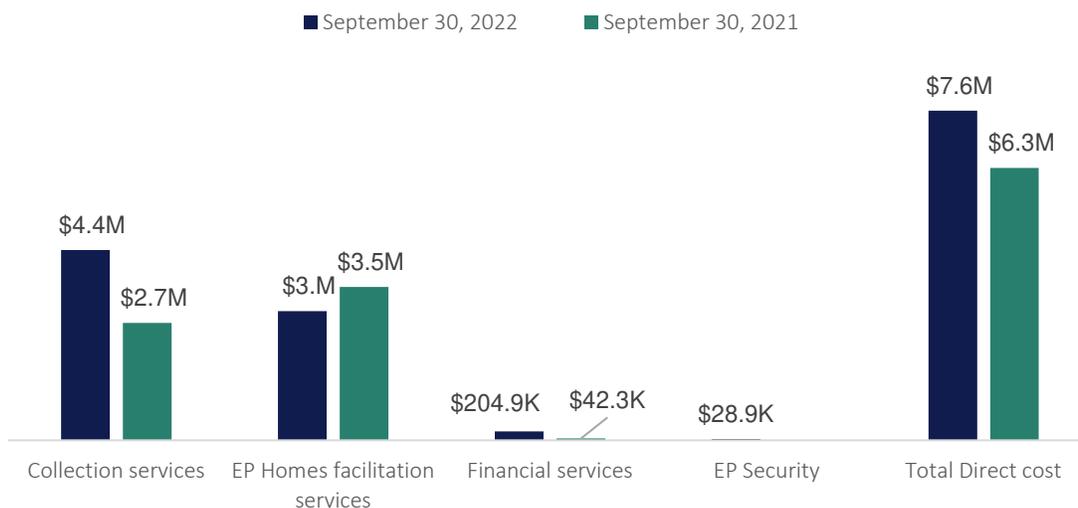


- The increase of \$4.1 million for the twelve months ended September 30, 2022 as compared to the twelve months ended September 30, 2021 is primarily due to an increase of \$3.6 million in collection services revenue, as the number of contracts increased (primarily from HMRC) and also the release of holds that were put in place in 2021 by clients due to the COVID-19 pandemic, as well as, \$0.2 million increase in financial services revenue, primarily due to the acquisition of Climb and introduction of EP Travel's business line. Also, \$0.3 million is related to EP Security revenue which did not exist in 2021.

For the three months ended September 30, 2022, direct costs were \$2.2 million as compared to \$0.6 million for the three months ended September 30, 2021. For the twelve months ended September 30, 2022, direct costs were \$7.6 million as compared to \$6.3 million for the twelve months ended September 30, 2021.



- The increase of \$1.6 million for the three months ended September 30, 2022 is primarily due to:
  - \$1.1 million increase in EP Homes direct costs, of which \$0.7 million is related to 2 homes sold (three months ended September 30, 2021 – nil homes sold) for the three months ending September 30, 2022. \$0.4 million increase is related to a quarter-end interest adjustment that was done on September 30, 2021, reclassing interest from direct costs to interest and bank charges for existing homes inventory.
  - \$0.4 million increase in collection services direct costs is in line with the increase in collection services revenue.
  - \$0.1 million increase in financial services direct costs is related to the introduction of EP Travel and EP Care business lines.



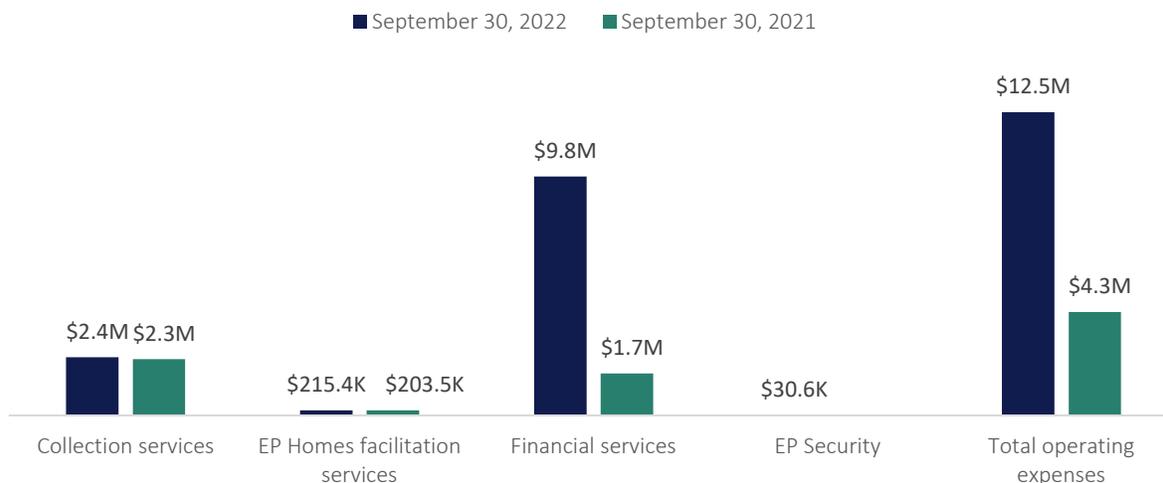
- The increase of \$1.3 million for the twelve months ended September 30, 2022 is primarily due to:
  - \$0.5 million decrease in EP Homes direct costs, of which \$0.3 million decrease is related to the cost of sale of 7 homes sold for the twelve months ended September 30, 2022 as compared to 8 homes sold for the twelve months ended September 30, 2021, and \$0.2 million decrease related to the professional fees and realtor commissions relating to the sale of the homes.
  - \$1.7 million increase in collection services direct costs, which is in line with the increase in collection services revenue.

For the three months ended September 30, 2022, gross profit was \$2.7 million (three months ending September 30, 2021 - \$2.3 million). For the twelve months ended September 30, 2022, gross profit was \$10.1 million (twelve months ending September 30, 2021 - \$7.3 million):

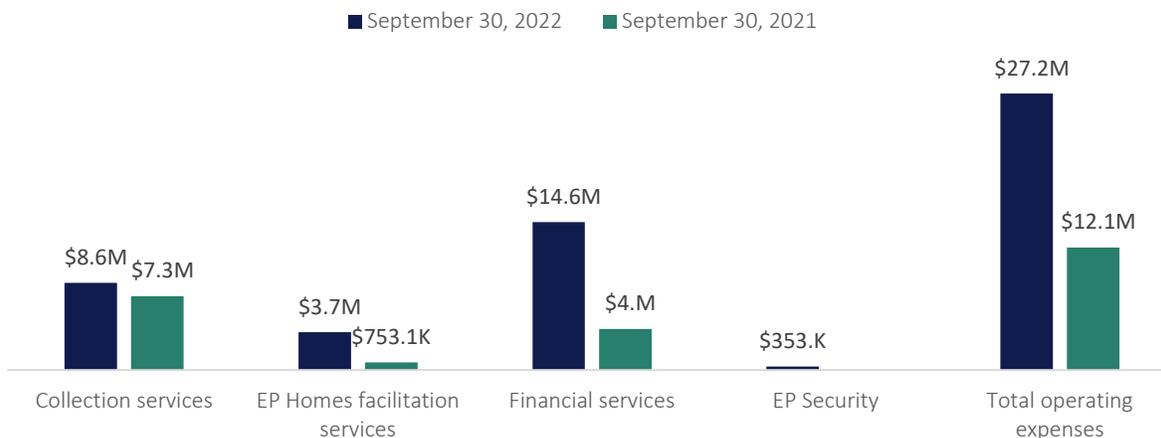
- The increase of \$0.4 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 is primarily due to:
  - \$0.7 million increase in collection services gross profit, which is in line with the increase in collection services revenue. Average gross profit for collection services was 68% (three months ending September 30, 2021 – 69%).
  - \$0.3 million decrease in EP Homes gross profit, which is primarily due the quarter-end interest adjustment that was done on September 30, 2021, reclassing interest from direct costs to interest and bank charges for existing homes inventory. Gross profit for EP Homes was 10% (three months ending September 30, 2021 – 41%).
  
- The increase of \$2.8 million for the twelve months ended September 30, 2022 as compared to the twelve months ended September 30, 2021 is primarily due to:
  - \$2.0 million increase in collection services gross profit, which is in line with the increase in collection services revenue. Gross profit for collection services was 68% (twelve months ending September 30, 2021 – 73%).
  - \$0.6 million increase in EP Homes gross profit is primarily due to the decrease in direct costs as 7 homes were sold during the twelve months ending September 30, 2022, as compared to 8 homes sold during the twelve months ending September 30, 2021. Gross profit for EP Homes was 11% (twelve months ending September 30, 2021 – 6% gross loss).
  - \$0.2 million increase in contract receivables gross profit because contract receivables did not exist during the twelve months ending September 30, 2021.

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For the three months ended September 30, 2022, total operating expenses of \$12.5 million was recorded as compared to \$4.3 million for the three months ended September 30, 2021, and for the twelve months ended September 30, 2022, total operating expenses of \$27.3 million were recorded as compared to \$12.1 million for the twelve months ended September 30, 2021.



- The increase of \$8.2 million for the three months ended September 30, 2022 as compared to the three months ended September 31, 2021 is primarily due to the \$3.4 million listing expenses related to the RTO, \$4.5 million impairment loss on goodwill for the Climb GGU, and \$0.3 million increase in salaries and benefits, including performance bonuses.



- The increase of \$15.2 million for the twelve months ended September 30, 2022 as compared to the twelve months ended September 30, 2021 is primarily due to:
  - \$3.4 million listing expenses in related to the RTO;
  - \$7.1 million impairment loss on goodwill;
  - \$1.6 million increase in salaries and benefits, including performance bonuses, due to the increase in work force, primarily in BPO;
  - \$1.1 million for professional fees related to going public; and,
  - \$0.5 million for IT expenses, \$0.1 million for office supplies, \$0.4 million for travel and entertainment, \$0.3 million for depreciation and amortization, primarily related to DC bank platform, \$0.2 million for consulting fees, primarily related to EP Security's consultants, \$0.2 million for marketing expenses, and \$0.3 million for investor relations, stock exchange fees, and board fees.

For the three months ended September 30, 2022, loss from operations was \$9.8 million (three months ended September 30, 2021 - \$1.9 million) and \$17.1 million (twelve months ended September 30, 2021 - \$4.8 million) for the twelve months ended September 30, 2022.

The increase of \$7.9 million in loss from operations for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 are primarily due to:

- \$0.4 million increase in gross profit for the three months ended September 30, 2022, which is set off by \$8.2 million increase in operating expenses as mentioned above. The Adjusted EBITDA loss was \$0.6 million for the three months ended September 30, 2022 (three months ended September 30, 2021 – Adjusted EBITDA loss of \$0.6 million).

The increase of \$12.3 million in loss from operations for the twelve months ended September 30, 2022 as compared to the twelve months ended September 30, 2021 are primarily due to:

- \$2.9 million increase in gross profit for twelve months ended September 30, 2022, which is offset by \$15.2 million increase in operating expenses as mentioned above. The Adjusted EBITDA loss of \$1.6 million for the twelve months ended September 30, 2022 (twelve months ended September 30, 2021 - Adjusted EBITDA loss of \$0.7 million). See Selected Quarterly Information section below.

Basic and Diluted EPS for the twelve months ended September 30, 2022 was (\$0.20) as compared to (\$0.06) for the twelve months ended September 30, 2021.

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Cash flow activities for the twelve months ended September 30, 2022 and 2021 are as follows:

- Net cash used in operating activities for the twelve months ended September 30, 2022 was \$7.8 million (September 30, 2021 - \$0.4 million cash used) was due to:
  - Proceeds from the sale of homes for \$2.5 million (September 30, 2021 - \$2.9 million) for 7 homes (September 30, 2021 – 8 homes).
  - The payments for the purchase of homes for \$3.4 million (September 30, 2021 – \$0.9 million) for 8 homes (September 30, 2021 – 2 homes).
  - Additions and collections of contract receivables represents the cost of 746 (September 30, 2021 – nil) contracts purchased by EP amounting to \$1.3 million (September 30, 2021 - \$nil) cash used.
  - Net loss adjusted for non-cash items is \$5.6 million (September 30, 2021 - \$2.4 million), which includes Adjusted EBITDA loss, costs related to going public, interest expenses, and changes in working capital.
- Net cash used in investing activities for the twelve months ended September 30, 2022 was \$1 million (September 30, 2021 - \$1.5 million) is primarily due to the additions to intangible assets and property and equipment related to the DC Bank platform and the CRM software. Also, for the twelve months ended September 30, 2021, EP invested \$1.1 million in investments for twelve months ended September 30, 2022 were \$nil.
- Net cash provided by financing activities for the twelve months ended September 30, 2022 was \$7.4 million (September 30, 2021 - \$2.9 million cash provided), which primarily comprised of:
  - \$4.0 million net proceeds (September 30, 2021 - \$4.2 million proceeds) from unit issuance and committed capital.
  - \$1.1 million in proceeds (September 30, 2021 - \$1.5 million proceeds) from convertible debentures.
  - \$0.8 million in net proceeds (September 30, 2021 - \$2.2 million net repayments) from credit facilities.
  - \$1.1 million repayments (September 30, 2021 - \$0.3 million net repayments) of promissory notes.
  - \$2.9 million in proceeds (September 30, 2021 - \$nil) of promissory notes from related parties.
  - \$0.3 million repayments (September 30, 2021 - \$0.3 million repayments) of lease liabilities.

EP's cash and cash equivalent balance was \$0.6 million as at September 30, 2022 as compared to \$2.3 million as at September 30, 2021. The Company is working to obtain debt financing of \$2.2 million to serve the working capital needs of the Company based on its existing EP Homes inventory. The existing EP Homes inventory loan to value ("LTV") is 61% as compared to the Company policy of 85% including mezzanine debt.

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## **ECONOMIC FACTORS AND COVID-19 IMPACT**

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however the success of these interventions is not currently determinable. The COVID-19 pandemic has negatively impacted the global economy and created significant economic uncertainty and disruption to the financial markets. Further, the current challenging economic climate and events around the COVID-19 outbreak may lead to adverse changes in revenue, cash flows and working capital levels, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company's business is not known at this time.

The Company's EP Homes business segment requires significant amount of debt in addition to equity to execute its business plan and any material changes in interest rates for that respect will impact the Company's performance. The increase in the interest rate of 300 basis points since September 30, 2021, resulted in a change in the fair market rent as well, therefore, EP Homes' economics for one home still remain in line with original expectations. Refer to "Risk and Uncertainties" of this MD&A for further information.

EP's collection services segment business consists of collecting non-performing accounts that consumers or others have failed to pay. The credit originators have typically made numerous attempts to recover on their receivables, often using a combination of in-house recovery efforts and third-party collection agencies. These non-performing accounts are difficult to collect, and EP may not collect a sufficient amount to cover its fixed costs of running its business in the future. Refer to "Risk and Uncertainties" of this MD&A for further information.

EP's financial services segment performance may be adversely affected by economic, political or inflationary conditions in any market in which EP operates as the payment technology and financial services industries are subject to the rapid development of service offerings, changing standards and evolving consumer demands, all of which affect EP's ability to remain competitive. Refer to "Risk and Uncertainties" of this MD&A for further information.

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SELECTED QUARTERLY INFORMATION

		Three months ended	Three months ended	Twelve months ended	Twelve months ended
		September 30, 2022 (\$)	September 30, 2021 (\$)	September 30, 2022 (\$)	September 30, 2021 (\$)
<b>Revenue, net</b>	[1]	<b>4,910,352</b>	<b>2,894,132</b>	<b>17,713,157</b>	<b>13,566,906</b>
Direct costs	[2]	2,199,667	571,560	7,566,525	6,250,671
<b>Gross profit</b>		<b>2,710,685</b>	<b>2,322,572</b>	<b>10,146,632</b>	<b>7,316,235</b>
<b>Expenses (income)</b>					
Salaries and benefits	[3]	2,056,191	2,037,676	7,150,943	5,542,935
Impairment loss on goodwill	[5]	4,538,532	—	7,053,627	—
Listing expenses	[4]	3,381,033	—	3,381,033	—
Depreciation and amortization	[6]	447,098	434,320	1,794,392	1,537,705
Professional fees	[7]	624,689	736,117	2,786,444	1,688,389
Management fees	[7]	342,957	404,241	1,318,518	1,338,520
Share-based compensation		91,125	186,525	733,605	736,952
Other operating expenses		337,444	168,893	1,175,041	518,540
Consulting fees	[7]	139,471	123,928	587,869	352,437
Rent and utilities		94,673	77,855	260,803	220,179
Travel and entertainment		165,363	46,278	423,857	98,654
Marketing expenses		120,639	34,708	284,321	71,658
Loss allowance for contract receivables		—	—	12,390	—
Stock exchange fees		32,102	4,357	39,976	4,357
Realized foreign currency exchange loss (gain)		955	538	2,545	(42,029)
Investor relations		71,283	—	168,819	—
Board fees		52,840	—	52,840	—
<b>Total operating expenses</b>		<b>12,496,395</b>	<b>4,255,436</b>	<b>27,227,023</b>	<b>12,068,296</b>
<b>Loss from operations</b>	[8]	<b>(9,785,710)</b>	<b>(1,932,864)</b>	<b>(17,080,391)</b>	<b>(4,752,061)</b>
<b>Total other (expenses) income</b>		<b>(587,825)</b>	<b>(191,821)</b>	<b>(1,599,289)</b>	<b>(4,676)</b>
<b>Net loss before tax</b>		<b>(10,373,535)</b>	<b>(2,124,685)</b>	<b>(18,679,680)</b>	<b>(4,756,737)</b>
Income tax recovery (expense)		36,593	9,606	97,022	(177,564)
<b>Net income (loss) for the period</b>		<b>(10,336,942)</b>	<b>(2,115,079)</b>	<b>(18,582,658)</b>	<b>(4,934,301)</b>
<b>Comprehensive loss for the period</b>		<b>(10,954,848)</b>	<b>(2,111,579)</b>	<b>(20,616,848)</b>	<b>(5,008,776)</b>
<b>Adjusted EBITDA reconciliation</b>	[9]				
Loss from operations		(9,785,710)	(1,932,864)	(17,080,391)	(4,752,061)
<i>Adjustments</i>					
Interest included in direct cost		67,613	20,014	142,691	133,064
Depreciation and amortization		447,098	434,320	1,794,392	1,537,705
Cost related to going public*		499,751	736,117	2,229,155	1,688,389
Share-based compensation		91,126	186,525	733,605	736,952
One-time expenses**		8,048,259	—	10,563,354	—
<b>Total adjustment to loss from operations</b>		<b>9,153,847</b>	<b>1,376,976</b>	<b>15,463,197</b>	<b>4,096,110</b>
<b>Adjusted EBITDA</b>		<b>(631,863)</b>	<b>(555,888)</b>	<b>(1,617,194)</b>	<b>(655,951)</b>

<b>Consolidated Balance Sheet information</b>	[10]	<b>September 30, 2022</b>	<b>September 30, 2021</b>
Total assets		60,996,612	63,625,145
Total non-current financial liabilities		6,989,419	3,218,284
Deficit		(31,655,987)	(13,073,329)
Dividends declared		\$nil	\$nil
Basic and diluted loss per share		(0.20)	(0.06)

\*Primarily related to RTO transaction, excluding expected recurring professional fees.

\*\*Quarterly consists of listing expenses of \$3.4 million, impairment loss of \$4.5 million, marketing and software costs of \$0.2 million. YTD consists of listing expenses of \$3.4 million, impairment loss of \$7.1 million, marketing and software costs of \$0.2 million.

## DISCUSSION ON RESULTS OF OPERATIONS

The Company has based the following discussion on its consolidated financial statements as at and for the three and twelve months ended September 30, 2022 and 2021. Please read the below discussion along with these interim condensed consolidated financial statements, as it is qualified in its entirety by reference to them.

### [1] Revenue

	Three months ended September 30,		Twelve months ended September 30,		Three months ended September 30,		Twelve months ended September 30,	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)	Change (\$)	Change (%)	Change (\$)	Change (%)
EP Homes facilitation services	918,049	169,774	3,339,010	3,305,036	748,275	440.8%	33,974	1.0%
Collection services	3,837,143	2,665,413	13,820,393	10,161,275	1,171,730	44.0%	3,659,118	36.0%
Financial services	87,971	58,945	297,273	100,595	29,026	49.2%	196,678	195.5%
Contract revenue	67,189	—	256,481	—	67,189	—	256,481	—
<b>Revenue, net</b>	<b>4,910,352</b>	<b>2,894,132</b>	<b>17,713,157</b>	<b>13,566,906</b>	<b>2,016,220</b>	<b>69.7%</b>	<b>4,146,251</b>	<b>30.6%</b>

*The increase in revenue of EP Homes facilitation services segment amounting to:*

- \$749,175 increase for the three months ended September 30, 2022 is primarily due to 2 homes sold for the three months ended September 30, 2022, as compared to nil home sold for the three months ended September 30, 2021.

*The increase in revenue of collection services amounting to:*

- \$1,171,730 increase for the three months ended September 30, 2022 is primarily related to the increase in contracts, specifically from HMRC.
- \$3,359,118 increase for the twelve months ended September 30, 2022 is primarily due to release of holds that were put in place in 2021 by clients due to the COVID-19 pandemic.

*The increase in revenue of financial services segment amounting to:*

- \$29,026 increase for the three months ended September 30, 2022 is primarily related to the introduction of the EP Travel business line which did not exist in Q4 2021.
- \$196,679 increase for the twelve months ended September 30, 2022 is primarily due to the acquisition of Climb on June 30, 2021 and introduction of EP Travel.

*The increase in revenue of contract receivables segment amounting to:*

- \$67,189 increase for the three months ended September 30, 2022 is primarily due to the introduction of the contract receivables segment commencing October 1, 2021.
- \$256,481 increase for the twelve months ended September 30, 2022 is primarily due to the introduction of the contract receivables segment commencing October 1, 2021.

**[2] Direct costs**

	Three months ended September 30,		Twelve months ended September 30,		Three months ended September 30,	Twelve months ended September 30,
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)	Change (\$)	Change (\$)
EP Homes – prior to quarter-end adjustment	828,977	99,886	2,962,878	3,518,502	729,091	(555,624)
EP Homes – quarter-end adjustment	—	(380,069)	—	—	380,069	—
Collection services	1,242,935	833,652	4,369,869	2,689,886	409,283	1,679,983
Financial services	115,097	18,091	204,917	42,283	97,006	162,634
Contract revenue	12,658	—	28,861	—	12,658	28,861
<b>Total</b>	<b>2,199,667</b>	<b>571,560</b>	<b>7,566,525</b>	<b>6,250,671</b>	<b>1,628,107</b>	<b>1,315,854</b>
As a % of total revenue	45%	20%	43%	46%	81%	32%

*The increase and decrease in direct costs of EP Homes facilitation services segment amounting to:*

- \$1,109,160 increase for the three months ended September 30, 2022 is primarily due to \$724,100 increase in cost of homes sold, as 2 homes were sold for the three months ended September 30, 2022 as compared to nil homes sold for the three months ended September 30, 2021. \$380,086 increase is also related to a quarter-end adjustment that was done at the end of Q4 2021. On September 30, 2021, there was a reclass done where we moved \$380,069 of interest expense from direct costs to interest and bank charges for the homes that were not sold during the year and were still in our inventory. The interest expense in direct costs should only be for the homes that were sold during the year.
- \$555,624 decrease for the twelve months ended September 30, 2022 is primarily due to \$395,290 decrease related to the cost of sale of 7 homes sold for the twelve months ended September 30, 2022 as compared to 8 homes sold for the twelve months ended September 30, 2021, \$146,641 decrease related to the professional fees, interest expense, and realtor commissions relating to the sale of the homes.

*The increase in direct costs of collection services amounting to:*

- \$409,283 increase for the three months ended September 30, 2022 is aligned with the \$1.2 million increase in collection services revenue, as compared to the three months ended September 30, 2021.
- \$1,679,983 increase for the twelve months ended September 30, 2022 is aligned with the \$3.7 million increase in collection services revenue, as compared to the twelve months ended September 30, 2021.

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**[3] Salaries and benefits**

	Three months ended September 30,		Twelve months ended September 31,		Three months ended September 30,	Twelve months ended September 30,
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)	Change (\$)	Change (\$)
Salaries and benefits	2,056,191	2,037,676	7,150,943	5,542,935	18,515	1,608,008
<b>Total</b>	<b>2,056,191</b>	<b>2,037,676</b>	<b>7,150,943</b>	<b>5,542,935</b>	<b>18,515</b>	<b>1,608,008</b>
As a % of total revenue	42%	70%	40%	41%	1%	39%

The increase in salaries and benefits amounting to:

- \$1,608,008 increase for the twelve months ended September 30, 2022 is primarily due to the \$1.3 million increase in work force in EP Financial and BPO and performance based bonuses, and \$344,309 for the acquisition of Climb on June 30, 2021. Salaries and benefits include \$5.4 million from collection services, \$1.7 million from financial services, and \$0.1 million from EP Homes segment, as compared to \$4.7 million from collection services, \$0.6 million from financial services, and \$0.2 million from EP Homes segment for the twelve months ended September 30, 2021.

**[4] Listing expenses**

	Three months ended September 30,		Twelve months ended September 30,		Three months ended September 30,	Twelve months ended September 30,
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)	Change (\$)	Change (\$)
Listing expenses	3,381,033	—	3,381,033	—	3,381,033	3,381,033
<b>Total</b>	<b>3,381,033</b>	<b>—</b>	<b>3,381,033</b>	<b>—</b>	<b>3,381,033</b>	<b>3,381,033</b>
As a percentage of total revenue	69%	0%	19%	0%	—	—

The increase in listing expense amounting to:

- \$3,381,033 increase for the three months and twelve months ended September 30, 2022 is related to the amalgamation with Justify, related to the completion of the RTO. The listing expense reflects the difference between the fair value of the amount paid and the fair value of the net assets received from Justify.

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**[5] Impairment loss on goodwill**

	Three months ended September 30,		Twelve months ended September 30,		Three months ended September 30,	Twelve months ended September 30,
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)	Change (\$)	Change (\$)
EP Homes CGU	—	—	2,515,095	—	—	2,515,095
Climb CGU	4,538,532	—	4,538,532	—	4,538,532	4,538,532
<b>Total</b>	<b>4,538,532</b>	<b>—</b>	<b>7,053,627</b>	<b>—</b>	<b>4,538,532</b>	<b>7,053,627</b>
As a percentage of total revenue	92%	0%	40%	0%	—	—

The increase in impairment loss on goodwill amounting to:

- \$4,538,532 increase for the three months ended September 30, 2022 is related to the impairment of the Climb CGU due to the delay in completing the RTO, which resulted in the Company to strategically grow the operations using EP Financial's ecosystem as originally planned.
- \$7,053,627 increase for the twelve months ended September 30, 2022 is primarily due to \$2,515,095 impairment charge to EP Homes CGU due to the delay in completing the RTO, which resulted in deferring the purchase of additional homes as originally planned. Also, \$4,538,532 is related to the impairment of the Climb CGU due to the delay in completing the RTO, which resulted in the Company to strategically grow the operations using EP Financial's ecosystem as originally planned.

**[6] Depreciation and amortization**

	Three months ended September 30,		Twelve months ended September 30,		Three months ended September 30,	Twelve months ended September 30,
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)	Change (\$)	Change (\$)
Depreciation and amortization	447,098	434,320	1,794,392	1,537,705	12,777	256,687
<b>Total</b>	<b>447,098</b>	<b>434,320</b>	<b>1,794,392</b>	<b>1,537,705</b>	<b>12,777</b>	<b>256,687</b>
As a percentage of total revenue	9%	15%	10%	11%	1%	6%

The increase in depreciation and amortization expense amounting to:

- \$256,687 increase for the twelve months ended September 30, 2022 is primarily due to \$0.1 million increase in intangible asset amortization from the acquisition of Climb on June 30, 2021 and \$0.2 million increase due to EP Financial commenced amortizing its card platform in January 2022, as it started to earn revenue from the card platform and depreciation related to the right-of-use asset for the office lease, which commenced in March 2021.

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**[7] Management fees, consulting fees and professional fees**

	Three months ended September 30,		Twelve months ended September 30,		Three months ended September 30,	Twelve months ended September 30,
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)	Change (\$)	Change (\$)
Management fees	342,957	404,241	1,318,518	1,338,520	(61,284)	(20,002)
Consulting fees	139,471	123,928	587,869	352,437	15,543	235,432
Professional fees	624,689	736,117	2,786,444	1,688,388	(111,428)	1,098,056
<b>Total</b>	<b>1,107,117</b>	<b>1,264,286</b>	<b>4,692,831</b>	<b>3,379,345</b>	<b>(157,169)</b>	<b>1,313,486</b>
As a % of total revenue	23%	44%	26%	25%	(8%)	32%

*The decrease in management fees amounting to:*

- \$61,284 decrease for the three months ended September 30, 2022 is primarily due to EAM not charging EP Homes management fees of \$1,000 per month per home on inventory in Q4 2022 as compared to Q4 2021.

*The increase in consulting fees amounting to:*

- \$15,543 increase for the three months ended September 30, 2022 is primarily due to consulting services provided for the contract receivables segment, which commenced October 1, 2021.
- \$235,432 increase for the twelve months ended September 30, 2022 is primarily due to consulting services provided for the contract receivables segment, which commenced October 1, 2021, as compared to the twelve months ended September 30, 2021.

*The decrease and increase in professional fees amounting to:*

- \$111,428 decrease for the three months ended September 30, 2022 is primarily due to the decrease in legal fees related to the RTO.
- \$1,098,056 increase for the twelve months ended September 30, 2022 is primarily due to a \$0.5 million increase in legal fees related to the RTO, \$0.1 million increase in corporate legal fees, and \$0.3 million increase in audit fees, as compared to the twelve months ended September 30, 2021.

**[8] Loss from operations**

Loss from operations was \$9.8 million (three months ended September 30, 2021 - \$1.9 million) for the three months ended September 30, 2022 and \$17.1 million (twelve months ended September 30, 2021 - \$4.8 million) for the twelve months ended September 30, 2022.

The increase of \$7.9 million in loss from operations for the three months ended September 30, 2022 are primarily due to:

- \$0.4 million increase in gross profit for the three months ended September 30, 2022, set off by \$8.2 million increase in operating expenses as mentioned above. The Adjusted EBITDA loss of \$0.6 million (three months ended September 30, 2021 - \$0.6 million loss) for the three months ended September 30, 2022. Please refer to Selected Quarterly Information section.

The increase of \$12.3 million in loss from operations for the twelve months ended September 30, 2022 are primarily due to:

- \$2.9 million increase in gross profit for twelve months ended September 30, 2022, which is set off by \$15.2 million increase in operating expenses as mentioned above. The Adjusted EBITDA loss of \$1.6 million (twelve months ended September 30, 2021 - \$0.7 million loss) for the twelve months ended September 30, 2022. Please refer to Selected Quarterly Information section.

### ***[9] Non-IFRS Financial Measures-Adjusted EBITDA reconciliation***

This MD&A refers to Adjusted EBITDA which is a non-IFRS financial measures. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. "EBITDA" means earning before finance and interest costs, provision for income tax and amortization and depreciation expenses. "Adjusted EBITDA" is calculated as adding back the share-based compensation, depreciation and amortization expenses, impairment loss on goodwill, other expenses (income) and other non-operating expenses (income) management considers not directly related to operational performance of the period presented.

Adjusted EBITDA is used as a non-IFRS financial measure to provide investors with a 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 financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. EP's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements.

Non-IFRS financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results under IFRS. There are number of limitations related to the use of non-IFRS financial measures versus their nearest IFRS equivalents. Investors are encouraged to review consolidated financial statements as at and for the three and twelve months ended September 30, 2022 and 2021 and disclosures in their entirety and are cautioned not to put undue reliance on any non-IFRS financial measure and view it in conjunction with the most comparable IFRS financial measures. In evaluating these non-IFRS financial measures, please be aware that in the future we will continue to have the adjustment similar to those adjusted in the presented period.

The Company reported an Adjusted EBITDA loss of \$1.6 million (twelve months ended September 30, 2021 - \$0.7 million loss) for twelve months ended September 30, 2022, and Adjusted EBITDA loss of \$0.6 million (three months ended September 30, 2021 - \$0.6 million loss) for the three months ended September 30, 2022. Please see above section "Selected Quarterly Information" of this MD&A to review reconciliation of loss from operations to Adjusted EBITDA.

### ***[10] Consolidated balance sheet information***

Total assets of \$61.0 million primarily consist of \$9.0 million in EP Homes inventory, \$12.4 million in intangible assets, \$8.6 million in customer funds and \$20.4 million goodwill accounted upon acquisition of EP Homes, BPO, and Climb.

The non-current financial liabilities are calculated as defined in the CPA Canada handbook, therefore, deferred tax liability is excluded from total long-term financial liabilities. The non-current financial liabilities as at September 30, 2022, primarily consist of lease liabilities of \$1.4 million compared to \$1.5 million as at September 30, 2021, \$2.9 million of due to related parties as at September 30, 2022 as compared to \$nil as at September 30, 2021, and \$2.3 million in credit facilities as at September 30, 2022 as compared to \$nil as at September 30, 2021.

Basic and diluted loss per share is calculated based on the weighted average number of the Company's issued and outstanding commons shares. For the twelve months ended September 30, 2022, the loss per share was (\$0.20) compared to (\$0.06) for the twelve months ended September 30, 2021. The diluted per share does not include the effect of the Company's warrants and options as they are anti-dilutive.

### *Outstanding Securities*

The Company's outstanding securities as of September 30, 2022 and September 30, 2021 are as follows:

<b>Description of securities</b>	<b>Number of securities outstanding as at September 30, 2022</b>	<b>Number of securities outstanding as at September 30, 2021</b>
Common shares	112,175,054	98,491,335
Warrants	6,958,941	4,260,035
Options	3,663,597	3,291,697
Restricted share units ("RSUs")	3,626,000	—
<b>Equity fully diluted</b>	<b>126,423,592</b>	<b>106,043,067</b>

### *Financial Instruments*

Please refer to the interim condensed consolidated financial statement as at and for the three and twelve months ended September 30, 2022 and September 30, 2021 for details on measurement, carrying value, and fair value of financial instruments. For the three and twelve months ended September 30, 2022, the Company did not have any derivative financial instruments, and the Company did not engage in hedging activities.

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## SELECTED QUARTERLY RESULTS

The following table sets forth selected unaudited interim quarterly results.

	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Collection services	3,837,143	3,695,344	3,432,138	2,855,768	2,665,413	2,962,793	2,388,358	2,144,712
EP Homes facilitation services	918,049	932,185	974,367	514,408	169,774	535,583	414,182	2,185,497
Financial services	87,971	85,666	62,195	61,441	58,945	17,734	16,774	7,141
Contract revenue	67,189	70,492	65,473	53,327	—	—	—	—
<b>Revenue</b>	<b>4,910,352</b>	<b>4,783,687</b>	<b>4,534,173</b>	<b>3,484,944</b>	<b>2,894,132</b>	<b>3,516,110</b>	<b>2,819,314</b>	<b>4,337,350</b>
<b>Q/Q growth %</b>	<b>3%</b>	<b>5%</b>	<b>23%</b>	<b>17%</b>	<b>(21%)</b>	<b>20%</b>	<b>(54%)</b>	<b>18%</b>
Direct costs	2,199,667	2,076,762	1,911,555	1,378,541	571,560	1,492,131	896,240	2,957,847
<b>Gross profit</b>	<b>2,710,685</b>	<b>2,706,925</b>	<b>2,622,618</b>	<b>2,106,403</b>	<b>2,322,572</b>	<b>2,023,979</b>	<b>1,923,074</b>	<b>1,379,503</b>
<b>Expenses (income)</b>								
Salaries and benefits	2,056,191	1,745,828	1,579,558	1,769,379	2,037,676	1,337,695	1,064,074	1,103,490
Impairment loss on goodwill	4,538,532	2,515,095	—	—	—	—	—	—
Listing expenses	3,381,033	—	—	—	—	—	—	—
Professional fees	624,689	616,311	714,599	928,367	736,117	433,868	357,734	160,670
Depreciation and amortization	447,098	457,289	462,191	427,814	434,320	376,699	369,226	357,459
Management fees	342,957	319,353	326,972	329,236	404,241	350,272	331,966	252,040
Share-based compensation	91,125	235,204	212,922	194,353	186,525	203,359	176,878	170,189
Other operating expenses [1]	337,444	292,763	241,235	303,598	168,893	147,884	94,359	107,404
Consulting fees	139,471	141,486	178,527	128,386	123,928	42,121	31,430	154,957
Rent and utilities	94,673	77,625	51,329	37,175	77,855	35,364	45,535	61,425
Travel and entertainment	165,363	112,959	76,514	69,021	46,278	17,469	8,193	26,714
Marketing expenses	120,639	85,287	38,483	39,913	34,708	12,620	23,855	475
Stock exchange fees	32,102	—	—	7,875	4,357	—	—	—
Loss allowance for contract receivable	—	—	2,170	10,220	—	—	—	—
Realized foreign currency exchange loss (gain)	955	941	267	382	538	—	(23)	(42,543)
Investor relations	71,283	—	—	—	—	—	—	—
Board fees	52,840	—	—	—	—	—	—	—
<b>Total operating expenses</b>	<b>12,496,395</b>	<b>6,600,141</b>	<b>3,884,767</b>	<b>4,245,719</b>	<b>4,255,436</b>	<b>2,957,351</b>	<b>2,503,227</b>	<b>2,352,280</b>
<b>Loss from operations</b>	<b>(9,785,710)</b>	<b>(3,893,216)</b>	<b>(1,262,149)</b>	<b>(2,139,316)</b>	<b>(1,932,864)</b>	<b>(933,372)</b>	<b>(580,153)</b>	<b>(972,777)</b>
<b>Other income (loss)</b>	<b>(587,825)</b>	<b>(257,034)</b>	<b>37,208</b>	<b>(791,639)</b>	<b>(191,821)</b>	<b>(52,568)</b>	<b>(34,875)</b>	<b>(58,305)</b>
<b>Net loss before tax</b>	<b>(10,373,535)</b>	<b>(4,150,250)</b>	<b>(1,224,941)</b>	<b>(2,930,955)</b>	<b>(2,124,685)</b>	<b>(985,939)</b>	<b>(615,028)</b>	<b>(1,031,082)</b>
<b>Income tax recovery (expense)</b>	<b>36,593</b>	<b>(96,094)</b>	<b>136,714</b>	<b>19,809</b>	<b>9,606</b>	<b>(78,366)</b>	<b>(73,069)</b>	<b>(35,735)</b>
<b>Net loss for the period</b>	<b>(10,336,942)</b>	<b>(4,246,344)</b>	<b>(1,088,227)</b>	<b>(2,911,146)</b>	<b>(2,115,079)</b>	<b>(1,064,305)</b>	<b>(688,097)</b>	<b>(1,066,817)</b>
<b>Comprehensive income (loss) for the year</b>	<b>(10,954,848)</b>	<b>(4,983,396)</b>	<b>(1,779,307)</b>	<b>(2,899,295)</b>	<b>(2,111,581)</b>	<b>(1,268,658)</b>	<b>(734,677)</b>	<b>(893,957)</b>

[1] Other expenses include office supplies, IT support, subscriptions and licenses, insurance, telephone, repairs and maintenance, computer, training and recruitment, postage and shipping and donations.

## LIQUIDITY AND CAPITAL RESOURCES

*NOTE: This section contains forward-looking information. By its nature, forward-looking information requires that certain assumptions be made and is subject to inherent risks and uncertainties. Please see "Forward-Looking Information" and "Risks and Uncertainties" for additional information on the factors that could cause results to vary.*

The Company monitors the liquidity and capital resource for every reportable operating segment. EP's collection services segment has been generating sufficient cash to support its current operations and planned growth. EP has been working on a platform with a Scheduled 1 Bank to launch its financial services and working capital for the financial services segment is primarily funded by the capital raised in past financing. EP's Homes facilitation services segment requires debt and equity financing to support the current operations and expected growth of this segment.

The Company cash balance was \$0.6 million as at September 30, 2022 as compared to \$2.3 million as at September 30, 2021.

The Company's policy is to keep the loan to value ("LTV") of EP Homes up to 85%, including mezzanine debt, however, the current LTV of EP Homes inventory is 61%. The Company is working to obtain debt financing of \$2.2 million to serve the working capital needs of the Company. Management and the board closely monitor the Company's operations and monthly revenue and expenses of the collection services, financial services, EP Homes facilitation services, and contract receivable services segments to ensure the Company has sufficient working capital to execute its strategic business plan. Appropriate adjustments to projections and to the monthly expenses are made when necessary. EP currently has \$5.5 million senior secured credit facilities with financial institutions to support existing inventory of EP Homes and is working with the institutions to further increase the existing facilities and/or placing new facilities to support the growth of the EP Homes segment, please refer to the section below entitled "Credit facilities" in "Items affecting liquidity" of this MD&A for further information. There are no assurances that increased credit facilities or new credit facilities or working capital loan financing or expected profits will be available to the Company on acceptable terms, or at all.

### *Going Concern*

These consolidated financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and can realize its assets and discharge its liabilities and commitments in the normal course of business as they come due. The Company has recurring net losses, has a deficit and negative cash flows from operations. The Company incurred net loss of \$18,582,658 for the twelve months ended September 30, 2022 (September 30, 2021 - \$4,934,301), deficit of \$31,655,987 as at September 30, 2022 (September 30, 2021 - \$13,073,329) and cash used in operating activities of \$7,774,151 for twelve months ended September 30, 2022 (September 30, 2021 – cash used in operating activities of \$409,330). These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern and otherwise execute on its business strategies.

The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon various risks and uncertainties affecting the Company's future financial position and its performance including, but not limited to:

- Its ability to raise adequate equity and debt capital;
- Its ability to execute on the business plan of achieving net profits in place of losses in some of the operating segments; and
- Its ability to execute on business program that result in performance which exceed debt covenant requirements related to EP Homes debt.

Management is actively working to achieve positive cashflows and is considering various financing opportunities, the Company:

- Completed an equity capital raise of \$4.6 million in January 2022;
- Raised and converted \$3,484,500 of convertible debentures including interest into equity upon completion of the RTO;

- A Canadian bank increased the loan facility from \$4 million to \$10 million in December 2021, and on March 31, 2022, amended the \$10 million credit arrangement from due on demand to a term loan with a maturity date of April 4, 2024;
- Initiated private offering up to \$5 million principal amount of 12% unsecured medium-term notes and received \$2.65 million as of September 30, 2022; and
- Entered into a new credit arrangement of \$15 million revolving line of credit with KV Capital Inc. on November 1, 2022.

These interim condensed consolidated financial statements do not include any adjustments that would be necessary if the going concern assumption was not appropriate. Failure to continue as a going concern would require adjustments to assets and liabilities, the reported revenues and expenses, and statement of financial position classifications used, which could differ materially from the going concern basis.

## CASH FLOW SUMMARY

The following table provides a summary of cash inflows and outflows by activity for the twelve months ended September 30, 2022 and 2021.

<b>Cash inflows and (outflows) by activity:</b>		<b>September 30, 2022</b>	<b>September 30, 2021</b>
Change in operating activities prior to EP Homes inventory & contract receivables	[1]	(5,593,757)	(2,412,430)
Addition and disposals of EP Homes inventory	[2]	(863,318)	2,003,100
Additions and collections of contract receivables	[2]	(1,317,076)	—
Cash used in operating activities		(7,774,151)	(409,330)
Cash used in investing activities	[3]	(1,012,094)	(1,515,507)
Cash provided by financing activities	[4]	7,395,654	2,946,903
Foreign exchange on cash held in foreign currency		(65,348)	27,068
Net cash (outflows) inflows		(1,455,939)	1,049,134
Cash and cash equivalents, beginning of period		2,342,915	1,293,781
Cash and cash equivalents, end of period		886,976	2,342,915
Less: Cash – restricted, end of period		(242,102)	(21,738)
Cash and cash equivalents, end of period		644,874	2,321,177

### **[1] Cash used in operating activities**

Cash used in operating activities prior to EP Homes inventory and additions to contract receivables for the twelve months ended September 31, 2022 amounted to \$5.6 million, as compared to \$2.4 million for the twelve months ended September 30, 2021. The increase in cash used from operating activities was primarily due to the Adjusted EBITDA loss, interest payments and changes in working capital items.

### **[2] Cash provided by (or used in) purchasing of EP Homes inventory & contract receivables**

The primary reason for cash used for the twelve months ended September 30, 2022 of \$0.8 million as compared to cash provided of \$2.0 million for the twelve months ended September 30, 2021 was due to the disposal of 7 homes (September 30, 2021 – 8 homes) for \$2.5 million (September 30, 2021 - \$2.9 million) and the purchase of 8 homes (September 30, 2021 – 2 homes) amounting to \$3.4 million (September 30, 2021 - \$0.9 million) for the twelve months ended September 30, 2022.

Additions and collections of contract receivables represents the cost of 746 contracts purchased by EP during the twelve months ended September 30, 2022 amounting to \$1.3 million cash used as compared to nil for the twelve months ended September 30, 2021.

### **[3] Cash used in investing activities**

The primary reason for the cash used of \$1 million for the twelve months ended September 30, 2022 as compared to cash used of \$1.5 million for the twelve months ended September 30, 2021 is related to the additions to intangible assets and property and equipment, primarily the DC bank platform and the CRM software amounting to \$1.0 million for the twelve months ended September 30, 2022, as compared to \$0.4 million for the twelve months ended September 30, 2021. Also, for the twelve months ended September 30, 2021, EP invested \$1.1 million in investments for twelve months ended September 30, 2022 were \$nil.

### **[4] Cash provided by financing activities**

Net cash provided by financing activities for the twelve months ended September 30, 2022 was \$7.4 million (September 30, 2021 - \$2.9 million cash provided), which primarily comprised of:

- \$4.0 million net proceeds (September 30, 2021 - \$4.2 million proceeds) from unit issuance and committed capital.
- \$2.9 million in proceeds (September 30, 2021 - \$nil) of promissory notes from related parties.
- \$1.1 million in proceeds (September 30, 2021 - \$1.5 million proceeds) from convertible debentures.
- \$0.8 million in net proceeds (September 30, 2021 - \$2.2 million net repayments) from credit facilities.
- \$1.1 million repayments (September 30, 2021 - \$0.3 million net repayments) of promissory notes.
- \$0.3 million repayments (September 30, 2021 - \$0.3 million repayments) of lease liabilities.

### **Items affecting liquidity**

The following table provides a list of items that impact the company's liquidity:

		September 30, 2022 \$	September 30, 2021 \$
<b>Current assets</b>			
Cash and cash equivalents		644,874	2,313,177
Customer funds	[1]	8,566,132	4,762,693
Cash - restricted		242,102	29,738
Trade receivables	[2]	2,874,095	1,304,276
Prepaid expenses		501,111	471,277
Current portion of contract receivables		306,662	—
Current portion of due from related parties		748,013	116,914
Current portion of EP homes inventory	[3]	3,917,800	6,465,610
<b>Total current assets</b>		<b>17,800,789</b>	<b>15,463,685</b>
<b>Current Liabilities</b>			
Trade payables	[4]	4,606,387	3,280,799
Customer payables	[1]	8,566,132	4,762,693
Current portion of customer deposits		110,888	58,599
Current tax liability		364,704	419,645
Current portion of deferred revenue		244,698	290,889
Current portion of lease liabilities		197,424	396,642
Due to related parties		—	4,378
Promissory notes		—	1,343,761
Current portion of credit facilities	[5]	3,240,326	4,645,180
<b>Total current liabilities</b>		<b>17,330,559</b>	<b>15,202,586</b>
<b>Net working capital</b>	[6]	<b>470,230</b>	<b>261,099</b>

### **[1] Customer funds and customer payable**

BPO collects payments on behalf of its customers. The funds belong to the clients and are not available for operating use by BPO. Customers are invoiced at various intervals and paid accordingly. The source of payments received are

not always known and may include overpayments. The funds from overpayments remain in the bank account until they can be traced and applied to the correct account or refunded. Climb collects loan payments from customers and reports payments to the credit bureau to increase credit rating of clients. These amounts, net of fees and interest charged by Climb, are to be returned to the customer, therefore, these are not available for operating use by Climb.

The cash in customer funds is shown separately under current assets, which is offset by the corresponding customer payable under current liability.

### ***[2] Trade receivables***

Trade receivables primarily includes the commission receivables from the clients related to collection services. BPO collects the funds on behalf of its clients and transfers the collected funds to the client as per the agreed schedule. BPO generates the invoice for its collections and then the client pays BPO's commissions as per the agreed terms. The funds collected are received in the bank account for which BPO has signing authority, therefore, the risk of not collecting on the BPO commission is minimal. The Company reported \$2.9 million of receivables as at September 30, 2022, as compared to \$1.3 million as at September 30, 2021. The increase in trade receivables is in line with the increase in collection services revenue.

### ***[3] Current portion of EP Homes inventory***

The current portion of the EP Homes inventory represents the number of homes clients are expected to be ready to execute in the next 12 months as per the agreement. There might be unforeseen situations where the client requests to further extend the agreed execution date, which results in changes in expected cash flow. Upon execution of the agreement, the Company pays back the outstanding credit facilities and mezzanine debt associated with the home and rest of the cash flow is used as per the planned budget.

The Company reported 10 homes representing \$3.9 million of the current portion of the EP Homes inventory as at September 30, 2022 as compared to 17 homes representing \$6.5 million as at September 30, 2021.

### ***[4] Trade payables and accrued liabilities***

Trade payables and accrued liabilities includes, trade payables, accrued liabilities, and statutory dues of collection services segment, EP Homes segment, and contract receivables segment.

The Company reported \$4.6 million of trade payable and accrued liabilities as at September 30, 2022 and \$3.3 million as at September 30, 2021.

The primary increase in the twelve months ended September 30, 2022 as compared to September 30, 2021 is primarily due to the expenses accounted for legal and professional fees related to the RTO.

### ***[5] Credit facilities***

The Company works with multiple credit facility providers to finance EP Homes inventory. It has incorporated SPV specific to the credit facility providers. to provide general security on the financed homes by the credit facilities provider

Credit facilities listed below, other than facility 4, are used to finance the EP Homes inventory. The interest rate for below credit facilities, used for EP Homes inventory, range between prime plus 1% to 12% per annum. The term for these facilities are from payable on demand without notice to 24 months. For further information about the terms of the credit facilities, please refer to note 11 of the interim financial statement as at and for the three and twelve months ended September 30, 2022 and 2021.

Any demand of below listed existing credit facilities with a short notice may create liquidity issues for the Company. However, since the date of the EP Homes acquisition and to the date of this MD&A, the Company has successfully executed on the EP Homes business model and believes that the Company is ready to now scale EP Homes business. Based on the success of executed EP Homes inventory, the Company believes that it can present the EP Homes model

to various lenders and negotiate favorable terms for the Company. On March 31, 2022, one of the credit facility providers changed the term from on demand to an expiry of April 4, 2024. There are no assurances that increased credit facilities or new credit facilities will be available to the Company on acceptable terms, or at all.

The Company reported \$3.2 million as the current portion of credit facilities as at September 30, 2022 as compared to \$4.6 million as at September 30, 2021, and \$2.3 million in long-term credit facilities as at September 30, 2022 as compared to \$nil as at September 30, 2021. The current portion and long-term portion of credit facilities totaled \$5.5 million as at September 30, 2022 as compared to \$4.6 million as at September 30, 2021. The primary reason for increase for the twelve months ended September 30, 2022 is due to having 1 additional home in the Company's inventory as at September 30, 2022, as compared to September 30, 2021, and increase in the facility 5 borrowing base per the lender's borrowing base calculation, keeping the loan-to-value under 75%.

	September 30, 2022	September 30, 2021
	\$	\$
Facility 1	854,694	745,464
Facility 2	258,108	1,050,396
Facility 3	193,829	199,296
Facility 4	57,004	81,584
Facility 5	1,876,691	2,568,440
<b>Current portion of credit facilities</b>	<b>3,240,326</b>	<b>4,645,180</b>
Facility 5	2,302,702	—
<b>Long-term credit facilities</b>	<b>2,302,702</b>	<b>—</b>

#### **[6] Net working capital**

The net working capital is \$0.4 million as of September 30, 2022 and \$0.3 million as of September 30, 2021.

#### **COMMITMENTS AND CONTINGENCIES**

##### **Operating lease commitments**

The Company has entered into one lease commitment for various IT equipment for its UK facilities, for which monthly lease payments are recorded as an expense.

	September 30, 2022	September 30, 2021
	\$	\$
Within one year	11,317	33,234
After one year but not more than five years	11,376	33,375
	<b>41,061</b>	<b>66,609</b>

##### **Other commitments**

On August 8, 2018, the Company signed a letter of intent (the "LOI") with Directcash Bank ("DC Bank") for a 7-year term, where DC Bank agreed to provide card issuing, loan processing and adjudication system, and transaction processing services for a Visa credit card product marketed and funded by the Company. Per the LOI, DC Bank agrees to enable the Company to procure the distribution of cards for purposes of the Company's card program and DC Bank will provide and operate a credit card platform to set up and charge fees for the credit cards.

On January 31, 2020, the Company entered into a processing agreement (the "DC Bank Processing Agreement") with DC Bank for a 7-year term maturing January 31, 2028. Pursuant to the terms of the DC Bank Processing Agreement, DC Bank has agreed to provide transaction processing services to the Company. The DC Bank Processing Agreement grants the Company a limited, non-transferable, non-exclusive, revocable license to access and use DC Bank's processor software solely for the purpose of utilizing the processing services. DC Bank owns all intellectual property, and the DC Bank Processing Agreement grants the Company a limited license to use the intellectual property. The DC Bank Processing Agreement does not transfer ownership of the intellectual property to the Company.

Effective January 31, 2021, the Company entered into a Bank Identification Number ("BIN") sponsorship agreement (the "DC Bank BIN Sponsorship Agreement") with DC Bank for an initial 7-year term maturing January 31, 2028. Pursuant to the DC Bank BIN Sponsorship Agreement, the Company is to provide DC Bank program management and marketing services with respect to each card program implemented by the Company in Canada pursuant to which cards issued by DC Bank will be sold by the Company or any EP Financial distributor. The Company is responsible to promote and market programs to prospective customers in Canada, and the Company will be responsible for any costs and expenses that it incurs in promoting and marketing the programs.

On August 24, 2022, the Company entered into an Issuer Trading Services Agreement with Generation IACP Inc. ("Generation IACP") with initial term of 6 months and shall be renewed for subsequent 6 month periods unless the Company provides written notice of termination to Generation IACP. Pursuant to the Issuer Trading Services Agreement, Generation IACP is to provide trading services with respect to the common shares of the Company, with the primary objective of contributing to market liquidity of the shares in Canada.

On August 31, 2022, the Company set up EP Segregated Cell within a segregated accounts company pursuant to the Segregated Accounts Companies Act 2000, Bermuda, a licensed insurer, managed by Davies Captive Management Limited, for the purposes of providing Directors and Officers liability insurance.

### *Legal Proceedings*

1. Everyday People Financial Inc. ("EP Financial") has been named as one of the defendants in a lawsuit filed on April 13, 2021 by Sunera Acreage Holdings Inc. against Paxio Ventures Inc., Everyday People Cannabis Inc., Acreage Development Corp. ("ADC"), Acreage Pharms Ltd. ("APL"), EP Financial, Mike Luong Le, Paul Minh Ngo, and Gordon John Reykdal (collectively, the "Defendants") in the Court of Queen's Bench of Alberta. In the initial Statement of Claim, the plaintiff alleges distinct causes of action against the various defendants and seeks damages against the other defendants, not including EP Financial, in the amount of \$3,500,000. In relation to EP Financial, it is alleged that it knowingly received benefit from wrongful transactions and/or loans and thereby knowingly assisted other defendants to allegedly breach their fiduciary duties owing to ADC and APL. The plaintiff requests an order to set aside any unapproved transactions involving EP Financial and seeks disgorgement of funds from EP Financial for an unspecified amount. An Amended Statement of Claim was prepared by the plaintiffs further alleging that EP Financial and other defendants dishonestly advanced loans to ADC and APL at predatory interest rates for the purpose of misappropriating or embezzling funds from ADC and APL characterized as a loan. In the Amended Statement of Claim the plaintiff seeks at least \$3,500,000 in damages against all Defendants. It is unknown whether the pleading was filed as a filed copy of the Amended Statement of Claim has not been served, but it is presumed to have been filed.

As a result of the general nature of the allegations in the claims, a Request for Further and Better Particulars was filed and served on or about May 12, 2021, requesting details relating to the alleged transactions. To date, the plaintiffs have not provided a Reply to the Request for Particulars; nor have they supplied any evidence in relation to the alleged loan transactions identified in the claims.

Management strongly believes that the claims against EP Financial are without merit and has filed an application on behalf of EP Financial to summarily dismiss the claim on the basis that it is without merit. An affidavit by the Senior Vice-President of EP Financial was filed that refutes the above mentioned claims.

The summary dismissal application filed by EP Financial also seeks to dismiss all allegations in the Amended Statement of Claim on the assumption that it was filed. A Statement of Defence will be filed when requested by the plaintiffs denying liability on behalf of all defendants. A counterclaim will also be filed.

2. On December 22, 2020, EP Homes and a former employee entered into an agreement to settle outstanding matters related to their employment. As part of that agreement, EP Homes was to provide a salary continuance for a certain period, consisting of monthly payments. EP Homes shall pay, the sum of \$1,500 in respect of legal fees on or before December 31, 2020, the sum of \$13,538.71, less required deductions and withholdings on or before December 30, 2020 and the sum of \$75,000 in monthly installments of \$10,000 less required deductions beginning on December 31, 2020 until payment has occurred in full.

3. On December 10, 2021, the Company received correspondence from a former employee's legal counsel, claiming he was wrongfully dismissed and proposed a settlement. The details for the proposed settlement are as follows:
  - a. \$70,000 on account of base salary over the notice period less applicable statutory deductions;
  - b. Bonus compensation that would otherwise have been payable for past service and the notice period;
  - c. Full benefit continuation for one year;
  - d. Payment on account of all accrued but unused vacation days;
  - e. Four months of outplacement counselling at the Companies' expense or cash in lieu, at the former employee's sole option, exercised at the time of signing the release;
  - f. A mutually agreeable letter of reference and confirmation that all verbal references will be consistent with the content of the written reference; and,
  - g. A mutual release.

On October 4, 2022, the Company and the former employee entered into an agreement to settle outstanding matters relating to their employment. As part of the settlement agreement, the Company paid \$17,164.

4. EP Financial, Gordon Reykdal ("G. Reykdal"), Barret Reykdal, Carrie Reykdal, Prospect Financial Inc., Bridge to Homeownership Investments Ltd. and EAM Enterprises Inc. ("EAM") have been named as defendants in a lawsuit commenced by Ed Moroz and 2122297 Alberta Ltd. ("212 Alberta" and together with Moroz, the "Plaintiffs") in the Alberta Court of Queen's Bench on February 28, 2022 (the "Claim").

In the Claim, the Plaintiffs allege that in or around July 2018, 212 Alberta and EAM and their respective principals, Moroz and G. Reykdal, agreed to transfer 10,000,000 common shares in EP Financial to the Plaintiffs in exchange for 212 Alberta transferring 10,000,000 common shares in Destiny Bioscience Global Corp. ("Destiny"). In the Claim, the Plaintiffs allege that following certain transactions that took place in furtherance of the share swap agreement, the defendants engaged in a conspiracy to significantly dilute the Plaintiffs' interest in EP Financial, which involved, among other things, providing misleading information purporting to show the Plaintiffs' interest in EP Financial, calling annual general meetings without providing notice to the Plaintiffs, breaching the terms of the share swap agreement, engaging in oppressive conduct, and breaches of fiduciary duty. The Plaintiffs claim to have suffered losses, in relation to which certain relief is sought, including, among other things, a declaration of a constructive trust over the shares of EP Financial, an accounting of EP Financial, production of certain financial disclosure, an investigation into EP Financial and damages. The Plaintiffs have not specified the amount of damages other than \$50,000 for breaching a duty to act in good faith and honestly perform the defendants' contractual obligations.

A Statement of Defence and Counterclaim have been filed, asserting that the Plaintiffs' claim for the share swap is statute barred by virtue of the Limitations Act, and by a total failure of consideration given the insolvency of Destiny. Further, the defendants assert that the Plaintiffs have suffered no damages.

## **SIGNIFICANT TRANSACTIONS**

The Company considers the May 2, 2019 acquisition of BPO from a related party, and the September 30, 2019 acquisition of EP Homes from a related party, significant transactions. Those acquisitions have enabled the Company to become a vertically integrated platform to serve the financial needs of everyday people.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## TRANSACTIONS AND BALANCES WITH RELATED PARTIES

For the twelve months ended September 30, 2022, the Company entered into several related party transactions in the normal course of business. These transactions have been recorded at the agreed upon amounts between the parties. The relationships with the related parties are as follows:

Related Party	Relationship
Smart Everyday People Inc.	Joint venture
Homebridge Capital Inc. (“Homebridge”)	Common shareholders
Pure Icelandic Seafood Inc. (“Pure Icelandic”)	Common shareholders
Bridge to Homeownership UK (“BTHO UK”)	Common shareholders
EAM Enterprises Inc.	Principal shareholder of the Company
Everyday Party People Ltd. (“Everyday Party People”)	Common shareholders

### a) Balances – Due from related parties are as follows:

	September 30, 2022	September 30, 2021
	\$	\$
Due from Homebridge, net	—	5,756
Due from Pure Icelandic, net	—	5,250
Due from BTHO UK, net [1]	59,897	61,766
Due from Smart Everyday People Inc., net [1]	107,423	—
Employee receivables, net [4]	902,993	358,779
	<b>1,070,313</b>	<b>431,551</b>
Less: Current portion of due from related parties	(748,013)	(116,914)
Long-term portion of due from related parties	322,300	314,637

### b) Balances – Due to related parties are as follows:

	September 30, 2022	September 30, 2021
	\$	\$
Due to EAM – promissory notes, net [2]	295,500	2,673
Due to EAM - medium-term note, net [3]	2,650,000	—
Due to Everyday Party People, net	—	1,705
	<b>2,945,500</b>	<b>4,378</b>
Less: Current portion of due to related parties	—	(4,378)
Long-term portion of due to related parties	2,945,500	—

Transactions with related parties are as follows:

	September 30, 2022	September 30, 2021
	\$	\$
Interest [5]	127,931	27,117
Management fees [6]	1,318,518	1,338,520
	<b>1,446,449</b>	<b>1,365,637</b>

- [1] Amounts due from BTHO UK and Smart Everyday People Inc. are unsecured and repayable in full on demand.
- [2] Amounts due to EAM in form of a promissory note has a term of 2 years, with a maturity date of June 30, 2024. The promissory notes bears an interest rate of 12% per annum, with interest payments to be paid monthly, commencing July 1, 2022.
- [3] Amounts due to EAM in form of a medium-term note has a term of 2 years, bearing an interest rate of 12% per annum, with interest payments to be paid monthly, commencing May 4, 2022.
- [4] The employees’ receivables are due from certain employees in accordance with BPO’s employee benefit policy. As at September 30, 2022, the loans advanced to BPO’s President and Client Engagement Director are \$692,516 and \$35,485 respectively. The remaining \$174,781 of employees’ receivables are related to various loans provided to employees.

- [5] EP Homes, EP Security and EP Financial accrue interest on amount payable to EAM at an annual interest rate of 12%. For the twelve months ended September 30, 2022, interest expense paid to EAM totaled \$127,391 (September 30, 2021 - \$27,117).
- [6] Management fees consist of services performed by the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Vice President of Operations, Senior Vice Presidents, and advisory services provided by Mr. Gordon J. Reykdal, through EAM, principal shareholder.

### c) Key management personnel remuneration

For the twelve months ended September 30, 2022, the key management activities include services performed by chief officers and vice presidents per the management services contract, and the board fees. On October 1, 2021, the existing management services contract with EAM and senior executives was cancelled and the executives entered into agreements directly with the Company. The management fees, consulting fees and salaries paid during the twelve months ended September 30, 2022 and September 30, 2021, are as follows:

	September 30, 2022	September 30, 2021
	\$	\$
Management fees [1]	1,318,518	1,338,520
Salaries, including benefits and performance bonuses [2]	863,335	907,551
Board fees	52,840	—
	<b>2,234,693</b>	<b>2,246,071</b>

- [1] Management fees consist of services performed by the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Vice President of Operations, Senior Vice Presidents, and advisory services provided by Mr. Gordon J. Reykdal, through EAM, principal shareholder.
- [2] Salaries include services performed by BPO's president. It also includes performance bonuses of \$193,260 (September 30, 2021 – \$239,764) for BPO's president and \$85,120 (September 30, 2021 – \$Nil) for EAM per the agreement dated October 1, 2020.

### PROPOSED TRANSACTIONS

On September 19, 2022, the Company entered into a letter of intent ("LOI") with General Credit Services Inc. ("GCS"), which outlines the general terms and conditions of the proposed acquisition by EP Financial of 100% of the issued and outstanding shares of GCS.

### CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

The consolidated financial statements as at and for the year ended September 30, 2021 and 2020 of the Company have been prepared in accordance with IFRS as issued by International Financial Reporting Standards Board ("IASB"). The Company's critical accounting estimates relates to estimate of purchase price of allocation and valuation of goodwill and judgement used to value EP Homes inventory. Also refer to note 2 of the consolidated financial statements as at and for the year ended September 30, 2021 and 2020 for further information about the company's basis of presentation of these consolidated financial statements including estimates and judgements other than below.

#### *Estimate of purchase price allocation and valuation of goodwill*

In applying its accounting policy for business acquisition, tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. The Company assigns value to intangible assets in accordance with IFRS and makes estimates based on factors such as significant changes in technological, market, economic or legal environment, business and market trends, future prospects, current market value and other economic factors. The difference in the purchase price paid and assets acquired is recognized as goodwill. The difference arises due to the economic value of the expertise of the workforce acquired and other assets that do not meet the criteria for separate recognition per IFRS. Actual results could differ significantly from these estimates. IFRS 3 requires management to determine whether the acquisition meets the definition of a business combination. Judgment is involved in determining whether the Company obtained control over the acquiree. IFRS 3 also requires management to determine whether the acquisitions are one of common control. Judgment is involved in determining if the acquiree is controlled by the same group of individuals before and after the acquisition.

The Company has applied this judgment to account for the acquisition of EP Homes and BPO during 2019 and Climb 2021.

### *Judgment of EP Homes inventory*

The Company holds numerous residential properties to facilitate its EP Homes program. The Company has determined that inventory is the appropriate accounting standard to record the residential properties because the properties are held for sale in the ordinary course of business. The ordinary course of business is to assist the client in purchasing the property through the Company's EP Homes program.

The Company carries its EP Homes inventory at the lower of cost and net realizable value. The Company's management estimates the net realizable value based on the purchase option agreements in place with its clients.

### *Revenue recognition*

EP Security's revenue is comprised of contract revenue. Since EP Security does not have a contract in place with the customer, the revenue from the purchased service agreements falls outside the scope of IFRS 15. The revenue from purchased service agreements is recorded in accordance with *IFRS 9 - Financial Instruments*. The purchased service agreements are recorded as a financial asset at amortized costs and revenue is recorded over the term of the contracts using the Effective Interest Method.

### *Contract receivables*

Upon purchase of EP Security service agreements, the Company accounts for the cost to purchase the contracts in contract receivables, which is recorded in the consolidated statement of financial position. The contract receivables are measured at amortized cost using the Effective Interest Method. Every month the contract receivables are increased using the effective interest rate and further reduced by the contractual cash flows collected.

### *Restricted share units*

The Company accrue the share-based compensation expenses for each restricted share unit committed and outstanding but not granted to directors, officers, consultants, and employees, at the market value of one common share at the date of the last of the month and recognizes the expenses over the term of the vesting period, with a corresponding credit to reserves. The compensation expenses are revalued with the market value of one common share at the date of the grant. The initial grant of RSUs to directors upon completion of the RTO are valued at the closing price of the first trading day.

## **ACCOUNTING POLICIES INCLUDING CHANGES IN ACCOUNTING POLICIES AND INITIAL ADOPTION**

The consolidated financial statements as at and for the year ended September 30, 2021 and 2020 of the Company have been prepared in accordance with IFRS as issued by IASB.

Please refer to note 3 of the consolidated financial statements as at and for the year ended September 30, 2021 and 2020 for further information about Company's significant accounting policies.

## **RISKS AND UNCERTAINTIES**

### *Risk factors*

EP is exposed to several risks and uncertainties. The details of the material risks factors pertaining to financial position and need for additional capital, EP's business operations and industry, technology, regulatory compliance and resulting issuer shares can be found in "Part IV - Risk Factors" of EPs' filing statement, which will be available under EPs' profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Legal proceedings*

The Company has been named as one of the defendants in a lawsuit filed on April 13, 2021 and EP's management strongly believes that the claims against EP are without merit and has filed an application on behalf of EP to summarily dismiss the claim on the basis that it is without merit.

In addition to above, the Company is party to three other legal proceedings detailed in above section “Commitment and Contingencies.”

*Insurance*

On August 31, 2022, the Company set up EP Segregated Cell within a segregated accounts company pursuant to the Segregated Accounts Companies Act 2000, Bermuda, a licensed insurer, managed by Davies Captive Management Limited, for the purposes of providing Directors and Officers liability insurance.

**FURTHER INFORMATION**

Additional information relating to the Company is also available on the SEDAR website [www.sedar.com](http://www.sedar.com).