

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

**Interim condensed consolidated financial statements (unaudited)
For the three and twelve months ended September 30, 2022**

Everyday People Financial Corp. (formerly Justify Capital Corp.)
Interim consolidated statement of financial position (unaudited)
[expressed in Canadian dollars]

	Notes	September 30, 2022 \$	September 30, 2021 \$
Assets			
Current assets			
Cash and cash equivalents		644,874	2,313,177
Customer funds		8,566,132	4,762,693
Cash - restricted		242,102	29,738
Trade receivables	[5]	2,874,095	1,304,276
Prepaid expenses		501,111	471,277
Current portion of contract receivables	[21]	306,662	—
Current portion of due from related parties	[11]	748,013	116,914
Current portion of EP Homes inventory	[9]	3,917,800	6,465,610
Total current assets		17,800,789	15,463,685
Non-current assets			
EP Homes inventory	[9]	5,118,628	1,707,500
Intangible assets	[8]	12,379,357	14,013,312
Property and equipment	[6]	553,228	483,153
Investments	[10]	1,685,402	1,524,601
Due from related parties	[11]	322,300	314,637
Contract receivables	[21]	998,024	—
Deferred tax asset		461,138	461,138
Right-of-use asset	[22]	1,280,326	1,611,881
Goodwill	[7]	20,397,420	28,045,238
Total non-current assets		43,195,823	48,161,460
Total assets		60,996,612	63,625,145
Total liabilities and shareholders' equity			
Current			
Trade payables		4,606,387	3,280,799
Customer payables		8,566,132	4,762,693
Current tax liability		364,704	419,645
Current portion of deferred revenue	[24]	244,698	290,889
Current portion of lease liabilities	[22]	197,424	396,642
Current portion of customer deposits		110,888	58,599
Current portion of promissory notes	[14]	—	1,343,761
Current portion of credit facilities	[12]	3,240,326	4,645,180
Current portion of due to related parties	[11]	—	4,378
Total current liabilities		17,330,559	15,202,586
Non-current			
Deferred revenue	[24]	133,212	62,110
Lease liabilities	[22]	1,405,117	1,462,574
Customer deposits		22,888	3,600
Government loan	[13]	180,000	180,000
Convertible debentures	[20]	—	1,510,000
Deferred tax liability		1,201,170	1,596,727
Credit facilities	[12]	2,302,702	—
Due to related parties	[11]	2,945,500	—
Total non-current liabilities		8,190,589	4,815,011
Total liabilities		25,521,148	20,017,597
Shareholders' equity			
Common shares	[16]	66,777,073	55,302,579
Reserves	[16]	2,624,492	1,638,097
Contributed surplus	[16]	137,325	113,450
Deficit		(31,655,987)	(13,073,329)
Accumulated other comprehensive loss		(2,407,439)	(373,249)
Total shareholders' equity		35,475,464	43,607,548
Total liabilities and shareholders' equity		60,996,612	63,625,145

Going concern [note 2]
Commitments [note 27]
Contingencies [note 30]
Subsequent events [note 31]

See accompanying notes

Everyday People Financial Corp. (formerly Justify Capital Corp.)
Interim consolidated statement of loss and comprehensive loss (unaudited)
[expressed in Canadian dollars]

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Twelve months ended September 30, 2022	Twelve months ended September 30, 2021
		\$	\$	\$	\$
Revenue	[23]	4,910,352	2,894,132	17,713,157	13,566,906
Direct costs		2,199,667	571,560	7,566,525	6,250,671
Gross profit		2,710,685	2,322,572	10,146,632	7,316,235
Operating expense					
Salaries and benefits		2,056,191	2,037,676	7,150,943	5,542,935
Impairment loss on goodwill	[7]	4,538,532	—	7,053,627	—
Listing expenses	[4]	3,381,033	—	3,381,033	—
Professional fees		624,689	736,117	2,786,444	1,688,389
Depreciation and amortization	[6, 8, and 22]	447,098	434,320	1,794,392	1,537,705
Management fees	[11]	342,957	404,241	1,318,518	1,338,520
Other operating expenses	[26]	337,444	168,893	1,175,041	518,540
Share-based compensation	[16]	91,125	186,525	733,605	736,951
Consulting fees		139,471	123,928	587,869	352,437
Travel and entertainment		165,363	46,278	423,857	98,654
Rent and utilities		94,673	77,855	260,803	220,179
Marketing expenses		120,639	34,708	284,321	71,658
Realized foreign currency exchange loss (gain)		955	538	2,545	(42,029)
Loss allowance for contract receivables	[21]	—	—	12,390	—
Stock exchange fees		32,102	4,357	39,976	4,357
Investor relations		71,283	—	168,819	—
Board fees		52,840	—	52,840	—
Total operating expense		12,496,395	4,255,436	27,227,023	12,068,296
Loss from operations		(9,785,710)	(1,932,864)	(17,080,391)	(4,752,061)
Other (expenses) income					
Other income	[25]	328,432	322,705	675,273	737,987
Other expenses		(129,453)	—	(129,452)	—
Gain/loss on debt settlement		—	—	60,490	—
Payment of contingent consideration	[29]	—	—	(730,568)	—
Interest and bank charges	[18]	(786,804)	(514,526)	(1,475,032)	(742,663)
Total other (expenses) income		(587,825)	(191,821)	(1,599,289)	(4,676)
Net loss before tax		(10,373,535)	(2,124,685)	(18,679,680)	(4,756,737)
Taxes					
Deferred tax recovery (expense)		122,856	60,135	456,955	242,081
Current tax recovery (expense)		(86,263)	(50,529)	(359,933)	(419,645)
Net loss for the period		(10,336,942)	(2,115,079)	(18,582,658)	(4,934,301)
Other comprehensive income					
Unrealized foreign currency translation adjustment		(617,906)	3,500	(2,034,190)	(74,475)
Total other comprehensive income		(617,906)	3,500	(2,034,190)	(74,475)
Comprehensive loss for the period		(10,954,848)	(2,111,579)	(20,616,848)	(5,008,776)
Basic and diluted loss per share		(0.10)	(0.02)	(0.20)	(0.06)
Weighted average number of shares outstanding					
- basic and diluted		107,314,455	96,278,148	103,563,662	86,401,756

See accompanying notes

Everyday People Financial Corp. (formerly Justify Capital Corp.)
Interim condensed consolidated statement of changes in shareholders' equity (unaudited)
[expressed in Canadian dollars]

Period ended

Notes	Common shares \$	Reserves \$	Contributed Surplus \$	Deficit \$	Accumulated other comprehensive income/(loss) \$	Total Shareholders' deficiency \$
Twelve months ended September 30, 2022						
Balance, October 1, 2021	55,302,579	1,638,097	113,450	(13,073,329)	(373,249)	43,607,548
Net loss for the period	—	—	—	(18,582,658)	—	(18,582,658)
Other comprehensive loss	—	—	—	—	(2,034,190)	(2,034,190)
Issuance of units	[16] 12,328,051	—	—	—	—	12,328,051
Warrants: issued	[16] —	643,373	—	—	—	643,373
Warrants: expired	[16] —	(23,875)	23,875	—	—	—
Warrants: exercised	[16] 92,209	(77,209)	—	—	—	15,000
Options: issued	[16] —	555,642	—	—	—	555,642
Options: expired	[16] —	(5,662)	—	—	—	(5,662)
Options: exercised	[16] 276,542	(231,542)	—	—	—	45,000
Restricted share units: issued	[16] —	125,668	—	—	—	125,668
Share issuance costs	[16] (1,222,308)	—	—	—	—	(1,222,308)
Balance, September 30, 2022	66,777,073	2,624,492	137,325	(31,655,987)	(2,407,439)	35,475,464
Twelve months ended September 30, 2021						
Balance, October 1, 2020	40,616,879	113,450	—	(8,139,028)	(298,774)	32,292,527
Net loss for the period	—	—	—	(4,934,301)	—	(4,934,301)
Other comprehensive loss	—	—	—	—	(74,475)	(74,475)
Issuance of units	[16] 5,701,525	—	—	—	—	5,701,525
Issuance of common share upon acquisition	[16] 6,022,236	—	—	—	—	6,022,236
Issuance of options upon acquisition	[16] —	51,192	—	—	—	51,192
Issuance of warrants upon acquisition	[16] —	23,875	—	—	—	23,875
Share-based compensation	[16] 3,820,000	716,951	—	—	—	4,536,951
Issuance of warrants	[16] (846,079)	846,079	—	—	—	—
Share issuance costs	[16] (11,982)	—	—	—	—	(11,982)
Expiration of warrants	[16] —	(113,450)	113,450	—	—	—
Balance, September 30, 2021	55,302,579	1,638,097	113,450	(13,073,329)	(373,249)	43,607,548

See accompanying notes

Everyday People Financial Corp. (formerly Justify Capital Corp.)
Interim condensed consolidated statement of cash flows (unaudited)
[expressed in Canadian dollars]

Period ended

	Notes	Twelve months ended September 30, 2022 \$	Twelve months ended September 30, 2021 \$
Operating activities			
Net loss for the period		(18,582,658)	(4,934,301)
Adjustments to reconcile net loss to net cash used in operating activities:			
Impairment loss on goodwill	[8]	7,053,627	—
Listing expense	[4]	3,381,033	—
Depreciation & amortization	[6, 8 and 22]	1,794,392	1,537,705
Interest expense	[20]	860,917	122,179
Share-based compensation	[16]	733,605	736,951
Payment of contingent consideration	[29]	730,568	—
Current income tax		359,933	419,645
Non-cash interest accretion	[22]	111,803	93,893
Loss allowance for contract receivables	[21]	12,390	—
Gain on debt settlement		(60,490)	—
Deferred income tax		(456,955)	(242,081)
Non-cash other income	[25]	(469,140)	—
Unrealized foreign currency exchange loss		(497,494)	(44,754)
Net change in non-cash working capital items	[17]	(565,288)	(101,667)
		<u>(5,593,757)</u>	<u>(2,412,430)</u>
Additions to EP homes inventory	[9]	(3,391,128)	(920,000)
Disposals to EP homes inventory	[9]	2,527,810	2,923,100
Additions to contract receivables including contract revenue	[21]	(1,800,300)	—
Collections of contract receivables	[21]	483,224	—
Cash provided by (used in) operating activities		<u>(7,774,151)</u>	<u>(409,330)</u>
Investing activities			
Additions to intangible assets	[8]	(838,542)	(300,000)
Additions to property and equipment, net of disposals	[6]	(222,857)	(105,679)
Additions to investments		—	(1,138,045)
Cash acquired on business combinations	[4]	49,305	28,217
Cash used in investing activities		<u>(1,012,094)</u>	<u>(1,515,507)</u>
Financing activities			
Proceeds from unit issuance and committed capital, net	[16]	3,969,755	4,189,543
Proceeds from credit facilities	[12]	3,336,740	3,010,083
Proceeds from promissory notes, including related parties	[11 and 14]	2,945,500	200,000
Proceeds from convertible debentures	[20]	1,050,000	1,510,000
Repayments of lease liabilities	[22]	(277,379)	(281,210)
Repayments of promissory notes	[14]	(1,111,772)	(510,641)
Repayments of credit facilities	[12]	(2,517,190)	(5,210,872)
Proceeds from government loans	[13]	—	40,000
Cash provided by financing activities		<u>7,395,654</u>	<u>2,946,903</u>
Foreign exchange on cash held in foreign currency		(65,348)	27,068
Net (decrease) increase in cash and cash equivalents		<u>(1,455,939)</u>	<u>1,049,134</u>
Cash and cash equivalents, beginning of the period		2,342,915	1,293,781
Cash and cash equivalents, end of the period		<u>886,976</u>	<u>2,342,915</u>
Less: Cash - restricted, end of the period		(242,102)	(21,738)
Cash and cash equivalents, end of the period		<u>644,874</u>	<u>2,321,177</u>

See accompanying notes

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

Notes to interim condensed consolidated financial statements (unaudited)

For the twelve months ended September 30, 2022

1. Corporate information

Everyday People Financial Corp. (the “Company or EP Financial”) (formerly Justify Capital Corp.) has its registered office at Suite 450, 11150 Jasper Ave Edmonton, Alberta T5K 0C7. EP Financial is a Fintech company that provides financial services and innovative credit products through its proprietary platform, strong partnerships with banks and financial literacy programs.

On August 31, 2022, the Company completed a Reverse Takeover (the “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”) and started traded on September 8, 2022.

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.

The Company’s interim condensed consolidated financial statements include EP Financial, its subsidiaries, and joint ventures as follows:

Company		Place of Incorporation	Date of Acquisition, Incorporation, or Amalgamation	Effective Interest
Everyday People Financial Ltd. (“EP UK”)	[1]	United Kingdom	October 1, 2018	100%
iKort ehf. (“iKort”)	[2]	Iceland	October 1, 2018	51%
Everyday People Ventures Inc. (“EP Ventures Inc.”)	[3]	Canada	April 1, 2019	100%
BPO Collections Limited (“BPO”)	[4]	United Kingdom	May 2, 2019	100%
Everyday People Homes Inc. (“EP Homes”)	[5]	Canada	September 30, 2019	100%
EP Card ehf.	[6]	Iceland	October 1, 2019	71%
EP Security Capital Inc. (“EP Security”)	[7]	Canada	June 24, 2021	100%
Climb Credit Inc. (“Climb”)	[8]	Canada	June 30, 2021	100%
Everyday People Care Inc. (“EP Care”)	[9]	Canada	September 2, 2021	100%
EP Travel Card Inc. (“EP Travel”)	[10]	Canada	February 14, 2022	100%
Smart Everyday People Inc. (“SEP”)	[11]	Canada	May 18, 2022	50%
EP Segregated Cell	[12]	Bermuda	August 31, 2022	100%

[1] On October 1, 2018, the Company acquired 100% of the shares of EP UK, incorporated in Scotland, UK on June 16, 2017. The purpose of the acquisition was to offer the Company’s credit products in UK.

[2] On October 1, 2018, the Company acquired 51% of the shares of iKort, incorporated in Iceland on February 7, 2013. The primary reason for the business acquisition was to offer a pre-paid, and international e-money card in Iceland. The purchase price consideration of \$46,728 was paid for the acquisition of iKort, which has minimal operational activity, and no material assets and liabilities. On March 3, 2019, BPO Innheimta ehf. (“BPO ehf”) was incorporated in Iceland and iKort has 45% interest in BPO ehf. BPO ehf. was subsequently sold on December 10, 2020.

[3] On April 1, 2019, the Company acquired 100% of the shares of EP Ventures Inc. incorporated in Alberta, Canada on December 17, 2015. EP Ventures Inc. was previously known as Everyday People Leasing Inc. and Everyday People Talent Inc. The primary reason for the business acquisition was to issue cards in specific industries and this subsidiary has no operational activity, and no material assets and liabilities.

[4] On May 2, 2019, the Company acquired 100% of the shares of BPO, incorporated in Scotland, UK on January 11, 2006. BPO is a leading debt collection company in Ayrshire, Scotland, providing a full range of collections services on behalf of

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Notes to interim condensed consolidated financial statements (unaudited)

For the twelve months ended September 30, 2022

several blue-chip clients across the UK. BPO had common shareholders and the primary reason for the business acquisition was to bring the management, the related intangible assets including customer relationships and trade names, and the property and equipment of BPO under one company.

[5] On September 30, 2019, the Company acquired 100% of the common shares of EP Homes, previously known as Bridge to Homeownership Investments Ltd., and all of its subsidiaries ("EP Homes Subsidiaries"). EP Homes was incorporated in Alberta, Canada on July 11, 2017. The primary reason for the acquisition was to bring EP Homes' home ownership program under EP Financial with the vision of EP Financial as a vertically integrated platform to serve the financial needs of everyday people.

EP Homes Subsidiaries are as follows:

- EP Homes I Inc. ("EP Homes I"): EP Homes I, previously known as EAM Real Estate Investments Holdings Ltd. was incorporated in Alberta, Canada on December 6, 2016. EP Homes I is a Special Purpose Vehicle ("SPV") for EP Homes where a portion of EP Homes' inventory is held.
- EP Homes II Inc. ("EP Homes II"): EP Homes II, previously known as EAM Enterprises II Inc. was incorporated in Alberta, Canada on September 26, 2017. EP Homes II is a SPV for EP Homes where a portion of EP Homes' inventory is held.
- EP Homes III Inc. ("EP Homes III"): EP Homes III, previously known as EAM Enterprises III Inc. was incorporated in Alberta, Canada on March 1, 2018. EP Homes III is a SPV for EP Homes where a portion of EP Homes' inventory is held.
- EP Homes IV Inc. ("EP Homes IV"): EP Homes IV, previously known as EAM Enterprises IV Inc. was incorporated in Alberta, Canada on June 21, 2018. EP Homes IV is a SPV for EP Homes where a portion of EP Homes' inventory is held.

[6] On October 1, 2019, the Company acquired 71% of the shares of EP Card ehf., incorporated in Iceland on February 27, 2019. This subsidiary has minimal operational activity, and no material assets and liabilities. EP Card ehf. owns 100% interest in EP Hungary kft. ("EP Hungary"). EP Hungary has minimal operational activity, and no material assets and liabilities.

[7] On June 24, 2021, the Company incorporated EP Security in Canada. The Company owns 100% interest in EP Security. This subsidiary has minimal operational activity, and no material assets and liabilities.

[8] On June 30, 2021, the Company acquired 100% of the shares of Climb, incorporated in Canada. The primary reason for the acquisition was to leverage the customer base, relationships and credit building products of Climb to EP Financial's customer base.

[9] On September 2, 2021, the Company incorporated EP Care in Canada. The Company owns 100% interest in EP Care. EP Care provides a unique program that offers everyday people an affordable path to immediate health care and wellness services by utilizing EP's "seller-secured financing" program.

[10] On February 14, 2022, the Company incorporated EP Travel in Canada. The Company owns 100% interest in EP Travel. EP Travel partners with travel agencies and airlines across Canada to help everyday people manage expenses and make easy and instant payments while travelling abroad.

[11] On May 18, 2022, the Company incorporated 14049888 Canada Inc. in Canada. On July 5, 2022, 14049888 Canada Inc.'s name was changed to Smart Everyday People Inc. The Company owns 50% interest in SEP. SEP is a joint venture between EP Care and Smart Employee Benefits. The joint venture's focus is to provide innovative financial products in the health care industry that provides easy and quick access to health care spending account through our Everyday HAS virtual MasterCard program.

[12] 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.

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Notes to interim condensed consolidated financial statements (unaudited)

For the twelve months ended September 30, 2022

These interim condensed consolidated financial statements were authorized for issue in accordance with a resolution of the Company's board of directors on November 18, 2022.

2. Basis of presentation and going concern

Statement of compliance

The unaudited interim condensed consolidated financial statements for the twelve months ended September 30, 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended September 30, 2021.

Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of cash and certain financial instruments, which are measured at fair value [note 19]. The unaudited interim condensed consolidated financial statements are prepared in Canadian dollars, which is the Company's functional currency, and all amounts are rounded to the nearest dollar, except when otherwise indicated.

Basis of consolidation

These unaudited interim condensed consolidated financial statements include the financial position and operating results, if any, of the Company, its joint ventures, and its wholly owned subsidiaries: BPO, EP UK, Climb, EP Care, EP Security, EP Travel, SEP, EP Homes and EP Homes' subsidiaries (collectively the "Subsidiaries"). The Subsidiaries are entities controlled by the Company.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intercompany transactions and balances amongst consolidated entities have been eliminated in the consolidated financial statements.

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

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- 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 [note 20];
- 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 [note 12];
- 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. ("KV Capital") on November 1, 2022 [note 31].

These consolidated financial statements do not include any adjustments that would be necessary if the going concern assumption were 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.

Management judgment and estimation uncertainty

The management judgment and estimation applied in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended September 30, 2021, with the exception of the following:

Estimate of expected credit losses for contract receivables

Estimated expected credit losses ("ECLs") for contract receivables are based on the management's assessment of historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's contract receivables are disclosed in note 21.

3. Summary of significant accounting policies

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS issued and outstanding as of the date the board of directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2021. Management believes there are no significant changes to the accounting policies in the Company's annual consolidated financial statements for the year ended September 30, 2021 that could result in restatement of these unaudited interim condensed consolidated financial statements.

Customer funds and customer payables

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.

EP Care collects payments on behalf of its clients. Payments collected include principal and interest. The principal collected net of administration fees and interchange fees belong to the clients and are not available for operating use by EP Care.

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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.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended September 30, 2021, with the exception of the following:

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, in accordance with *IFRS 9 - Financial Instruments*. 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.

Share-based payments

Restricted share units ("RSUs")

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 last date of the month and recognized 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.

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

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4. Reverse takeover

As discussed in note 1, on August 31, 2022, the Company entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with Justify, a Canadian public company listed on the TSXV, in relation to the Company amalgamating (the “Amalgamation”) with a subsidiary of Justify (the “Subco”).

The Amalgamation was completed by the way of a three-cornered amalgamation, whereby the Company amalgamated with the Subco and holders of the shares of the Company received common shares of the Resulting Issuer (“Resulting Issuer Common Shares”) as consideration. Pursuant to the Amalgamation Agreement, the holders of the common shares of the Company (“EP Common Shares”) received Resulting Issuer Common Shares in exchange for their EP Common Shares at a ratio of 1 Resulting Issuer Common Share for 1 EP Common Share.

Upon completion of the Amalgamation, all of the Company’s outstanding options, warrants and other securities exercisable or exchangeable for, or convertible into, and any other rights to acquire EP Common Shares were exchanged for securities exercisable or exchangeable for, or convertible into, or other rights to acquire Resulting Issuer Common Shares. Immediately following the completion of the Amalgamation, the former security holders of the Company owned approximately 97% of the Resulting Issuer Common Shares, on a fully diluted basis; accordingly, the former shareholders of the Company as a group, retained control of the Resulting Issuer, and while Justify was the legal acquirer of the Company, the Company was deemed to be the acquirer for accounting purposes. As Justify did not meet the definition of a business as defined in IFRS 3 – Business Combinations (“IFRS 3”). The acquisition is not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2 – Share-based Payments (“IFRS 2”).

Justify did not carry on a business, therefore, there is no material impact on the Resulting Issuer’s financial performance and cash flow. These consolidated financial statements represent the continuance of the Company and reflect the identifiable assets acquired and the liabilities assumed of Justify at fair value. Under IFRS 2, the transaction is measured at fair value of the common shares deemed to have been issued by the Company in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of the Company acquiring 100% of Justify. Any difference between the fair value of the common shares deemed to have been issued by the Company and the fair value of Justify’s identifiable net assets acquired and liabilities has been recorded as a listing expense.

In accordance with IFRS, the consideration for the Amalgamation has been calculated using the more reliably measurable of the acquisition-date fair value of the acquiree’s equity interests. The Company has determined that the fair value of the Company’s shares is more reliably measurable than the fair value of the Justify shares because of the limited trading activity of Justify and the recent private placement [note 17] of the Company’s shares, which have been used to estimate the fair value of the Resulting Issuer Common Shares. The consideration for the acquisition has been calculated as \$3,406,335 and is based on the fair value of the number of shares and options that the Company issued to the shareholders and option holders of Justify to give the shareholders and option holders of Justify the same percentage equity interest in the combined entity that resulted from the Amalgamation.

The following table summarizes the allocation of the purchase price consideration to the assets acquired, based on the fair values:

	Amount
	\$
Fair value of deemed issuance of Justify’s shares [1]	3,097,584
Fair value of deemed issuance of Justify’s options [2]	231,542
Fair value of deemed issuance of Justify’s warrants [3]	77,209
	3,406,335
Net assets (liabilities) of Justify [4]:	
Cash and cash equivalents	49,305
Trade payables	(24,003)
Listing expenses [5]	3,381,033
	3,406,335

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- [1] The Company is deemed to have issued 3,360,000 shares to acquire Justify. The purchase price consideration is calculated as 3,360,000 multiplied by the Resulting Issuer Common Share fair value of \$0.9219. The Resulting Issuer fair value of \$0.9219 is calculated based on a recent private placement of units of the Company, which each unit consists of one common share and one-half of one warrant, valued at \$1.00 per share less the fair value of one-half of one warrant of \$0.0781.
- [2] The fair value of Justify's 300,000 outstanding options has been estimated as \$231,542 using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.09%
Expected volatility	45%
Expected dividend yield	0%
Expected forfeiture rate	0%
Fair value of Resulting Issuer Share	\$0.9219
Exercise price of the options of Justify	\$0.15
Expected term of the options of Justify	3 years

- [3] The fair value of Justify's 100,000 outstanding warrants has been estimated as \$77,209 using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.09%
Expected volatility	31%
Expected dividend yield	0%
Expected forfeiture rate	0%
Fair value of Resulting Issuer Share	\$0.9219
Exercise price of the options of Justify	\$0.15
Expected term of the options of Justify	0.1 years

- [4] The carrying value of Justify's assets and liabilities have been assumed to approximate their fair values, due to their short-term nature.
- [5] A listing expense of \$3,381,033 has been included in deficit to reflect the difference between the fair value of the amount paid and the fair value of the net assets received from Justify.

5. Trade receivables

	September 30, 2022	September 30, 2021
	\$	\$
Receivable from customers	2,565,754	1,238,178
Grant receivables [1]	308,341	66,098
ECLs [2]	—	—
	2,874,095	1,304,276

- [1] The grant receivables amounting to \$308,341 (£206,000 GBP) related to a Research & Development grant receivable from the UK government. The grant receivable balance for September 30, 2021 amounting to \$66,098 (£38,602 GBP) consist of grant receivable for BPO's customer analysis project. BPO was awarded a grant from Scottish Enterprise for PTP amounting to £57,591 GBP.

- [2] As of September 30, 2022, BPO has a trade receivable balance of \$2,215,991 (September 30, 2021 - \$929,928). The trade receivables are mainly with UK corporations for whom the Company provides collection services on their default accounts. The Company manages its customers' bank accounts, and the receivable amounts are based on a portion of the amounts collected for its customers. Since the Company manages collection on behalf of its customers and receives the funds directly to the Company's bank account, there is no credit risk on trade receivables.

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6. Property and equipment

Property and equipment consist of the following:

Cost

	2022					As at September 30, 2022 \$
	As at September 30, 2021 \$	Additions [1] \$	Acquisition of subsidiaries [2] \$	Disposals [3] \$	Foreign exchange differences \$	
Furniture & fixtures	88,203	—	—	—	(5,328)	82,875
Computer equipment	244,239	102,809	—	—	(28,988)	318,060
Signage	3,296	—	—	—	—	3,296
Improvements to property	264,043	16,236	—	—	(37,314)	242,965
Motor vehicles	58,156	128,463	—	(24,651)	(16,813)	145,155
	657,937	247,508	—	(24,651)	(88,443)	792,351

Accumulated
depreciation

	2022					As at September 30, 2022 \$
	As at September 30, 2021 \$	Depreciation [4] \$	Acquisition of subsidiaries \$	Disposals \$	Foreign exchange differences \$	
Furniture & fixtures	32,120	12,986	—	—	(2,501)	43,222
Computer equipment	89,262	49,062	—	—	(17,847)	120,477
Signage	1,720	860	—	—	—	2,580
Improvements to property	25,842	14,922	—	—	(8,534)	32,230
Motor vehicles	25,840	19,820	—	—	(4,429)	41,231
	174,784	97,650	—	—	(33,973)	239,123

Net book value

	483,153					553,228
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Cost

	2021					As at September 30, 2021 \$
	As at September 30, 2020 \$	Additions [1] \$	Acquisition of subsidiaries [2] \$	Disposals [3] \$	Foreign exchange differences \$	
Furniture & fixtures	37,365	50,413	649	—	(224)	88,203
Computer equipment	142,054	101,825	1,393	—	(1,033)	244,239
Signage	3,296	—	—	—	—	3,296
Improvements to property	263,163	2,196	—	—	(1,316)	264,043
Motor vehicles	58,426	—	—	—	(270)	58,156
	504,304	154,434	2,042	—	(2,843)	657,937

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Accumulated depreciation

	2021					As at September 30, 2021
	As at September 30, 2020	Depreciation	Acquisition of subsidiaries	Disposals	Foreign exchange differences	
	\$	\$	\$	\$	\$	\$
Furniture & fixtures	6,265	25,945	—	—	(90)	32,120
Computer equipment	28,563	61,340	—	—	(641)	89,262
Signage	860	860	—	—	—	1,720
Improvements to property	11,159	14,988	—	—	(305)	25,842
Motor vehicles	15,152	10,841	—	—	(153)	25,840
	61,999	113,974	—	—	(1,189)	174,784
Net book value	442,305					483,153

- [1] The property and equipment include additions of \$102,809 (September 30, 2021 - \$101,825) for computer equipment by EP Financial, EP Security, and BPO, \$16,236 (September 30, 2021 - \$2,196) for improvements to property by EP Financial, and \$128,463 (September 30, 2021 - Nil) for motor vehicles by BPO.
- [2] The acquisition of subsidiaries relates to the acquisition of Climb on June 30, 2021. Upon the acquisition of Climb, the Company acquired \$649 of furniture and fixtures and \$1,393 of computer equipment.
- [3] The property and equipment include disposals of \$24,651 (September 30, 2022 - Nil) for motor vehicles.
- [4] For the year ended September 30, 2022, the company recorded depreciation of property and equipment amounting to \$97,650 (September 30, 2021 - \$113,974)

The property and equipment are treated as security to outstanding credit facilities as at September 30, 2022, pursuant to a floating charge signed on February 10, 2017, the General Security Agreement (the "GSA") signed on November 15, 2018, and the GSA signed in March 2021.

7. Goodwill

Cash Generating Unit ("CGU")

	2022			As at September 30, 2022
	As at September 30, 2021	Impairment losses	Foreign exchange differences	
	\$	\$	\$	\$
EP Homes [1]	18,761,304	(2,515,095)	—	16,246,209
Climb [2]	4,538,532	(4,538,532)	—	—
Collection services	3,653,355	—	(459,790)	3,193,565
Financial services	1,092,047	—	(134,401)	957,646
	28,045,238	(7,053,627)	(594,191)	20,397,420

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CGU

	2021				As at September 30, 2021 \$
	As at September 30, 2020 \$	Additions \$	Impairment losses \$	Foreign exchange differences \$	
	EP Homes [1]	18,761,304	—	—	
Climb [2]	—	4,538,532	—	—	4,538,532
Collection services	3,669,570	—	—	(16,215)	3,653,355
Financial services	1,095,385	—	—	(3,338)	1,092,047
	23,526,259	4,538,532	—	(19,553)	28,045,238

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company tested Climb's CGU for impairment as at September 30, 2022 in accordance with note 3, significant accounting policies listed in the most recent annual consolidated financial statements as at and for the period ended September 30, 2021. The Company has deferred to conduct the annual impairment testing until December 31, 2022, as that will be the Company's new year-end.

[1] The delay in completing the RTO has resulted in deferring the additional home purchases as originally planned by EP Homes, therefore, the Company tested the EP Homes CGU for impairment for the period ended June 30, 2022, and the Company conducted an impairment assessment as at September 30, 2022. The current business economics for a home remain in line with original expectations. With EP Homes CGU recoverable amount now equal the carrying amount after taking impairments, any adverse changes in the assumptions could result in further impairment loss.

In assessing the goodwill for impairment, the Company compares the carrying value of the CGUs to the recoverable amount, where the recoverable amount is the higher of fair value less costs of disposal and the value in use. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. For the period ended June 30, 2022, the Company applied the fair value method, employing discounted cash flow projections to the EP Homes CGU. The Company used level 3 fair value techniques to assess the impairment of goodwill. The cash flows used in determining the fair value for the EP Homes CGU were based on the following key assumptions:

- Five-year projections based on management's expectations of the Company's operations.
- Estimates of revenue, EP Homes' profit, working capital and operating cash flows are based on historical results, and future expectations of operating performance.
- Discount rate of 51.33% (September 30, 2021 – 51.33%).
- Average revenue growth rate of 160.45% (September 30, 2021 – 155.35%).
- Long-term growth rate of 3.26% (September 30, 2021 – 1.51%). The long-term growth rate is the yield on the 10-year benchmark Government bond issued by the Government of Canada as of the valuation date.
- Secured financing cost of 6.0% (September 30, 2021 - 3.5%), and mezzanine debt of 10.0% (September 30, 2021 – 7.5%). These have been updated for the current economic outlook. The revised rates reflect the increased interest rates from the Bank of Canada.
- The estimated number of homes to be purchased between October 1, 2022 to September 30, 2023 is 84.

As a result of the EP Homes CGU analysis, the Company recognized an impairment charge of \$2,515,095 against goodwill, previously carried at \$18,761,304. The impairment charge is recorded as impairment loss on goodwill in the statement of loss and comprehensive loss.

[2] The delay in completing the RTO has resulted in delays for the Company to strategically grow the operations using EP Financial's ecosystem as originally planned, therefore, the Company tested the Climb CGU for impairment for the period ended September 30, 2022. With Climb CGU's recoverable amount being lower than the carrying amount, an impairment charge over the full amount of goodwill was recorded.

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In assessing the goodwill for impairment, the Company compares the carrying value of the CGUs to the recoverable amount, where the recoverable amount is the higher of fair value less costs of disposal and the value in use. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. For the period ended September 30, 2022, the Company applied the fair value method, employing discounted cash flow projections to the Climb CGU. The Company used level 3 fair value techniques to assess the impairment of goodwill. The cash flows used in determining the fair value for the Climb CGU were based on the following key assumptions:

- Eight-year projections, excluding secured-card projections, based on management's expectations of the Company's operations.
- Estimates of revenue, Climb's profit, working capital and operating cash flows are based on historical results, and future expectations of operating performance.
- Discount rate of 31.49% (September 30, 2021 – 27.46%).
- Average revenue growth rate of 40.18% (September 30, 2021 – 148.32%).
- Long-term growth rate of 3.17% (September 30, 2021 – 1.51%). The long-term growth rate is the yield on the 10-year benchmark Government bond issued by the Government of Canada as of the valuation date.

As a result of the Climb CGU analysis, the Company recognized an impairment charge of \$4,538,532 against goodwill, previously carried at \$4,538,532. The impairment charge is recorded as impairment loss on goodwill in the statement of loss and comprehensive loss.

8. Intangible assets

Intangible assets consist of the following:

Cost

	2022				
	As at September 30, 2021	Additions	Acquisitions of subsidiaries	Foreign exchange difference	As at September 30, 2022
	\$	\$	\$	\$	\$
Licenses, rights and systems [1]	2,809,005	839,751	—	—	3,648,796
Tradenames [2]	3,454,490	—	—	(184,938)	3,269,552
Customer relationships [3]	10,620,589	—	—	(1,325,260)	9,295,329
	16,884,084	839,751	—	(1,510,198)	16,213,677

Accumulated depreciation

	2022				
	As at September 30, 2021	Depreciation	Acquisitions of subsidiaries	Foreign exchange difference	As at September 30, 2022
	\$	\$	\$	\$	\$
Licenses, rights and systems [1]	36,776	270,797	—	—	307,573
Tradenames [2]	—	—	—	—	—
Customer relationships [3]	2,833,996	1,122,148	—	(429,397)	3,526,747
	2,870,772	1,392,945	—	(429,397)	3,834,320
Net book value	14,013,312				12,379,357

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Cost

	2021				As at September 30, 2021 \$
	As at September 30, 2020 \$	Additions \$	Acquisition of subsidiaries \$	Foreign exchange difference \$	
Licenses, rights and systems [1]	1,332,166	300,000	1,176,839	—	2,809,005
Tradenames [2]	2,879,396	—	581,572	(6,478)	3,454,490
Customer relationships [3]	10,576,874	—	90,454	(46,739)	10,620,589
	14,788,436	300,000	1,848,865	(53,217)	16,884,084

Accumulated depreciation

	2021				As at September 30, 2021 \$
	As at September 30, 2020 \$	Depreciation \$	Acquisition of subsidiaries \$	Foreign exchange difference \$	
Licenses, rights, and systems [1]	—	36,776	—	—	36,776
Tradenames [2]	—	—	—	—	—
Customer relationships [3]	1,664,878	1,184,590	—	(15,472)	2,833,996
	1,664,878	1,221,366	—	(15,472)	2,870,772
Net Book Value	13,123,558				14,013,312

[1] For the twelve months ended September 30, 2022, additions of \$469,404 for licenses, rights and systems relates to the DC Bank Phase II Development. Additions of \$370,387 are for the development of a Customer Relationship Management software.

For the twelve months ended September 30, 2021, the additions of \$300,000 for licenses, rights and systems relates to the development costs of the credit card program and the loan management system per the contract with a Schedule 1 Canadian Chartered Bank ("Schedule 1 Bank").

Upon acquisition of Climb on June 30, 2021, the Company acquired licenses, rights, and systems with a fair value of \$1,176,839 for the technology platform that was owned by Climb that offers seamless onboarding experience to potential customers.

[2] The tradenames are indefinite-life intangible assets, of which as of September 30, 2022, \$1,194,690 is allocated to BPO's tradename (September 30, 2021 - \$1,366,695), \$1,413,393 is allocated to EP Homes' tradename (September 30, 2021 - \$1,413,393), \$81,148 is allocated to EP UK's tradename (September 30, 2021 - \$92,830), and \$581,572 is allocated to Climb's tradename (September 30, 2021 - \$581,572).

Upon acquisition of Climb on June 30, 2021, the Company acquired tradenames with a fair value of \$581,572.

[3] Customer relationships are amortized based on the average life of a customer in the respective business unit. \$1,122,148 of depreciation is related to the existing customer relationships of which \$1,096,304 (September 30, 2021 - \$1,178,188) is related to BPO customer relationships and are being depreciated on a straight-line basis over 9 years, and \$25,844 (September 30, 2021 - \$6,402) is related to Climb customer relationships and are being depreciated on a straight-line basis over 3.5 years.

Upon acquisition of Climb on June 30, 2021, the Company acquired customer relationships with a fair value of \$90,454.

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9. EP Homes inventory

The following is a breakdown of the EP Homes inventory as at September 30, 2022:

	September 30, 2022	September 30, 2021
	\$	\$
Opening inventory	8,173,110	10,176,210
Additions [1]	3,391,128	920,000
Disposals [2]	(2,527,810)	(2,923,100)
Closing inventory [3]	9,036,428	8,173,110
Less: Current portion of EP Homes inventory [4]	(3,917,800)	(6,465,610)
Long-term EP Homes inventory	5,118,628	1,707,500

[1] For the twelve months ended September 30, 2022, the Company purchased 8 homes amounting to \$3,391,128 (September 30, 2021 – 2 homes amounting to \$920,000).

[2] For the twelve months ended September 30, 2022, the Company disposed of 7 homes (September 30, 2021 – 8 homes) for a total cost of \$2,527,810 (September 30, 2021 - \$2,923,100).

[3] As at September 30, 2022, the Company has 22 homes (September 30, 2021 – 21 homes) in its inventory, of which 1 home is occupied by a related party with a carrying value of \$355,000.

[4] As at September 30, 2022, the Company has 10 homes (September 30, 2021 – 17 homes) in its inventory which are due for sale in the next 12 months.

Lease payments to be received from EP Homes inventory for each of the next 4 years and thereafter are as follows:

	Lease Payments
	\$
2022	109,154
2023	327,324
2024	238,394
2025 and thereafter	41,489
	716,361

10. Investments

	September 30, 2022	September 30, 2021
	\$	\$
Investments in Newt Corporation [1]	1,298,847	1,138,046
Investments in Prospect Financial Inc. [2]	386,555	386,555
	1,685,402	1,524,601

[1] This represents the amount advanced to a business associate to advance the Company's financial products through its kiosks. On March 31, 2022, the Company sold its interest in Newt Kiosks in exchange for common shares in Newt Corporation. The Company has 2,760,035 shares in Newt Corporation.

[2] This represents an equity position in a business associate to offset the business associate's indebtedness to the Company.

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11. Related party transactions

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
	<u>1,070,313</u>	<u>431,551</u>
Less: Current portion of due from related parties	(748,013)	(116,914)
Long-term portion of due from related parties	<u>322,300</u>	<u>314,637</u>

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
	<u>2,945,500</u>	<u>4,378</u>
Less: Current portion of due to related parties	—	(4,378)
Long-term portion of due to related parties	<u>2,945,500</u>	<u>—</u>

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
	<u>1,446,449</u>	<u>1,365,637</u>

[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, with a maturity of May 3, 2024. The medium-term note bears an interest rate of 12% per annum, with interest payments to be paid monthly, commencing May 4, 2022.

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- [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 bonuses [2]	863,335	907,551
Board fees	52,840	—
	2,234,693	2,246,071

- [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 (£125,000 GBP) (September 30, 2021 - \$239,764 (£140,000 GBP)) for BPO's president and \$85,120 (September 30, 2021 - \$Nil) for EAM per the agreement dated October 1, 2020.

12. Credit facilities

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

- [1] On June 21, 2019, the Company, through EP Homes' Subsidiaries, EP Homes II and EP Homes IV entered into credit arrangement of \$13.5 million with a capital provider of which \$854,694 (September 30, 2021 - \$745,464) has been drawn as at September 30, 2022. The term is for 12 months and will auto-renew for 12 months at the end of each subsequent term. The Company and/or a capital provider, at their discretion, may choose to terminate this auto-renewal clause. Interest is charged at the greater of: (a) 9.45% per annum or (b) bank prime rate plus 5.50%. The credit arrangement is secured by

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a general security agreement, which provides the capital provider first-priority security against the EP Homes inventory and a security interest over all present and after-acquired personal property of the Company.

- [2] On February 10, 2017, the Company, through EP Homes' Subsidiary, EP Homes I entered into credit arrangement of \$5 million in a series of term loans with a Canadian bank of which \$258,108 (September 30, 2021 - \$1,050,396) has been drawn as at September 30, 2022. The term is for minimum of 1 year and a maximum of 5 years. The Canadian bank may suspend or terminate access to or discontinue the service immediately for any reason at any time without prior notice. Interest bearing at a rate of bank prime plus 1% per annum or a fixed interest rate to be determined at time of borrowing and based on a term of 1 to 5 years. The credit arrangement is secured by a general security agreement in form of a floating charge on the EP Homes inventory, and a personal guarantee from the majority shareholder. The Canadian bank has the right to cancel or restrict availability of any unutilized portion of this facility at any time without notice. The credit agreement contains certain financial covenants that must be maintained. As at September 30, 2022, the Company is in compliance of the financial covenants.
- [3] On June 8, 2020, the Company, through EP Homes' Subsidiary, EP Homes III entered into credit arrangement of \$205,000 with a credit union of which \$193,829 (September 30, 2021 - \$199,296) has been drawn as at September 30, 2022. The term is for 36 months with fixed interest, commencing on July 1, 2020, with a maturity date of June 30, 2023. The Company is required to pay the facility in full on demand of the credit union. Interest is charged at a fixed rate of 3.44%. The credit arrangement is secured by a general security agreement, which provides the credit union provider first-priority security against the EP Homes inventory, a personal guarantee from the majority shareholder, and a corporate guarantee from the majority shareholder. The credit agreement contains certain financial covenants that must be maintained and measured based on the Company's most recent external prepared year-end financial statements. As at September 30, 2022, the Company is in breach of certain financial covenants. This home is occupied by a related party.
- [4] On June 11, 2020, the Company, through its subsidiary, BPO entered into a credit arrangement of £50,000 GBP in form of a drawdown loan with a bank of which \$57,004 (£38,084 GBP) (September 30, 2021 - \$81,584 (£50,000 GBP)) has been drawn as at September 30, 2022. The interest rate for the credit arrangement is bearing at a rate of 2.5% per annum, commencing after 12 months from the date on which the loan is drawn. This lending facility is guaranteed by the UK Government under the Bounce Back Loan Scheme ("BBLs"). BBLs's purpose is to enable businesses to access finance more quickly during the coronavirus outbreak.
- [5] On December 4, 2020, the Company, through EP Homes' subsidiary, EP Homes IV entered into a credit arrangement of \$4 million, which was subsequently increased to \$10 million with a Canadian bank of which \$4,179,393 (September 30, 2021 - \$2,568,440) has been drawn as at September 30, 2022 for 16 homes. The interest rate for the credit arrangement is bearing at a rate of bank prime plus 2% per annum. The credit arrangement is secured by a general security agreement, which provides the bank first-priority security against the EP Homes inventory in EP Homes IV funded by the bank. The credit agreement contains certain financial covenants that must be maintained. On March 31, 2022, the credit arrangement was amended from due on demand to a term loan with maturity date of April 4, 2024. Out of 22 EP Homes inventory, 10 of EP Homes inventory are due for execution in the next 12 months, therefore, associated credit facilities are classified as current portion of credit facilities. As at September 30, 2022, the Company is in compliance of the financial covenants.

The minimum principal computed portion of repayments of the credit facilities are as follows:

	Capital Provider Loan \$	Credit Union Loan \$	Canadian Bank Loan \$	Bounce Back Loan \$	Canadian Bank Loan \$	Total \$
2023	854,694	193,829	258,108	57,004	1,876,691	3,240,326
2024	—	—	—	—	2,302,702	2,302,702
2025	—	—	—	—	—	—
	854,694	193,829	258,108	57,004	4,179,393	5,543,028

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13. Government loan

Government loans consist of the following:

	September 30, 2022	September 30, 2021
	\$	\$
Opening balance	180,000	80,000
Additions [1]	—	40,000
Acquisitions of subsidiaries [2]	—	60,000
Closing balance	180,000	180,000

- [1] On April 9, 2020, EP Financial and EP Homes entered into a credit arrangement of \$40,000 each for a total of \$80,000 with the government of Canada for the Canadian Emergency Business Account ("CEBA"). Subsequently, on December 30, 2020, EP Financial and EP Homes received additional CEBA loan of \$20,000 each for an accumulated total of \$120,000. The loan is set up as a revolving loan with 0% interest until December 31, 2020. On January 1, 2021, the outstanding balance of the CEBA will convert to a non-revolving term loan with a maturity date of December 31, 2025, and an annual interest rate of 5%, non-interest bearing up to and including December 31, 2022. If 75% (\$60,000) of the loan is paid on or before December 31, 2022, the remaining 25% (\$20,000) of the debt shall be forgiven.
- [2] Climb also entered into the above-mentioned credit arrangements for CEBA of which \$60,000 has been drawn as at September 30, 2022 (September 30, 2021 - \$60,000).

14. Promissory notes

Promissory notes as at September 30, 2022, including interest includes:

- Promissory note A of \$Nil (September 30, 2021 - \$19,493) [1];
- Promissory note B of \$Nil (September 30, 2021 - \$476,730) [1];
- Promissory note C of \$Nil (September 30, 2021 - \$641,286) [2]; and
- Promissory note D of \$Nil (September 30, 2021 - \$206,252) [3].

- [1] In June 2019, the Company through its subsidiary EP Homes II has provided 2 promissory notes amounting to \$1,701,650 to a receiver of which \$Nil (September 30, 2021 - \$496,223) is outstanding as at September 30, 2022. Promissory Note A has a 90-day term with an additional 90-day period with a maturity date of December 8, 2019, whereas, Promissory Note B has a 180-day term with an additional 90-day period with a maturity date of March 7, 2020. Interest rate on Promissory Note A and Promissory Note B is 5% per annum, compounded monthly, and payable at the end of the term. Interest rate of 12% per annum, compounded monthly will be charged if the promissory notes are not paid in full at the end of the term. The Company is required to provide security to the receiver in form of a collateral debenture, in which security shall be registered against title of the homes purchased, in the event the amount due remains outstanding by the end of the additional 90-day period. During the twelve months ended September 30, 2022, the Company has paid out Promissory Note A and Promissory Note B in full.
- [2] In June 2019, the Company through its subsidiary EP Homes I provided a promissory note amounting to \$502,481 to a receiver of which \$Nil (September 31, 2021 - \$641,286) is outstanding as at September 30, 2022. Promissory Note C has a 90-day term with an additional 90-day period, with a maturity date of December 8, 2019. Interest rate on Promissory Note C is 5% per annum, compounded monthly, and payable at end of the term. Interest of 12% per annum, compounded monthly will be charged if the promissory note is not paid in full at the end of the term. The Company is required to provide security to the receiver in form of a collateral debenture, in which security shall be registered against title of the homes purchased, in the event the amount due remains outstanding by the end of the additional 90-day period. During the twelve months ended September 30, 2022, the Company has paid out Promissory Note C in full.
- [3] In February 2021, the Company provided a promissory note amounting to \$200,000 of which \$Nil (September 30, 2021 - \$206,252) is outstanding as at September 30, 2022. The interest rate on Promissory Note D is 8.75% per annum

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commencing February 4, 2021, and due on demand. In October 2021, the promissory note was amended into a convertible debenture [note 21].

15. Capital management

The primary objective of the Company's capital management is to achieve healthy capital ratios to support its business and maximize shareholder value. The Company's capital structure consists of share capital, government loans, convertible debentures, promissory notes, and credit facilities which as at September 30, 2022 was \$72,500,101 (September 30, 2021 - \$62,981,520). The Company monitors equity on the basis of the carrying amount of equity as presented on the consolidated statements of financial position.

No changes were made to the objectives, policies and processes for capital management for the year ended September 30, 2021.

16. Capital stock

Common shares

Authorized: Unlimited number of common shares, no par value.

The following table summarizes the change in issued common shares of the Company:

	September 30, 2022		September 30, 2021	
	Number of shares #	Amount \$	Number of shares #	Amount \$
Balance, beginning of period	98,491,335	55,302,579	78,051,756	40,466,879
Issued from treasury [1]	4,684,000	4,193,082	5,802,033	3,718,847
Issued against compensation [2]	729,152	677,316	3,826,667	3,820,000
Issued from treasury – debt and payable conversion [3]	145,000	145,000	2,000,000	1,286,599
Issued from acquisition of subsidiaries [4]	881,067	730,569	8,810,879	6,022,236
Issued shares on RTO [5]	6,844,500	6,582,084	—	—
Issued on exercise of stock options [6]	300,000	276,542	—	—
Issued on exercise of warrants [7]	100,000	92,209	—	—
Share issuance costs [8]	—	(1,222,308)	—	(11,982)
Balance, end of period	112,175,054	66,777,073	98,491,335	55,302,579

[1] For the twelve months ended September 30, 2022, the Company issued 4,684,000 units from treasury, which includes 4,684,000 shares and 2,342,000 warrants at \$1.00 per unit for a total value of \$4,684,000. Of the total consideration of \$4,684,000, the Company has allocated \$490,918 to warrants based on the fair value estimated per the Black-Scholes Model and the balance amount of \$4,193,082 to common shares.

[2] For the twelve months ended September 30, 2022, the Company issued 729,152 shares against share-based compensation. Of which, 289,500 shares were issued at \$1.00 per share to employees, managements and consultants and recorded them as share-based compensation in the statement of loss and comprehensive loss for a total value of \$289,500. 39,652 shares were issued at \$0.75 per share to EP Security consultants per the consultancy agreements for a total value of \$29,739. Additionally, the Company issued 400,000 shares at fair value of \$0.8952 based on the fair value estimated per the Black-Scholes Model to agents for their brokerage fees for a total value of \$358,077.

During 2021, the Company issued 3,800,000 shares to the CEO at \$1.00 per share for a total value of \$3,800,000 for the CEO's outstanding bonus for 2019 and 2020.

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During 2021, the Company issued 26,667 shares for \$20,000 to an executive in accordance with his consultancy agreement and recorded it as share-based compensation in the statement of loss and comprehensive loss.

[3] For the twelve months ended September 30, 2022, the Company issued 145,000 shares from treasury at \$1.00 per unit for a total value of \$145,000 to set off the outstanding legal costs related to the Climb acquisition.

On November 21, 2020, EAM Enterprises Inc. converted its outstanding debt of \$1,500,000 at \$0.75 per unit and the Company issued 2,000,000 units accordingly, which includes 2,000,000 shares and 1,000,000 warrants. Of the total consideration of \$1,500,000, the Company has allocated \$213,401 to warrants based on the fair value estimated per the Black-Scholes Model and the balance of \$1,286,599 to common shares.

[4] On June 30, 2021, the Company issued 8,810,879 shares to the shareholders of Climb as part of the acquisition of Climb. The shares were issued in lieu of 100% ownership in Climb totaling \$6,022,236. Subsequently, on December 31, 2021, the Company issued additional 10% units to Climb shareholders in accordance with the amalgamation agreement with Climb, as the Company's shares were not listed on the stock exchange by December 31, 2021. As a result, the Company issued 881,067 shares from treasury at a fair value of \$0.8292 per share per the Black-Scholes Model and the amount of \$730,569 was attributed to common shares.

[5] On August 31, 2022, the Company issued 3,360,000 shares from treasury to the shareholders of Justify as part of the RTO. The 3,360,000 shares were issued at a fair value of \$0.9219 per share per the Black-Scholes Model and the amount of \$3,097,584 was attributed to common shares.

On August 31, 2022, upon completion of the RTO, the Company converted the \$3,484,500 in convertible debentures into shares at \$1.00 per share, as a result, 3,484,500 shares were issued.

[6] On September 1, 2022, Justify shareholders exercised their 300,000 stock options at an exercise price of \$0.15 per share. As a result, the Company issued 300,000 shares at a fair value of \$0.7718 per share per the Black-Scholes Model and the amount of \$231,542 was attributed to common shares. It also includes \$45,000 of the exercise price received from the shareholders.

[7] On September 1, 2022, a Justify shareholder exercised its 100,000 warrants at an exercise price of \$0.15 per share. As a result, the Company issued 100,000 warrants to a fair value of \$0.7721 per share per the Black-Scholes Model and the amount of \$77,209 was attributed to common shares. It also includes the \$15,000 of the exercise price received from the shareholder.

[8] For the twelve months ended September 30, 2022, share issuance costs amounted to \$1,222,308 (September 31, 2021 - \$11,982).

Reserves – warrants

Warrant holders have the right to purchase one common share for \$1.00 to \$1.25. The following table summarizes the changes in warrants of the Company:

	September 30, 2022		September 30, 2021	
	Number of warrants #	Amount \$	Number of warrants #	Amount \$
Opening balance	4,260,035	869,954	3,961,838	113,450
Issued [1]	2,617,380	566,164	3,901,017	846,079
Issued upon RTO [2]	100,000	77,209	—	—
Issued from acquisition of subsidiaries [3]	—	—	359,018	23,875
Expired [4]	(359,018)	(23,875)	(3,961,838)	(113,450)
Exercised [5]	(100,000)	(77,209)	—	—
Ending balance	6,518,397	1,412,243	4,260,035	869,954

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- [1] For the twelve months ended September 30, 2022, the Company issued 2,342,000 (September 30, 2021 – 3,901,017) warrants to investors and 275,380 warrants to finders in connection with the private placement.
- [2] For the twelve months ended September 30, 2022, the Company issued 100,000 (September 30, 2021 – Nil) warrants as part of the RTO.
- [3] On June 30, 2021, the Company issued 359,018 warrants from treasury to the shareholders of Climb as part of the acquisition for a total fair value of \$23,875.

The fair value of warrants has been estimated using the Black-Scholes option pricing model with the following assumptions:

	2022	2021
Weighted average risk-free interest rate	0.9500% to 3.6400%	0.6600% to 1.4500%
Expected volatility based on 2 years of history	49.57% to 74.53%	78.79% to 80.27%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%
Common share fair value at the issue date	\$0.90 to \$1.00	\$0.75
Exercise price for one warrant	\$1.00 to \$1.25	\$1.25
Expected term of warrants	2 years	2 years

- [4] For the twelve months ended September 30, 2022, 359,018 of outstanding warrants were not exercised and expired accordingly (September 30, 2021 – 3,961,838). The fair value of the expired warrants amounted to \$23,875 (September 30, 2021 - \$113,450).
- [5] For the twelve months ended September 30, 2022, 100,000 of outstanding warrants (September 30, 2021 – Nil). The fair value of the exercised warrants amounted to \$77,209 (September 30, 2021 - \$Nil) and was accounted in common shares.

Reserves - share-based compensation

On August 31, 2022, the board of directors of the Company approved the Company's Omnibus Share Incentive Plan (the "Stock Option Plan"). Under the Stock Option Plan, options to purchase common shares may be granted by the Board of Directors to directors, officers, consultants, and employees. Options are generally granted at exercise prices equal to the fair market value at the grant date and have at least one year of vesting.

	September 30, 2022		September 31, 2021	
	Number of options #	Amount \$	Number of options #	Amount \$
Opening balance	3,291,697	768,143	—	—
Options granted [1]	428,400	324,100	2,906,500	716,951
Options granted upon RTO [3]	300,000	231,542		
Options granted upon acquisitions of subsidiaries [2]	—	—	385,197	51,192
Options exercised [3]	(300,000)	(231,542)	—	—
Options cancelled/forfeited [4]	(56,500)	(5,662)	—	—
Closing balance	3,663,597	1,086,581	3,291,697	768,143
Exercisable balance	1,906,693	1,430,883	948,333	338,575

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[1] Outstanding options to officers, consultants and employees as at September 30, 2022 are as follows:

Exercise prices \$	Number of options #	Outstanding		Exercisable	
		Weighted average remaining contractual life in years	Weighted average exercise price \$	Number of Options #	Weighted average exercise price \$
0.00	20,000	5	0.00	20,000	0.00
0.75 [2]	3,210,197	5	0.75	1,883,327	0.75
1.00	428,400	5	1.00	1,700	1.00
1.01	5,000	5	1.01	1,666	1.01

The Company uses the fair value method to account for stock options granted to officers, consultants, advisors and employees. For the twelve months ended September 30, 2022, the Company has recorded a net expense, including options cancelled/forfeited of \$318,437 (September 30, 2021 - \$716,951) in share-based compensation expense related to the Stock Option Plan in the consolidated statements of income, with a corresponding credit to reserves.

[2] During fiscal 2021, the Company issued 385,197 options from treasury to the shareholders of Climb as part of the acquisition for a total fair value of \$51,192.

Options granted in 2022 and 2021 were determined using the Black-Scholes option pricing model with the following assumptions:

	For the twelve months ended September 30, 2022	For the year ended September 30, 2021
Risk free interest rate (% per annum)	1.28% to 3.61%	0.40% to 0.90%
Expected hold period to exercise (years)	5 years	1.5 years to 5 years
Common share fair value at the issue date	\$1.00	\$0.75 to \$1.00
Expected forfeiture rate (%)	0%	0%
Volatility in the price of the company's shares (%)	51.44% to 67.64%	66.40% to 68.05%
Dividend yield (%)	0%	0%

[3] As part of the RTO, 300,000 stock options were issued and exercised by Justify shareholders.

[4] On December 6, 2021, the Company cancelled a contract with a consultant, as a result, the 56,500 options were cancelled.

Reserves – restricted share units

	September 30, 2022	
	Number of share units #	Amount \$
Opening balance	—	—
Issued to directors with 3-year vesting period [1]	2,772,000	109,290
Issued to consultants with 2-year vesting period [1]	200,000	10,699
Committed to consultants with 1-year vesting period [2]	290,000	5,679
Ending balance	3,262,000	125,668

[1] On August 31, 2022, the Company issued RSUs as part of the RTO. For each RSU granted, compensation expense is recognized equal to the market value of one common share at the date of grant based on the number of RSUs expected to vest, recognized over the term of the vesting period. The market value of \$0.34 was used as the closing share price on the

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first trading day after the RTO. For the twelve months ended September 30, 2022, the Company has recorded an expense of \$125,668 (September 30, 2021 - \$Nil) in share-based compensation expense related to the RSUs in the consolidated statements of income, with a corresponding credit to reserves.

[2] As of September 30, 2022, the Company accrued the share-based compensation expenses for each RSU committed and outstanding but not granted to consultants. The expense was calculated at the market value of one common share at September 30, 2022 and recognized 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.

Contributed surplus

The following is a continuity of the activity in the contributed surplus account:

	September 30, 2022	September 30, 2021
	\$	\$
Contributed surplus, beginning of year	113,450	—
Expired warrants [1]	23,875	113,450
	<u>137,325</u>	<u>113,450</u>

[1] For the twelve months ended September 30, 2022, 359,018 of outstanding warrants were not exercised and expired accordingly (September 30, 2021 – 3,961,838). The fair value of the expired warrants amounted to \$23,875 (September 30, 2021 - \$113,450).

17. Additional cash flow information

	September 30, 2022	September 30, 2021
	\$	\$
(Increase) / decrease in trade receivables	(1,472,683)	461,831
Increase in prepaid expenses	(50,122)	(298,349)
Increase in proceeds from related parties	(2,408,008)	(4,949,090)
Increase in repayments to related parties	1,630,260	4,057,300
Increase in deferred revenue	24,911	86,828
Increase in trade payables	1,638,778	517,165
Increase in customer deposit	71,576	22,648
	<u>(565,288)</u>	<u>(101,667)</u>

18. Interest expenses and other financing costs

	Classification	September 30, 2022	September 30, 2021
		\$	\$
Interest on lease liabilities [note 22]	Interest and bank charges	111,804	93,822
Interest on debt and borrowings	Interest and bank charges	244,614	431,335
Interest on convertible debentures [note 20]	Interest and bank charges	724,500	—
Other interest and bank charges	Interest and bank charges	394,114	217,506
Total interest expenses and other financing costs in interest and bank charges		<u>1,475,032</u>	<u>742,663</u>
Interest on debt and borrowings	Direct costs	142,691	133,064
Total interest expenses and other financing costs in direct costs		<u>142,691</u>	<u>133,064</u>
Total interest expenses and other financing costs		<u>1,617,723</u>	<u>875,727</u>

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19. Financial instruments

The Company's principal financial liabilities include trade payables, customer payables, due to related parties, promissory notes, credit facilities, government loans, lease liabilities, deferred revenue, convertible debentures, and customer deposits. The Company's financial assets include cash and cash equivalents, cash – restricted, customer funds, contract receivables, due from related parties, investments, and trade receivables. The Company's financial instruments have been classified as either assets or liabilities at amortized cost or fair value through other comprehensive income. The following table illustrates how the financial instruments in the consolidated statements of financial position are classified and measured:

Financial asset/liability	Classification and measurement
Cash and cash equivalents	Amortized cost
Cash - restricted	Amortized cost
Customer funds	Amortized cost
Contract receivables	Amortized cost
Trade receivables	Amortized cost
Due from related parties	Amortized cost
Investments	FVTOCI
Trade payables	Amortized cost
Customer payables	Amortized cost
Current portion of customer deposits	Amortized cost
Lease liabilities	Amortized cost
Deferred revenue	Amortized cost
Due to related parties	Amortized cost
Promissory notes	Amortized cost
Credit facilities	Amortized cost
Government loans	Amortized cost
Customer deposits	Amortized cost
Convertible debentures	Amortized cost

The risks arising from the Company's financial instruments are equity price risk, interest rate risk, foreign currency risk, and liquidity risk. The Company is also exposed to market risk for its EP Homes inventory.

Fair value

The fair values of cash and cash equivalents, restricted cash, customer funds, contract receivables, trade receivables, trade payables, promissory notes, credit facilities, customer payables, customer deposits, and government loans approximate their carrying values due to the short-term maturity of these financial instruments. The fair value of convertible debentures, due to related parties and due from related parties approximates their carrying value due to the market-based rates. The Company uses a fair value hierarchy, based on the relative objectivity of inputs used to measure fair value, with Level 1 representing inputs with the highest level of objectivity and Level 3 representing the lowest level of objectivity.

Equity price risk

The Company's non-listed equity instruments are susceptible to market price risk arising from uncertainties about future value of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on regular basis. The Company's board of directors review and approve all equity investment decisions. At the reporting date, the exposure to non-listed equity investments at fair value was \$1,685,402.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates arising in the

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Company's borrowings in credit facilities. Interest rate risk is minimized through management's decision to primarily obtain fixed rate interest for the time period the asset is held per the business plan. The impact of interest rate sensitivity on the Company's loss before tax is due to the changes in the Royal Bank prime rate and the ATB prime rate [note 13]. With all other variables held constant, the increase or decrease in interest rate by 27% will result in change in the Company's loss before tax by \$81,136 (September 30, 2021 - \$20,702). The assumed movement in basis point for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company has transactional currency exposures that arise from loans and receivables in currencies other than its functional currency. The Company has transactional currency exposures that arise from purchases in currencies other than their functional currency, including Great British Pounds. The Company does not enter into derivatives to hedge the exposure.

The impact of foreign currency sensitivity on the Company's loss before tax is due to the changes in the fair value of monetary assets and liabilities as at the date of financial position. With all other variables held constant the increase or decrease in exchange rates by 5% will result in below mentioned decrease or increase respectively in net loss before tax for the period ended September 30, 2022 by \$27,087 (September 30, 2021 - \$64,225) on account of change in GBP exchange rate.

The financial assets and liabilities exposed to foreign currency risk are detailed as follows in GBP:

	September 30, 2022	September 30, 2021
	£	£
Cash and cash equivalents	303,238	1,029,190
Customer funds	5,309,525	2,478,871
Trade receivables	1,480,485	543,087
Total financial assets	7,093,248	4,051,148
Trade payables	1,200,192	855,318
Customer payables	5,309,525	2,478,871
Credit facilities	38,085	47,646
Total financial liabilities	6,547,802	3,381,835

Liquidity risk

Liquidity risk represents the risk that the Company will have difficulty meeting obligations of financial liabilities. There can be significant fluctuation in the timing of the Company's cash receipts due to various external factors. The Company mitigates this risk by regular monitoring of its cash position. Liquidity risk is also related to the possibility of insufficient debt and equity financing available to fund the desired growth of the Company and to refinance the current and long-term debt as they become due. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate levels of financing. Liquidity risk also relates to the potential for early demand of credit facilities prior to the sale of inventory.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding trade receivables, and due from related parties. The Company manages credit risk on cash and cash equivalents by ensuring the counterparties are banks, governments and government agencies with high credit ratings.

Trade receivables are mainly with UK corporations for whom the Company provides collection services on their default accounts. The Company manages its customers' bank accounts, and the receivable amounts are based on a portion of the amounts collected for its customers. Since the Company manages collection on behalf of its customers and receives the funds directly to the Company's bank account, credit risk on trade receivables is not material.

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Contractual maturities of financial liabilities:

	Trade payables \$	Customer payables \$	Credit facilities \$	Due to related parties \$	Government loans \$	Customer deposits \$	Lease liabilities \$	Total \$
2022	4,606,388	8,566,132	3,240,326	—	—	110,888	197,423	16,721,157
2023	—	—	—	—	180,000	22,888	160,671	363,559
2024	—	—	2,302,702	2,945,500	—	—	113,084	5,361,286
2025	—	—	—	—	—	—	182,364	182,364
2026	—	—	—	—	—	—	176,826	176,826
Thereafter	—	—	—	—	—	—	772,172	772,172
	4,606,388	8,566,132	5,543,028	2,945,500	180,000	133,776	1,602,540	23,577,364

20. Convertible debentures

The Company issued \$2,760,000 of 8.75% unsecured convertible debentures (the “Convertible Debentures”), with interest payable on the conversion of the Convertible Debentures and commenced on October 25, 2021 (“Closing Date”). The maturity of Convertible Debentures is 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 (“Conversion Price”) at any time.

Immediately prior to the following events (“Liquidity Event”), the outstanding Convertible Debentures shall automatically be converted into common shares of the Company at the Conversion Price:

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

	Liability component of Convertible Debenture \$	Total \$
As at September 30, 2020		
Issuance of Convertible Debentures [1]	1,510,000	1,510,000
As at September 30, 2021	1,510,000	1,510,000
Issuance of Convertible Debentures [1]	1,250,000	1,250,000
Accrued Interest	724,500	724,500
Conversion to Common Shares [2]	(3,484,500)	(3,484,500)
As at September 30, 2022	—	—

[1] As at September 30, 2022, \$Nil (September 30, 2021 – \$1,510,000) of Convertible Debentures were outstanding.

[2] On August 31, 2022, \$3,484,500 of the Convertible Debentures were converted into 3,484,500 common shares at \$1.00 per share as a result of the completion of the RTO.

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21. Contract receivables

The following is a breakdown of the contract receivables as at September 30, 2022:

	As at October 1, 2021 \$	Additions \$	Contract revenue \$	Collections \$	Expected credit losses ("ECLs") \$	As at September 30, 2022 \$
Contract receivables [1]	—	1,545,476	256,481	(484,881)	(12,390)	1,304,686
Total contract receivables	—	1,545,476	256,481	(484,881)	(12,390)	1,304,686
Less: Current portion of contract receivables						(306,662)
Long-term portion of contract receivables						998,024

Gross contract receivables at amortized cost

	As at September 30, 2022			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Book value	966,331	286,750	63,995	1,317,076
ECL [3]	(6,358)	(4,815)	(1,217)	(12,390)
Total gross contract receivables at amortized cost	959,973	281,935	62,778	1,304,686

[1] The contract receivables consist of 746 security contracts, of which 508 security contracts were purchased by EP Security on October 1, 2021 and 238 security contracts were purchased by EP Security on November 26, 2021.

[3] The Company assessed collectively for expected credit losses by grouping the contract receivables with similar risk characteristics in stage 1, stage 2, and stage 3. The Company uses its internal credit risk ratings to determine whether a ECLs should be recorded. Based on the analysis, the Company used judgement to determine the amounts calculated. As at September 30, 2022, the Company carries ECLs of \$12,390, which includes \$6,358 of 12-month collective allowance and \$6,032 of the lifetime ECLs.

22. Leases

The Company has lease agreements for leased offices and equipment leases. The office leases consist of 3 office leases which are for the UK offices and 1 of which is for the Canadian office. The Company also has an equipment lease for various IT equipment.

The carrying amounts and the movements during the twelve months ended September 30, 2022 and for the year ended September 30, 2021 are as follows:

Right-of-use assets	September 30, 2022 \$	September 30, 2021 \$
Opening balance	1,611,881	972,737
Additions [1]	—	845,294
Additions from the acquisition of subsidiaries [2]	—	22,241
Depreciation	(257,278)	(202,365)
Unrealized foreign exchange gain/loss	(74,277)	(26,026)
	1,280,326	1,611,881

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Lease liabilities	September 30, 2022	September 30, 2021
	\$	\$
Initial recognition of liability and interest as at October 1, 2019 [1]	1,859,216	1,162,523
Additions [1]	—	845,294
Additions from the acquisition of subsidiaries [2]	—	41,434
Payments	(277,379)	(280,948)
Non-cash interest accretion	108,449	93,822
Unrealized foreign exchange gain/loss	(87,745)	(2,909)
	<u>1,602,541</u>	<u>1,859,216</u>
Less: current portion of lease liabilities	<u>(197,424)</u>	<u>(396,642)</u>
Long-term lease liabilities	<u>1,405,117</u>	<u>1,462,574</u>

The amounts recognized in the consolidated statement of loss and comprehensive loss are as follows:

	September 30, 2022	September 30, 2021
	\$	\$
Depreciation expense of right-to-use assets	257,278	202,365
Interest expense on lease liabilities	108,449	93,822
	<u>365,727</u>	<u>296,187</u>

[1] The additions in the right-of-use asset and lease liabilities in fiscal 2021 are related to the EP Financial's new office located in Edmonton, Canada.

[2] The additions from the acquisition of subsidiaries related to the right-of-use asset and lease liabilities acquired from Climb for their office located in Mississauga, Canada. The Climb lease was subsequently terminated in June 2022.

The expense relating to short-term and low-value lease payments not included in lease liabilities was \$51,192 (September 30, 2021 - \$41,696).

23. Revenue

	Three months ended	Three months ended	Twelve months ended	Twelve months ended
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
	\$	\$	\$	\$
Collection services revenue	3,837,143	2,665,413	13,820,393	10,161,275
EP Homes facilitation fees revenue				
Sale of EP Homes inventory [1]	811,650	—	2,744,025	2,858,500
Lease revenue [2]	32,828	99,429	367,264	402,927
Facilitation fees	33,047	70,345	163,589	—
Savings contribution revenue	40,524	—	64,132	43,609
Total EP Homes facilitation fees revenue	918,049	169,774	3,339,010	3,305,036
Financial services revenue	87,971	58,945	297,273	100,595
Contract revenue	67,189	—	256,481	—
Total revenue	4,910,352	2,894,132	17,713,157	13,566,906

[1] Sale of EP Homes inventory amounting to \$2,744,025 (September 30 2021 - \$2,858,500) includes the sale of 7 homes (September 30, 2021 - 8 homes) for the twelve months ended September 30, 2022.

[2] Lease revenue amounting to \$367,264 (September 30 2021 - \$402,927) consists of bi-weekly, semi-monthly and monthly lease payments from clients in the EP Homes program for the twelve months ended September 30, 2022.

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24. Deferred revenue

EP Homes	September 30, 2022	September 30, 2021
	\$	\$
Deferred revenue, beginning of year	266,433	180,502
Recognize to revenue [1]	(114,916)	(38,080)
Additional deferred revenue	156,464	124,011
EP Homes deferred revenue, end of year	307,981	266,433

Climb	September 30, 2022	September 30, 2021
	\$	\$
Deferred revenue, beginning of year	86,566	—
Recognize to revenue	(47,421)	—
Additional deferred revenue	30,784	86,566
Climb deferred revenue, end of year	69,929	86,566

Total deferred revenue	September 30, 2022	September 30, 2021
	\$	\$
Deferred revenue, beginning of year	352,999	180,502
Recognize to revenue	(162,337)	(38,080)
Additional deferred revenue	187,248	210,577
Total deferred revenue, end of year	377,911	352,999
Less: Current portion of deferred revenue	(244,698)	(290,889)
Long-term portion of deferred revenue	133,212	62,110

[1] For the twelve months ended September 30, 2022, deferred revenue from client's monthly savings options of \$114,916 (September 30, 2021 – \$38,080) was recognized to revenue as the clients executed or forfeited on their purchase option.

25. Other income

Other income consist of the following:

	September 30, 2022	September 30, 2021
	\$	\$
Kickstart scheme [1]	111,886	308,173
Rent reimbursements [2]	65,597	27,765
Canadian Emergency Wage Subsidy ("CEWS") [3]	18,203	91,496
Sale of interest in Newt Kiosks [4]	160,800	—
Research & Development ("R&D") grant [5]	310,442	—
Other income	8,345	78,829
Job retention scheme ("JRS") grant [6]	—	231,724
	675,273	737,987

[1] For the twelve months ended September 30, 2022, BPO was awarded \$111,886 (£65,304 GBP) from the UK government for the Kickstart scheme. The Kickstart scheme provides funding to create new jobs for 16 to 24-year-olds, which covers 100% of UK's minimum wage for 25 hours per week for a total of 6 months.

[2] For the twelve months ended September 30, 2022, EP Homes received \$65,597 from sub-leasing its previous office space located in Edmonton, Canada. For the twelve months ended September 30, 2021, EP Homes received \$27,765 in rent reimbursements from EAM for the usage of EP Homes' office space in Edmonton, Canada.

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- [3] For the twelve months ended September 30, 2022, Climb received a grant for \$18,203 (September 30, 2021 – 91,496) for the CEWS.
- [4] On March 31, 2022, the Company sold its interest in Newt Kiosks, S.A. DE C.V. (“Newt Kiosk”) to Newt Corporation for 268,000 shares at a value of \$0.60 per share for a total value of \$160,800.
- [5] For the twelve months ended September 30, 2022, BPO received \$310,442 (£206,523 GBP) for a R&D grant from the UK government.
- [6] For the twelve months ended September 30, 2022, BPO received \$Nil (September 30, 2021 - \$231,724 (£133,635 GBP)) for the COVID-19 JRS. The UK government provides JRS to employers up to 80% (up to £2,500 GBP) of their employees’ wages for hours they are on furlough during the COVID-19 pandemic.

26. Other operating expenses

Other expenses consist of the following:

	September 30, 2022	September 30, 2021
	\$	\$
Office supplies	352,885	299,218
Subscriptions and licenses	63,305	53,595
IT support	527,298	71,260
Insurance	91,499	46,126
Bad debts	36,571	12,444
Telephone	47,113	16,404
Training and recruitment	17,067	4,538
Repairs and maintenance	35,515	12,783
Donations	3,788	693
Postage and shipping	—	1,479
	<u>1,175,041</u>	<u>518,540</u>

27. Commitments

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
More than five years	—	—
	<u>41,061</u>	<u>66,609</u>

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.

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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 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.

28. Segmented information

Commencing fiscal year 2019, the Company has three reportable operating segments based on the products and services provided. In October 2021, the Company added a fourth operating segment, contract receivable services. The reportable operating segments are as follows:

- (1) Financial services – This segment issues secured / prepaid credit cards. The CODM reviews the results of all card services in Canada and UK collectively. The UK card services, and Canada card services have been aggregated to form the financial services reporting segment.
- (2) EP Homes facilitation services – This segment acquires new homes directly from homebuilders and offers eligible clients the ability to purchase a new home through a structured lease and dedicated down payment accumulation program.
- (3) Collection services – This segment provides debt collection services for corporations that have past due and default accounts.
- (4) Contract receivable 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 services customers pursuant to their service agreements with the customer.

The Chief Executive Officer is the CODM and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the following metrics:

- Financial services:
 - Average revenue per user.
 - Profit or loss for the segment.
- EP Homes facilitation services:
 - Average loan-to-value for the EP Homes inventory.
 - Profit or loss for the segment.
- Collection services:
 - Average percentage collected per outstanding account.
 - Profit or loss for the segment.

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- Contract receivable services:
 - Number of contracts.
 - Profit or loss for the segment.

The following tables summarize the segmented revenue and profit or loss for the twelve months ended September 30, 2022 and September 30, 2021:

	For the twelve months ended September 30, 2022				
	Financial Services	EP Homes Facilitation Services	Collection Services	Contract Receivable Services	Total
	\$	\$	\$	\$	\$
Revenue	297,373	3,339,010	13,820,393	256,481	17,713,157
Direct costs	204,918	2,962,878	4,369,868	28,861	7,566,525
Total operating expenses	14,554,307	3,723,764	8,595,935	353,017	27,227,023
Earnings (loss) from operations	(14,461,952)	(3,347,232)	854,590	(125,397)	(17,080,391)
Other loss					(1,599,289)
Net loss before taxes					(18,679,680)

	For the twelve months ended September 30, 2021				
	Financial Services	EP Homes Facilitation Services	Collection Services	Total	
	\$	\$	\$	\$	
Revenue	102,832	3,306,009	10,236,894	13,645,735	
Direct costs	42,283	3,518,502	2,689,886	6,250,671	
Total operating expenses	4,044,002	753,052	7,271,242	12,068,296	
Earnings (loss) from operations	(3,983,453)	(965,545)	275,766	(4,673,232)	
Other expenses				(83,505)	
Net loss before taxes				(4,756,737)	

The following tables summarize total assets and liabilities as at September 30, 2022 and September 30, 2021:

	As at September 30, 2022				
	Financial Services	EP Homes Facilitation Services	Collection Services	Contract Receivable Services	Total
	\$	\$	\$	\$	\$
Total assets	42,652,556	5,862,916	10,811,875	1,669,265	60,996,612
Total liabilities	7,008,775	6,203,372	12,034,035	274,966	25,521,148

	As at September 30, 2021				
	Financial Services	EP Homes Facilitation Services	Collection Services	Total	
	\$	\$	\$	\$	
Total assets	47,626,461	7,775,034	8,223,650	63,625,145	
Total liabilities	5,130,579	6,442,887	8,444,131	20,017,597	

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The following tables summarize the credit facilities and promissory notes as at September 30, 2022 and September 30, 2021:

	As at September 30, 2022				
	Financial Services	EP Homes Facilitation Services	Collection Services	Contract Receivable Services	Total
	\$	\$	\$	\$	\$
Credit facilities	—	5,486,024	57,004	—	5,543,028
	—	5,486,024	57,004	—	5,543,028

	As at September 30, 2021			
	Financial Services	EP Homes Facilitation Services	Collection Services	Total
	\$	\$	\$	\$
Credit facilities	—	4,563,596	81,584	4,645,180
Promissory notes	206,252	1,137,509	—	1,343,761
	206,252	5,701,105	81,584	5,988,941

Geographical information

The following table summarizes the revenue by geographical location for twelve months ended September 30, 2022 and 2021:

Revenue by geographical location:	September 30, 2022	September 30, 2021
	\$	\$
Canada	3,892,764	3,405,631
United Kingdom	13,820,393	10,161,275
	17,713,157	13,566,906

The following table summarizes the non-current assets by geographical location as at September 30, 2022 and September 30, 2021:

Non-current assets by geographical location [1]:	September 30, 2022	September 30, 2021
	\$	\$
Canada	28,344,084	32,456,421
United Kingdom	14,390,601	15,243,901
	42,734,685	47,700,322

[1] Non-current assets excludes deferred tax assets of \$461,138 (September 30, 2021 - \$461,138) in accordance with IFRS 8.33(b).

Information about major customers

The following table provides the proportion of revenue attributed to each significant customer for the twelve months ended September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
	%	%
Customer 1	34.0%	14.6%
Customer 2	6.4%	11.8%
Customer 3	8.1%	15.6%
Customer 4	5.5%	16.2%
	54.0%	58.2%

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The revenue concentration noted mirrors the consolidated nature of the Company's operations. It is the management's opinion that the loss of Customer 1 will impact the Company's performance. In addition to the customers detailed in the above table, no other sales were made to any one customer that represented more than 10% of total sales.

29. Payment of contingent consideration

On June 7, 2021, the Company entered into an amalgamation agreement with Climb to acquire assets and operations of Climb. Per the amalgamation agreement, the Company was required to pay an additional 10% of the Climb acquisition price in shares to Climb shareholders if the Company's shares were not listed on a stock exchange by December 31, 2021. Therefore, on December 31, 2021, the Company issued 881,088 shares to Climb shareholders at \$0.8292 per share for a total value of \$730,568. The payment of contingent consideration of \$730,568 has been included in the consolidated statements of comprehensive loss for the six months ended March 31, 2022.

30. Contingencies

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:

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- 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.

31. Subsequent events

1. On November 1, 2022, the Company, through its subsidiary, EP Homes entered into a new credit arrangement of \$15 million revolving line of credit with 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.
2. 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.

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For the twelve months ended September 30, 2022

32. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. The Company did not believe these changes to have a material impact on the financial statements.

The reclassification for the comparative twelve months ended September 30, 2021 period were as follows:

- Reclassified other revenue to other income.
- Renamed other expenses to other operating expenses.