



Hank Payments Corp.
(formerly The Card Collaborative International Corp.)

Management Discussion and Analysis

September 30, 2021

**As approved by the Board of Directors on
November 29, 2021**

The following management discussion and analysis (“MD&A”) provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Hank Payments Corp. (Formerly The Card Collaborative International Corp.) (the “Company” or “Hank”) as at and for the three months ended September 30, 2021.

CAUTIONARY STATEMENT

This MD&A has been prepared taking into consideration information available to November 29, 2021 and contains forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address Hank’s expectations, should be considered forward- looking statements. Such statements are based on management’s exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words “may”, “will”, “anticipate”, “believe”, “estimate”, “expect”, “intend” and words of similar import, are intended to identify any forward-looking statements.

You should not place undue reliance on these forward-looking statements. These statements reflect management’s current view of future events and are subject to certain risks and uncertainties as contained herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company’s actual results could differ materially from those anticipated in these forward- looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that these expectations are based on reasonable assumptions, we can give no assurance that those expectations will materialize.

This MD&A contains forward-looking statements on future cash flows that are based on assumptions involving the impact of COVID-19 on the Company’s future cash flows, operating results and financial position.

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Company Overview and Vision of Growth

Hank Payments Corp (formerly The Card Collaborative International Corp.) (the Company or “Hank”) is a consumer financial technology platform that curates and aligns consumer cash inflow with their cash outflow on a monthly basis using automated proprietary algorithms that collect, store and disburse cash as required. The Company currently operates exclusively across the USA, with certain leadership and technology functions in Toronto. Hank houses the complex technology, banking, treasury, customer service, sales and operations teams that acquire and service consumers. Hank currently charges upfront enrolment/setup fees and recurring monthly fees based on the types and quantity of payments that Hank Payments administers for the consumer. The Company acquires consumers through various channels including direct to consumer strategies. The Company does not take balance sheet risk when curating loans and household payments for consumers as it does not lend funds or bridge cash shortfalls. All of Hank’s revenue is derived from various fees that are not interest related.

Consumers benefit through convenience of knowing their bills are aligned to their cash flow and their household budget is now automated across all payees and dates which increases propensity to pay and may reduce delinquencies or missed payments. Consumers may also save interest by staying on the Hank Platform through the term of each loan because the Hank platform allows consumers to accelerate liability pay-off timelines by offering consumers the ability to take fractional additional amounts of cash on each debit cycle and then paying down highest yielding debt first. Each consumer performs differently but many have reported benefits such as significant savings, convenience, and credit quality improvement.

Principal Products or Services

The Company’s principal product is the loan and payment curation product. The Company operates multiple white label brands, including “Priority Pay Plus”. The Company’s technology debits cash when consumers have cash, stores it on a bank balance sheet (FDIC insured) and then remits the payment on the due dates to lenders/payees on behalf of consumers. The product is a platform and operates as a Software as a Service (“SAAS”) usage model where consumers currently pay a fee to sign-up and then a fee per debited payment (Cash In) from their bank accounts and finally a fee for each incremental monthly payment made (Cash Out), using the platform. The platform houses certain algorithms that perform complex calculations related to cash flow, interest and other equations, in order to present to consumers customized and optimal payment strategies to improve payment history and frequency. Consumers often use the product for convenience to avoid having to perform complex calculations and deal with multiple push payments to various payees along with eliminating the need for writing physical cheques. Other consumers use the platform as a necessity to help them manage their own personal cash flow, and to avoid missing payments and paying late fees while accelerating payment frequency, working within their existing cash flow. The Company has approximately 40,000 consumers already paying recurring monthly fees plus a setup/enrolment fee and continues to add customers each month. The average auto loan user stays on the platform for approximately 3 years and mortgage users have materially longer term. Hank power-users process over 25 payments monthly and part of Hank’s objective is to increase usage from existing customers over time. The Company handles approximately \$21 MM USD in monthly payments for consumers and well over \$1 Billion USD of total liabilities (“Liabilities Under Management/LUM”) being administered for consumers. The Company is focused on adding Liabilities Under Management (“LUM”) and improving consumers’ financial wellbeing over time by reducing missed payments and debt and thus building equity and putting consumers in a position to borrow more cost effectively in the future, thereby improving their overall cashflow.

Distribution and Marketing

The Company sells direct to consumer through social media and direct marketing as well as using additional digital marketing methods. The Company also provides a white label model that allows distributors/channels to sell the product/program to consumers using the Company's platform. Distributors earn a fee for doing so. The advantage of wholesale/reseller partners is that the cost to acquire the consumers is primarily borne by the partners. Auto dealers, mortgage brokers and other loan originators use the platform to enrol consumers at the time of loan origination to ensure quality payment performance and accelerated equity building. Hank has integrated with industry wide systems in these channels to ensure frictionless onboarding of customers at the point of loan sale. Hank continues to build-out strategic relationships with partners with customers that can benefit from the program.

Legal and Regulatory Matters

The Company has strategic contracts with banks based in the United States. These banks handle cash movement and processing as well as the Company's fee collections. All of this is triggered by the Hank platform, including debits and payments, whereby the banks essentially take instruction from Hank, and house the consumers' cash until instructions are received to make payments. This ensures the Company never touches consumers' cash and those debits turn into deposits for the bank partner, attracting FDIC insurance for the consumers. Hank shares fees with banks for this important service, and the banks benefit from growing daily deposits. These banking relationships allow Hank to perform the services nationally. It also ensures that the Company's marketing and consumer disclosures are transparent and approved by the bank first. This helps avoid any consumer protection issues under the CFPB which monitors transparency in disclosures, and factual representations to consumers.

Market

The United States market alone consists of over 70 million consumers that struggle to manage their own cash flow. Over 140 million Americans are deemed to be struggling with financial literacy, making the United States market very sizable. The Company is considering launching in additional markets including Canada, however there are no formal plans in place presently given the size of the untapped United States market.

Future Developments

The Company plans to continue to focus on growing its organic business through focus on engaging white label partners as well as increasing investment in its own digital customer growth. The Company also continues to assess acquisition opportunities and may acquire smaller competitors and complementary companies that also house financial performance data related to the consumers those companies serve. The company is developing additional products and technologies that will expand its ecosystem of tools for consumers, while inviting other relationships into the ecosystem, including loan originators. The Company will continue to innovate with new features that help consumers monitor their financial performance and expects new products to increase stickiness of the consumer.

Highlights for Period Ended September 30, 2021

Performance Highlights

The following financial information has been summarized from the Company's unaudited interim financial statements and additional commentary is provided in later sections:

| For Three Months Ended September 30, 2021 (USD) | 2021 \$ | 2020 \$ | Increase/Decrease % |
|---|------------------|------------------|---------------------|
| Revenue | | | |
| Bank Processing Fees | 521,171 | 481,301 | 8.3% |
| Enrolment Fees | 358,386 | 266,338 | 34.6% |
| Other Fees | 57,309 | 0 | |
| Total Revenue | 936,866 | 747,639 | 25.3% |
| Cost of Sales | 136,700 | 127,880 | 6.9% |
| Gross Profit | 800,166 | 619,759 | 29.1% |
| Gross Profit % | 85% | 83% | 2.4% |
| Total Expenses | 1,423,635 | 854,353 | 66.6% |
| Income (Loss) from Operations | (623,469) | (234,594) | 165.8% |
| Accounts Receivable | 930,924 | 903,145 | 3.1% |
| Contract Liability/Deferred Revenue | 3,524,506 | 3,310,976 | 6.4% |
| Cash Used in Operations | 36,606 | 193,240 | 81.1% |

KPI's

| | |
|---|-----|
| Increase in users managing mortgage payments since the beginning of the pandemic (March-2020) | 22% |
| Increase in users managing multiple payments since the beginning of the pandemic (March-2020) | 68% |

The Company maintained its quarter over quarter revenue growth despite limited access to capital leading into the go-public transaction in October 2021, and also mitigating the challenges posed by the ongoing Covid-19 pandemic. Further, the Company continues to demonstrate exceptional margins. When pricing new products and acquisitions, the company takes into account the lifetime value (the "LTV") of the customer in terms of both the net cashflow generated and the time period the cash is expected to be earned over. While net cashflow is expected to increase through new products, as such products increase functionality and dependency, leading to increased duration, there is no certainty that the gross margin percentage will stay at these exceptional levels. The Company believes margins over 60% are very strong relative to its peer group, provided that customer stickiness and lifetime value increases, with the overall objective of adding and keeping customers for over three years. The increase in mortgage and multi-loan customers signals this thesis is starting to bear fruit and as customers are added, promotions for adding additional loans and payments will be weighed against the probable new LTV created for customers on product uptake and usage.

During the three month period ending September 30, 2021, the Company incurred higher expenses than the three month period ending September 30, 2020, primarily attributable to (i) \$7,258 investment in digital marketing; (ii) \$60,305 in buildout of planned 2022 product releases; (iii) an incremental \$253,984 in expanding the team to drive future growth; (iv) \$165,662 of non-cash expense related stock based compensation; and (v) recording of a government grant during three months ended September 30, 2020 related to payroll for approximately \$134,000.

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Cash used in operations improved by 81% due to the faster collection of accounts receivable quarter over quarter. However, going forward, additional investment in marketing is expected to lead to short-term increases in cash outflow while increasing accounts receivable and contract liability resulting in improved cashflow, revenue and net income in the future periods. Accounts Receivables are generally realized over a twelve month period while the revenue from Contract Liability is earned over the contract term which averages three years. The funds invested in marketing to grow the business are expected to be converted into cash inflow faster than the related revenue is realized and thus, it is important to consider the balance sheet growth along with revenue growth going forward. In other words, the Contract Liability account is expected to grow materially faster than Accounts Receivable as the business grows and these two accounts along with marketing spend are an important metric for the Company.

Long-term Strategic Plan: Built for Compounding Value

Management has several strategic objectives over the coming years. The most prominent are described in the table below, which excludes the multiple sub-objectives management works on to advance the company.

| Strategic Objective | Description |
|--|--|
| 1. Consolidator of Consumer Payment Processing | Current business plan |
| 2. Consolidator of Loan Originations (marketplace) | Loan data and amortizations already exist in our system for 400+ payees – we expect to provide introduction / referral services for consumers and lenders through our platform and earn fees for successful loans. |
| 3. Consolidator of Banking information | Open bank API integration – will allow us to analyse consumer cash flow and automatically present payment curation strategies with minimum data entry from consumers. This data can also be used for AI triggered notifications and reminders. |
| 4. Consolidator of Credit Behavior Information | We gather improved payment performance data from consumers and believe the data has value in lender decisioning. As Hank grows to over 100,000 users, we expect to begin working with bureaus to determine where reciprocal agreements to shared opted-in customers and data can be beneficial to all parties. |
| 5. Consolidator of Savings | As our customers reduce debt or refinance loans for smaller payments, we will target the new free cash flow as savings and look for partnerships with deposit holders, like our bank partners to help build their bank/deposits. Where possible, reciprocal relationships will be agreed upon. |
| 6. Consolidator of Investments | As savings build, we will look for partnerships with asset managers to match opted-in consumers who wish to invest. Where possible, reciprocal relationships will be agreed upon. |

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Commentary on Objectives:

1. The Company is actively pursuing transactions and will report the aggregated growth in consumers and ongoing consumer originations when it is successful in closing transactions.
2. The Company is actively working with lenders to include Hank Payments in their offerings, which is expected, with investment in product development in 2022, to lead to Hank Payments connecting lenders with consumers looking to refinance. The Company expects to earn fees for such introductions.
3. The Company has basic integration in place for opening banking API's and expects to add this feature to Hank for consumers in 2022.
4. The Company is already tracking extensive credit/loan performance data and using it to work with lenders to contract Hank for processing and in early 2022 the company will begin displaying credit scores over time to consumers using the platform.
5. Following transactions, the Company will invest in R&D to link third party deposit holders to the Hank Platform so consumers can pay themselves as savings, in addition to their automated payments on Hank.
6. Following transactions, the Company will invest in R&D to link third party asset managers to the Hank Platform so consumers can pay themselves as savings, in addition to their automated payments on Hank.

Management Priorities for Next Twelve Months

Management is committed and focused on executing upon its corporate vision of growth.

While Management continues to work on mitigating the ongoing impact of COVID-19 on the business it's primary focus for fiscal 2022 is to acquire customers through partners, online digital marketing and accretive transactions.

Core management priorities for next twelve months are as follows:

Company management has four near term priorities that they will focus on over the next twelve months:

1. Conclude financing as required to invest in growth;

The Company concluded a C\$3,200,000 financing in October 2021, the proceeds of which will be used for digital customer acquisition and growth.

2. Expand investment in digital marketing and expedite new customer growth through all go to market channels;

The Company has increased its multi-payment customer usage by 68% since the beginning of the pandemic due to light digital remarketing within existing customers as well as marketing directly to new customers. Subsequent to the closing of the financing, the company began recruiting it's expanded digital marketing team, the effects of which are expected to be seen in the latter half of fiscal 2022.

3. Expand usage of its technology platform by existing consumers and attract additional payments from those users, driving incremental revenue;

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The Company continues to invest in product development and expects to announce new compelling features over the next couple of quarters that are expected to increase usage, MRR and LTV over time.

4. Qualify, due diligence and complete acquisitions of portfolio of revenue generating consumers from smaller competitors in specific regional markets;

The Company has identified targets and pricing for transactions and expects to be acquisitive over the next twelve months.

5. Invest in and expand management, technology and marketing teams to execute on the growth strategy; and

The Company secured market leading President & CEO Jeff Guthrie and Chief Technology Officer, Bill Holland, and is advancing its digital team growth strategy.

6. Commence entry into strategic partnerships such as banks, lenders, deposit takers and others.

The Company continues to advance discussions and will report as material wins are secured.

Number of Common Shares

There were 62,606,293 common shares issued and outstanding as at September 30, 2021 and 70,019,551 Common Shares issued and outstanding as at November 29, 2021, being the date of this report. As at September 30, 2021 the Company had no outstanding stock options. There were 2,665,000 warrants issued and outstanding as at September 30, 2021 and November 29, 2021.

Capital and Liquidity

Capital

Hank Payments was funded by its pre-IPO parent company, Uptempo Inc. (the “pre-IPO Parent”), through loans in the amount of US\$2,750,000. On December 31, 2020, Hank Payments entered into a debt settlement agreement with its pre-IPO Parent in relation to the September 29, 2020 Promissory Note. Hank issued to its parent company 4,306,293 common shares from treasury as satisfaction of US\$2,750,000 of the balance outstanding. There were four tranches of convertible debentures from non-parent parties totalling CAD\$665,000. These debentures included a forced conversion upon the public listing of the Company, which was achieved on October 13, 2021.

Liquidity

Hank’s ability to remain liquid over the long term may depend on its ability to obtain additional financing. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. Hank’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and to invest in areas that have reasonable near term probability of generating cash flow, or attracting investment.

Results of Operations

The following table sets forth a summary of the Company's financial performance as of the dates presented:

| For the Three Months Ended September 30, | 2021 | 2020 | Change over 2020 |
|---|------------------|-----------|---------------------|
| | \$ | \$ | % |
| Total revenue | 936,866 | 747,639 | 25.3% |
| Cost of sales | 136,700 | 127,880 | 6.9% |
| Expenses | 1,423,635 | 854,353 | 66.6% |
| Other expenses (income) | (13,792) | 752 | -1934.0% |
| Net loss and comprehensive loss | (609,677) | (235,346) | 159.1% |
| Loss per share - basic and diluted | (0.010) | (0.004) | 141.2% |

The Company recorded a net loss of \$609,677 for the three month period ended September 30, 2021, as compared to a net loss of \$235,346 for the three month period ended September 30, 2020. Changes in each key category are further discussed below.

Revenue

| For the three months ended September 30, | 2021 | 2020 | Change over 2020 |
|--|----------------|---------|---------------------|
| | \$ | \$ | % |
| Revenue | | | |
| Bank processing fees | 521,171 | 481,301 | 8.3% |
| Enrollment fees | 358,386 | 266,338 | 34.6% |
| Other revenue | 57,309 | - | 100.0% |
| Total revenue | 936,866 | 747,639 | 25.3% |
| Cost of sales | 136,700 | 127,880 | 6.9% |
| Gross profit | 800,166 | 619,759 | 29.1% |

Revenue increased \$189,227 or 25.3% during the three month period ended September 30, 2021 in comparison to the three month period ended September 30, 2020. This increase was due to a 8.3% increase in bank processing fees, a 34.6% increase in enrollment fees and 100% increase in other revenue.

Enrollment fees are based on revenue recognized from the Company's contract liability which stems from setup and enrollment fees charged to new customers and are recognized over the expected life of the customer. The increase in enrollment fees is the result of an increase in active contracts that Company has entered in to with new customers over the year

Bank processing fees are based on recurring monthly fees charged to subscribers and fees charged in relation to cash collection. The increase in bank processing fees is mainly due to an increase in

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transaction/debit and payments fees charged to new consumers.

Other revenue is the result of a fee being charged to a related party in relation to processing services and other assistance the Company provides in order for the channel to grow efficiently. This fee was first charged in the second quarter of 2021.

Cost of sales relate mainly to bank processing fees and decreased as a percentage of revenue as the percentage of revenue being generated from such fees. As a result, the gross margin percentage increased to 85.4% for the three month period ended September 30, 2021 from 82.9% in comparison to the three month period ended September 30, 2020.

Expenses

| For the three months ended September 30, | 2021 | 2020 | Change over 2020 |
|--|------------------|----------------|---------------------|
| | \$ | \$ | % |
| Expenses | | | |
| Salaries and wages | 873,257 | 446,759 | 95.5% |
| Management fees | - | 172,514 | -100.0% |
| Stock based compensation | 165,662 | - | 100.0% |
| Software and licensing fees | 173,822 | 87,715 | 98.2% |
| Professional fees | 21,275 | 8,066 | 163.8% |
| Office and general | 123,258 | 35,120 | 251.0% |
| Bad debts | 36,793 | 74,640 | -50.7% |
| Depreciation | 257 | 228 | 12.6% |
| Amortization | 29,311 | 29,311 | 0.0% |
| | 1,423,635 | 854,353 | 66.6% |

During fiscal 2021, the Company brought all of its payroll in-house leading to inclusion of Management fees, previously outsourced to be part of the Salaries and Wages expense category of the three month period ending September 30, 2021. Thus, Salaries and wages increased 95.5% and management fees decreased 100% in the three month period ended September 30, 2021 as compared to three month period ended September 30, 2020. Salaries and wages along with management fees increased by 41% in the three month period ended September 30, 2021 as compared to three month period ended September 30, 2020. The comparative increase was partly due to a government grant reducing payroll costs for the three month period ending September 30, 2020. The government grant reduced the payroll by approximately \$134,000 for quarter ending September 30, 2020. Further, the additional payroll expense for the three month period ending September 30, 2021 related to strategic expansion of the management team of the Company to execute on its growth strategy.

Software and licensing fees consist of investments in R&D to advance the rollout of new Hank platform versions, and costs for 3rd party non-core products including hosting services and data analytics tools. These fees were 98.2% higher than the three months ended September 30, 2020 due to an increase of \$25,802 in hosting and 3rd party non-core products, and an investment of \$60,305 in R&D, for a total increase of \$86,107. The company uses third party labor and contracts on a case by case basis to expedite R&D.

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Professional fees consist of legal fees and professional accounting fees. The increase of \$13,209 in professional fees for the three month period ended September 30, 2021 as compared to the prior three month period ended September 30, 2020 is related to increased accounting and audit fees as well as partial legal costs related to the Company's go public transaction.

Office and general expense increased by \$88,138 during the three month period ended September 30, 2021 compared to the previous three month period. \$80,880 of the increase is primarily due to expenses incurred relating to the Company's go public transaction, and \$7,258 is related to a minor investment in marketing to acquire new customers.

During the three month period ended September 30, 2021, bad debt expense decreased to \$37,847 when compared to the three month period ended September 30, 2020. The higher expense during the three month period ended September 30, 2020 is due to refinements made to the estimation of bad debts which lead to an above normal expense for the three month period ending September 30, 2020. Bad debts arise from customers that have been enrolled and accepted onto the platform but subsequently exit it prior to paying the fees owed by them. The increase in September 30, 2020 was a one time improvement in estimation and thus, limited to that quarter.

Other Expenses

| For the three months ended September 30, | 2021 | 2020 | Change over 2020 |
|---|-----------------|-------------|-----------------------------|
| | \$ | \$ | % |
| Other expenses (income) | | | |
| Accretion expense | 13,658 | - | 100% |
| Interest expense | 10,715 | 759 | 1312% |
| Foreign exchange gain | (3,625) | (7) | -51686% |
| Gain on debt modification | (871) | - | 100% |
| Unrealized gain on derivative liabilities | (33,669) | - | 100% |
| | (13,792) | 752 | -1934% |

Subsequent to the three month period ended September 30, 2020, the Company closed a non-brokered private placement of unsecured convertible debenture units of the Company. These convertible debentures are determined to be a compound instrument, comprising a liability and an embedded derivative liability consisting of a conversion feature and warrants. The introduction of accretion expense and unrealized loss on derivative liabilities in the current quarter is due to the issuance and valuation of the convertible debentures. The gain on debt modification is the result of the Company entering into amendment agreements where the maturity date for the convertible debentures were extended. The foreign exchange loss is mainly related to the issuance of the convertible debentures as they are denominated in Canadian dollars.

Interest expense for the three month period ended September 30, 2021 increased by \$9,956 in comparison to the three month period ended September 30, 2020. The interest expense for the three month period ended September 30, 2020 is due to a promissory note agreement entered into with the Company's at the time shareholder on September 29, 2020 in the amount of \$2,750,000 which bears interest at 5% per annum. The pre-IPO Parent promissory note was settled into equity at December 31, 2020. The interest expense for the three month period ended September 30, 2021 was due to the convertible debentures issued subsequent to the previous period as discussed above. Further, the convertible debentures were converted to equity at the time the Company completed its go-public transaction.

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Financial Position

The following table sets forth a summary of the Company's financial position as of the dates presented:

| | September 30, 2021 \$ | June 30, 2021 \$ | Change over June 30, 2021 % |
|--|-----------------------------|------------------------|-----------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash | 105,742 | 250,533 | -58% |
| Accounts receivable | 930,924 | 903,145 | 3% |
| Prepaid expenses and deposits | 434,876 | 226,200 | 92% |
| Due from shareholder | 269,349 | 164,182 | 64% |
| Total current assets | 1,740,891 | 1,544,060 | 13% |
| Restricted cash | 120,000 | 120,000 | 0% |
| Equipment | 2,761 | - | 100% |
| Intangible assets | 282,442 | 311,753 | -9% |
| Total assets | 2,146,094 | 1,975,813 | 9% |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 1,312,749 | 896,402 | 46% |
| Contract liability - current portion | 1,140,002 | 1,047,947 | 9% |
| Convertible debentures | 207,449 | 189,361 | 10% |
| Derivative liabilities | 213,420 | 230,889 | -8% |
| Warrant liabilities | 175,738 | 191,938 | -8% |
| Total current liabilities | 3,049,358 | 2,556,537 | 19% |
| Contract liability | 2,384,504 | 2,263,029 | 5% |
| Total liabilities | 5,433,862 | 4,819,566 | 13% |
| SHAREHOLDER'S DEFICIENCY | | | |
| Share capital | 2,750,576 | 2,750,576 | 0% |
| Contributed surplus | 717,251 | 551,589 | 30% |
| Deficit | (6,755,595) | (6,145,918) | 10% |
| Total shareholder's deficiency | (3,287,768) | (2,843,753) | 16% |
| Total liabilities and shareholder's deficiency | 2,146,094 | 1,975,813 | 9% |

Total Assets

Total assets were \$2,146,094 as at September 30, 2021, an increase of \$170,281 or 9% from June 30, 2021. The increase in prepaid expenses is due to accrual of legal fees related to the go-public transaction as such fees when paid will be deducted as transaction costs related to the financing and the go-public transaction.

Accounts Receivable

Accounts receivable increased by 3% at September 30, 2021 as compared to June 30, 2021. The increase is a result of higher enrollment fees for the three month period ended September 30, 2021 as compared to the period ended June 30, 2021.

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Restricted cash

Restricted cash relates to deposits in non-interest bearing reserve accounts with Hank's bank partner, that are established and controlled by participating banks to address any possible losses as a result of disputes, fraud, or embezzlement in the Company's operations. There was no change to restricted cash as at September 30, 2021 as compared to June 30, 2021.

Equipment

The increase in equipment can be attributed to the purchase of computers for new employees during the three month period ended September 30, 2021.

Intangibles

Intangible assets are assets acquired that lack physical substance and meet the specified criteria for recognition apart from goodwill. The Company's intangible assets consist of a software platform which includes costs associated with the development of the Company's internally generated proprietary software. There were no additions to intangible assets during the three month period ended September 30, 2021, amortization expense for the period was \$29,311 which relates to the decrease of \$29,311 of intangible assets at September 30, 2021 as compared to June 30, 2021.

For the three month period ended September 30, 2021 the Company expensed \$208,821 (2020 - \$162,057) in relation to the research and maintenance of the Company's internally generated proprietary software. The amount consists of \$148,516 in salaries and wages (2020 - \$129,502) and \$60,305 in consulting fees (2020 - \$32,555). The consulting fees are recorded in software and licensing fees and salaries and wages are recorded in salaries and wages on the statement of operations. The Company owns the rights to all developed software.

Total liabilities

Total liabilities were \$5,433,862 as at September 30, 2021, an increase of \$614,296 or 13% from June 30, 2021. The increase is mainly attributable to an increase in Accounts Payable.

Accounts payable and other liabilities

Accounts payable and accrued liabilities were \$1,312,749 as at September 30, 2021, an increase of \$416,347 or 46% from June 30, 2021. The increase in accounts payable and other liabilities is due to working capital management, professional fees incurred for future financing, and the timing of payments to vendors.

Convertible Debentures and Derivative Liability

During the year ended June 30, 2021, the Company closed non-brokered private placements of unsecured convertible debenture units of the Company for gross proceeds of \$527,269 (CDN \$665,000). Each debenture unit consists of CDN \$1,000 principal amount of unsecured convertible debentures and 1,000 common share purchase warrants of the Company. The convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model. Using the residual method, the carrying amount of the debt component is the difference between the principal amount and the initial fair value of the embedded derivative liabilities.

November 18, 2020 Convertible Debenture

On November 18, 2020, the Company closed a non-brokered private placement of unsecured convertible debenture units of the Company for gross proceeds of CDN \$100,000. Each debenture unit consists of CDN \$1,000 principal amount of unsecured convertible debentures and 1,000 common share purchase warrants of the Company. The debentures mature on March 31, 2021 and bear interest

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at 7% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the debentures and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity at a conversion price equal to a 50% discount of the Company's go-public transaction price per common share.

Each warrant entitles the holder to purchase one common share of the Company until November 18, 2022 at an exercise price equal to a 20% discount of the Company's go-public transaction price per common share.

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair values of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model. Using the residual method, the carrying amount of the debt component is the difference between the principal amount and the initial fair value of the embedded derivative liabilities.

On March 31, 2021, the Company entered into an amendment agreement where the maturity date for the November 18, 2020 convertible debenture, was extended to June 30, 2021. The extension was effective from March 31, 2021. Further, upon a go-public transaction, the balance outstanding on the convertible debenture will convert into common shares of the Company. This substantial modification was accounted for as an extinguishment resulting in a gain on extinguishment of \$1,828 recognized in the statement of operations.

On June 30, 2021, the Company entered into a second amendment agreement where the maturity date for the November 18, 2020 convertible debenture, was extended to September 30, 2021. The extension was effective from June 30, 2021. The Company realized a gain of \$1,533 as a result of this debt modification during the year ended June 30, 2021.

On September 30, 2021, the Company entered into a third amendment agreement where the maturity date for the November 18, 2020 convertible debenture, was extended to October 31, 2021. The extension was effective from September 30, 2021. The Company realized a gain of \$582 as a result of this debt modification during the three month period ended September 30, 2021.

December 7, 2020 Convertible Debenture

On December 7, 2020, the Company closed a non-brokered private placement of unsecured convertible debenture units of the Company for gross proceeds of CDN \$50,000. Each debenture unit consists of CDN \$1,000 principal amount of unsecured convertible debentures and 1,000 common share purchase warrants of the Company. The debentures mature on March 31, 2021 and bear interest at 7% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the debentures and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity at a conversion price equal to a 50% discount of the Company's go-public transaction price per common share. Each warrant entitles the holder to purchase one common share of the Company until December 6, 2022 at an exercise price equal to a 20% discount of the Company's go-public transaction price per common share.

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model. Using the residual method, the carrying amount of the debt component is the difference between the principal amount and the initial fair value of the embedded derivative liabilities.

On March 31, 2021, the Company entered into an amendment agreement where the maturity date for the December 7, 2020 convertible debenture, was extended to June 30, 2021. The extension was

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effective from March 31, 2021. Further, upon a go-public transaction, the balance outstanding on the convertible debenture will convert into common shares of the Company. This substantial modification was accounted for as an extinguishment resulting in a gain on extinguishment of \$1,263 recognized in the statement of operations.

On June 30, 2021, the Company entered into a second amendment agreement where the maturity date for the December 7, 2020 convertible debenture, was extended to September 30, 2021. The extension was effective from June 30, 2021. The Company realized a gain of \$407 as a result of this debt modification during the year ended June 30, 2021.

On September 30, 2021, the Company entered into a third amendment agreement where the maturity date for the December 7, 2020 convertible debenture, was extended to October 31, 2021. The extension was effective from September 30, 2021. The Company realized a gain of \$289 as a result of this debt modification during the three month period ended September 30, 2021.

February 25, 2021 Convertible Debenture

On February 25, 2021, the Company closed a non-brokered private placement of unsecured convertible debenture units of the Company for gross proceeds of CDN \$140,000. Each debenture unit consists of CDN \$1,000 principal amount of unsecured convertible debentures and 1,000 common share purchase warrants of the Company. The debentures mature on April 30, 2023 and bear interest at 7% per annum, accrued monthly and payable at maturity. On April 30, 2021, the rate of interest increased to 15% per annum as a result of the Company not completing the go-public transaction by that date. The outstanding principal amount of the debentures and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity at a conversion price equal to a 20% discount of the Company's go-public transaction price per common share. Further, upon a go-public transaction, the balance outstanding on the convertible debenture will convert into common shares of the Company. Each warrant entitles the holder to purchase one common share of the Company until February 25, 2023 at an exercise price equal to the Company's go-public transaction price per common share.

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model. Using the residual method, the carrying amount of the debt component is the difference between the principal amount and the initial fair value of the embedded derivative liabilities.

April 16, 2021 Convertible Debenture

On April 16, 2021, the Company closed a non-brokered private placement of unsecured convertible debenture units of the Company for gross proceeds of CDN \$375,000. Each debenture unit consists of CDN \$1,000 principal amount of unsecured convertible debentures and 1,000 common share purchase warrants of the Company. The debentures mature on April 16, 2024 and bear interest at 6% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the debentures and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity at a conversion price equal to a 20% discount of the Company's go-public transaction price per common share. Further, upon a go-public transaction, the balance outstanding on the convertible debenture will convert into common shares of the Company. Each warrant entitles the holder to purchase one common share of the Company until April 16, 2023 at an exercise price equal to the Company's go-public transaction price per common share.

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model. Using the residual method, the carrying amount of the debt component is the

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difference between the principal amount and the initial fair value of the embedded derivative liabilities.

Contract Liability

| | September 30, 2021 \$ | June 30, 2021 \$ | Change over June 30, 2021 % |
|--------------------------------------|-----------------------------|------------------------|-----------------------------------|
| Contract liability - current portion | 1,140,002 | 1,047,947 | 9% |
| Contract liability | 2,384,504 | 2,263,029 | 5% |

The Company's contract liability is deferred revenue which relates to revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied). The increase in contract liability over the comparative periods is the result of new contracts being entered into which are partially offset by the recognition of revenue through the passage of time, as the company processes the payments. This liability exclusively relates to the un-earned portion of enrolment fees and excludes any ongoing debit or payment "processing" fees which are material and recurring in nature, and recognized as revenue as and when processing occurs. Typically, consumers are incurring processing fees bi-weekly.

Due to Shareholder

The amount due from/to shareholder is owing to/from the parent (the "Shareholder Loan"). The Shareholder Loan is unsecured, non-interest bearing and due on demand.

On September 29, 2020, the Company and the parent entered into an agreement under which portions of the Shareholder Loan would be settled into a promissory note (the "Promissory Note") up to a maximum facility of US\$3,500,000, as needed by the Company. The Promissory Note bears interest at 5% per annum, is unsecured and due on September 28, 2022. On September 29, 2020, an initial tranche of \$2,750,000 was settled from the Shareholder loan into the Promissory Note.

On December 31, 2020, the \$2,750,000 Promissory Note was settled through the issuance of common shares.

As at September 30, 2021, the Shareholder Loan balance owing from the parent was \$269,349 (June 30, 2021: \$164,182).

Equity

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

On December 17, 2020, the Company completed a 5.83 to 1 share split. All references to the number of shares and per share amounts have been retroactively restated as if the share split occurred effective July 1, 2019.

Common shares

There were no share-based transactions during the three month period ended September 30, 2021.

The Company had the following share-based transactions during the year ended June 30, 2021:

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- On December 31, 2020, the Company entered into a partial shares for debt settlement in relation to the Company's outstanding Shareholder Loan. The Company issued 4,306,293 common shares in exchange for the satisfaction of \$2,750,000 outstanding under the Shareholder Loan of the Company.

Stock-based compensation plan

The Company has a stock option plan (the "Plan") which authorizes the board of directors to grant incentive stock options to directors, employees, and consultants. The maximum number of shares in respect of which options may be outstanding under the Plan at any given time is equivalent to 10% of the issued and outstanding shares of the Company at that time.

During the three month period ended September 30, 2021 and the year ended June 30, 2021, the Company did not issue any stock options or have any outstanding stock options.

Warrants

During the three month period ended September 30, 2021, the Company did not issue any warrants.

During the year ended June 30, 2021, the Company issued 290,000 warrants with the convertible debentures.

On May 1, 2021, Hank issued 2,000,000 warrants to an officer of the Company. Each Warrant is exercisable to acquire one common share of the Company at a price of CAD \$0.47 per share. The fair value of the warrants were valued at \$901,276 (CAD \$1,106,674) using the Black-Scholes model and the following assumptions (in Canadian dollars): share price of CAD \$0.80, expected life of 2.67 years, \$nil dividends, 100% volatility based on comparable companies, exercise price of CAD \$0.47, and a risk-free interest rate of 0.3%.

The warrants will vest in five tranches with 1,000,000 vesting on issuance and the remaining amount vesting at 250,000 warrants each quarter with the first tranche vesting September 30, 2021. For the three month period ended September 30, 2021, Hank recorded \$165,662 (2020: \$Nil) in stock based compensation related to these warrants and 1,250,000 warrants are exercisable as at September 30, 2021 (2020: Nil).

| | Number of warrants | Grant Date | Expiry Date |
|------------------------------------|--------------------|------------|-------------|
| Balance, June 30, 2020 | - | | |
| Warrants granted ⁽ⁱ⁾ | 100,000 | 2020-11-18 | 2022-11-18 |
| Warrants granted ⁽ⁱ⁾ | 50,000 | 2020-12-07 | 2022-12-07 |
| Warrants granted ⁽ⁱⁱ⁾ | 140,000 | 2021-02-25 | 2023-02-25 |
| Warrants granted ⁽ⁱⁱ⁾ | 375,000 | 2021-04-16 | 2023-04-16 |
| Warrants granted ⁽ⁱⁱⁱ⁾ | 2,000,000 | 2021-05-01 | 2023-12-31 |
| Balance, September 30, 2021 | 2,665,000 | | |

(i) These warrants are exercisable at a price equal to a 20% discount of the Company's go-public transaction price per common share.

(ii) These warrants are exercisable at a price equal to the Company's go-public transaction price per common share.

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- (iii) These warrants are exercisable \$0.47 per common share.

Cash Used in Operating Activities

The Company used cash in operating activities in the amount of \$36,606 (September 30, 2020 – \$193,240) for the three month period ended September 30, 2021.

Cash Used in Investing Activities

During the three month period ended September 30, 2021, the Company used \$3,018 to purchase computers for new employees. No cash was used in investing activities for the three month period ended September 30, 2020.

Cash from Financing Activities

Financing activities for the three month periods ended September 30, 2021 and September 30, 2020 were related to the Company's parent shareholder. During the three month period ended September 30, 2021 the Company advanced its shareholder \$105,167. During the three month period ended September 30, 2020, the Company received \$288,505 in advances from this shareholder.

Related Party Transactions

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control of common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. The following are related party transactions during the three month periods ended September 30, 2021 and 2020, not disclosed elsewhere in these financial statements:

- a) On May 1, 2018, the Company entered into a master servicing agreement with Uptempo Marketing Corp. ("Marketing Corp."), a company under common control (the "Agreement"). Under the Agreement, Hank provides processing services to end auto-loan customers procured by Marketing Corp. and assists Marketing Corp. in delivering its marketing services to attract automotive consumers.

As part of the Agreement, when Hank and Marketing Corp. enter into agreements with customers, the gross fees paid or payable by the customer are collected by the Hank banking and technology platform and then shared by Hank and Marketing Corp. based on pre-set terms agreed upon between Hank and Marketing Corp. depending on the types of customer contracts entered into and what is considered market pricing for the services provided by each respective party. Hank provides similar services to other wholesalers of the Hank platform, for similar fee structures. The total amount collected by Hank from customers and remitted to Marketing Corp. for the three month period ended September 30, 2021 amounted to \$612,164 (2020 - \$736,752);

- b) During the three month period ended September 30, 2021, the Company expensed management fees in the amount of \$Nil, (2020 - \$172,514), for expenses incurred by the parent, to operate Hank, as the management agreement was terminated due to all management being employed by Hank;
- c) During the three month period ended September 30, 2021, the Company had expenses that were incurred by related entities, Uptempo Marketing Corp., Uptempo Servicing Corp., a company under common control at the time, and the parent which were charged back to Hank. These expenses

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were charged back as they related to the principal operations of Hank. The total amount charged to Hank by related entities during the three month period ended September 30, 2021, amounted to \$51,517 (2020 - \$467,253), a reduction principally due to termination of the management relationship; and

- d) During the three month period ended September 30, 2021, the Company charged fees in the amount of \$57,309 (2020 - \$Nil), to Marketing Corp. for sales support. The Company incurred costs in relation to these services in the amount of \$49,834, for the three month period ended September 30, 2021 (2020 - \$Nil).

Key Management Compensation

The remuneration of directors and other key management personnel of the Company during the three month periods ended September 30, 2021 and 2020 were as follows:

- a) During the three month period ended September 30, 2021, the Company expensed \$182,027 (2020 - \$Nil) in fees payable to officers of the Company. As at September 30, 2021, the Company had amounts payable to officers of the Company in the amount of \$42,674 (June 30, 2021 - \$20,376); and the amount payable to officers is unsecured, non-interest bearing with no fixed terms of repayment.

Summary of Selected Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, as originally reported, the latest of which ended September 30, 2021. This information has been prepared on the same basis as the Company's condensed interim consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the condensed interim consolidated financial statements of the Company and the related notes to those statements.

| | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 |
|---|-----------|-------------|---------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 936,866 | 945,572 | 879,240 | 834,979 | 747,639 | 623,611 | 649,134 | 625,865 |
| Gross profit | 800,166 | 809,286 | 757,134 | 699,670 | 619,759 | 492,023 | 533,293 | 492,272 |
| Income (loss) from operations | (623,469) | (994,013) | 90,398 | (363,431) | (234,594) | (301,393) | (404,920) | (527,839) |
| Net income (loss) and comprehensive income (loss) | (609,677) | (1,002,099) | 26,995 | (414,121) | (235,346) | (301,393) | (404,920) | (527,839) |
| Loss per share - basic and diluted | (0.01) | (0.01) | 0.00 | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) |

The Company incurred a loss from operations of \$623,469 in Q1 2022 as compared to \$994,013 in the previous quarter. The decrease in the loss from operations is primarily due to one-time transactions including share based compensation expense of \$551,589 incurred in Q4 2021.

Capital Management

The Company includes equity comprised of issued share capital, deficit and cash and cash equivalents in the definition of capital. As at September 30, 2021, the Company's shareholder's

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deficiency was \$3,287,768 (June 30, 2021 – \$2,843,753). The Company's objectives when managing capital are as follows:

- (i) to safeguard the Company's ability to continue as a going concern; and
- (ii) to raise sufficient capital to meet its business objectives.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's long-term and short-term capital requirements. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or debt. There were no changes to the Company's approach to capital management during the three month period ended September 30, 2021 and year ended June 30, 2021. The Company is not exposed to externally imposed capital restrictions.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at September 30, 2021.

Summary of Significant Accounting Policies

The Company's unaudited condensed interim statements of financial position as at September 30, 2021 and June 30, 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period ended September 30, 2021 and September 30, 2020, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to note 3 of the Company's unaudited condensed interim financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements and recent accounting pronouncements.

Financial Instruments

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements is as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3: inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair values of the Company's financial instruments consisting of cash, restricted cash, accounts receivable, due from related party, accounts payable and accrued liabilities, convertible debenture and due to shareholder approximate their carrying value due to the relatively short term maturities of these instruments.

The Company uses the Black-Scholes-Merton valuation model to estimate fair value of the derivative liabilities at each reporting period. This is a level 3 reoccurring fair value measurement. The key level

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3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the convertible debentures. The Company believes that a 1% difference in the inputs used for this fair value measurement would not cause a material difference to the fair value.

The following range of assumptions were used to value the embedded derivative liabilities during the three month period ended September 30, 2021 and the year ended June 30, 2021:

| | | |
|---|-----------------|---|
| Stock price (CDN) | \$0.80 | |
| Exercise price (CDN) | \$0.64 - \$0.80 | |
| Risk-free interest rate | 0.20-0.65 | % |
| Expected life | 0.08 - 3 years | |
| Estimated volatility in the market price of the common shares | 100 | % |
| Dividend yield | Nil | |

During the year three month period ended September 30, 2021, the Company recorded a gain of \$33,669 (2020 - \$Nil), on the revaluation of derivative liabilities included in the statement of operations. As at September 30, 2021, derivative liabilities consisted of warrants and conversion features attached to the convertible debentures discussed above. As at September 30, 2021, the value of derivative liabilities related to the conversion features of these convertible debentures amounted to \$213,420 (June 30, 2021 - \$230,889) and the value of derivative liabilities related to the attached warrants amounted to \$175,738 (June 30, 2021 - \$191,938).

Risk Management

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements. The following analysis provides a measurement of major financial reporting and other risks as at September 30, 2021. This is not a comprehensive list.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk through its financial asset, accounts receivables.

Management believes the identified credit risk and impairment loss related to cash and restricted cash is not significant as such amounts are held at reputable financial institutions. The Company applies the simplified approach to assess and provide for expected credit losses under IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables.

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The lifetime expected credit loss as at September 30, 2021 and June 30, 2021 was determined as follows:

| | September 30, 2021 | June 30, 2021 |
|-------------------------------|-------------------------------|------------------|
| Gross carrying amount | \$ 979,920 | \$ 950,679 |
| Expected credit loss rate | 5% | 5% |
| Lifetime expected credit loss | 48,996 | 47,534 |
| Net carrying amount | \$ 930,924 | \$ 903,145 |

| | September 30, 2021 | June 30, 2021 |
|-------------------------------------|-------------------------------|------------------|
| Beginning balance | \$ 47,534 | \$ 35,487 |
| Write-offs | (35,331) | (120,697) |
| Net remeasurement of loss allowance | 36,793 | 132,744 |
| Ending balance | \$ 48,996 | \$ 47,534 |

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at September 30, 2021, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

The term of the Company's accounts payable and accrued liabilities are all current and consist of the following:

| | September 30, 2021 | June 30, 2021 |
|---------------------|-------------------------------|------------------|
| Trade payables | \$ 332,855 | 277,339 |
| Accrued liabilities | 618,683 | 386,788 |
| Payroll liabilities | 361,211 | 232,275 |
| | \$ 1,312,749 | 896,402 |

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Litigation

The Company may become party to litigation from time to time in the ordinary course of its business which could adversely affect their respective operations. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company ability to continue operating and the value of Company Shares, and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

Regulatory Risks

The company's banking relationships are consistent with regulatory approved processes followed by many payment companies. The company is subject to annual regulatory audits in the United States, through its banking partners, to ensure adherence to banking regulations. The company is also subject to review and selective audits by the Consumer Financial Protection Bureau ("CFPB") when consumer complaints arise in an abnormal quantity. The company adheres to each regulatory requirement and has passed the necessary audits in the past but there are no guarantees that future regulatory changes, if any, will not impact the business.

Use and Protection of Intellectual Property

Hank's success depends significantly upon its banking and technology platform and banking relationships in the United States. The Company generally relies on a combination of agreements and other contractual provisions to establish, maintain and protect their proprietary rights, all of which afford only limited protection. There can be no assurance that any pending or future patent or trademark applications will be granted; that any current or future patents or trademarks will not be challenged, invalidated or circumvented; or that the rights granted under such patents or trademarks will provide competitive advantages to the Company. There can be no assurance that other persons have not applied or will not apply for patent protection for products which utilize the same or similar processes as those used by Hank. The inability of the Company to adequately protect its proprietary rights could have a material adverse effect on the Company's business, results of operations and financial condition.

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are important aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use Hank's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights upon which the Company will depend at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

Other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from

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third parties who allege that the Company has infringed on their lawful rights. Such licenses may not be available on terms acceptable to the Company, or at all. In addition, the Company may not be able to obtain or utilize on terms that are favourable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

History of Losses

Hank Payments has incurred operating losses in prior periods. The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, the Company expects to continue to increase its operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset its expected increases in costs and operating expenses, the Company may not be profitable.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require continued implementation and improvement of their operational and financial systems and for each to expand, train and manage their respective employee bases. The inability of the Company to deal with growth may have a material adverse effect on business, financial conditions, results of operations and prospects.

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 interest rates on all of the Company's existing debt are fixed, and there not currently subject to any significant interest rate risk.

Currency Risk

The Company operates in Canada and the United States. The functional currency of the Company is the U.S. dollar. The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management.

The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to the financial results for the period. As at September 30, 2021, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

Price Risk

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. In addition, the Company does not have any equity investment in other listed public companies, and therefore it is not subject to any significant stock market price risk.

Financial Reporting

The accounting policies and estimates used by the Company determine how it reports its financial condition and results of operations; this may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results of operations and financial condition. The Company assesses the carrying value of assets at least annually. From an accounting perspective, the carrying value of Intangible Assets could be diminished in the future.

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Internal Control Over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Subsequent Events

On August 13, 2021 and September 10, 2021, the Company closed two tranches of its brokered private placement financing (the “Financing”) of Subscription Receipts at a price of CAD \$1.00 per Subscription Receipt for a total of CAD \$3,142,500 (USD \$2,503,827). Upon completion of the proposed qualifying on the TSX-V, each Subscription Receipt converted into one unit (the “Unit”) comprised of one common share and one common share purchase warrant. The exercise price of the warrants is CAD \$1.00 and they expire three years following closing of the Transaction. In connection with the Financing, CAD \$109,988 (USD \$87,634) was paid to the agents and they were issued 219,975 compensation warrants. An additional CAD \$109,988 (USD \$87,634) will be owed and paid to the agents upon the completion of the Transaction. These warrants are exercisable to acquire one Unit at CAD \$1.00 for a period of two years from the closing of the Transaction. A corporate finance fee in the amount of CAD \$177,500 (USD \$141,840) was also paid to the agents and an additional CAD \$177,500 (USD \$141,840) will be owed and paid to the agents upon the completion of the Transaction.

On October 13, 2021, the Company completed a three-cornered amalgamation with Nobelium Tech Corp (the “Qualifying Transaction”). The resulting issuer, Hank Payments Corp. (the “Resulting Issuer”) and its shares started trading on the TSX-V on October 20, 2021 under the stock symbol “HANK”. As part of the Qualifying Transaction, the subscription receipts issued by the Company, on August 13, 2021 and September 10, 2021 pursuant to the Financing, were automatically converted, into shares and warrants of the Resulting Issuer.

Prior to the completion of the Qualifying Transaction, Nobelium effected a consolidation of its outstanding common shares on the basis of one post-consolidation common share for every 4 pre-consolidation common shares. The Qualifying Transaction was completed through the exchange of all of the outstanding shares of Hank into common shares of the Resulting Issuer on a one for one basis (the “Resulting Issuer Shares”). In addition, the Qualifying Transaction was completed through the conversion of all of the Company’s securities exercisable or exchangeable for, or convertible into, or other rights to acquire the Company’s securities outstanding, including those acquired by way of the private placement. This includes the conversion of convertible debentures of CAD \$665,000 (USD \$527,267) into 850,000 common shares.

As a result of the Qualifying Transaction, the security holders of the Company hold 62,606,293 Resulting Issuer Shares. A total of 70,019,551 Resulting Issuer Shares are issued and outstanding. On October 13, 2021, The Company issued 5,100,000 Registered Share Units and 4,825,500 Stock Options of the Resulting Issuer.