



**Hank Payments Corp.**  
**(formerly Nobelium Tech Corp.)**

**Unaudited Condensed Consolidated Interim Financial Statements**  
**For the Three Months Ended September 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

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**Hank Payments Corp. (formerly Nobelium Tech Corp.)**

Notice to Reader Issued by Management

The accompanying unaudited condensed consolidated interim financial statements have been prepared and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of the unaudited condensed consolidated interim financial statements.

November 29, 2022

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Unaudited Condensed Consolidated Interim Statements of Financial Position  
As at September 30, 2022 and June 30, 2022  
(Expressed in Canadian Dollars)

	Note	September 30, 2022	June 30, 2022
	#	\$	\$
<b>ASSETS</b>			
Current			
Cash		611,352	803,146
Accounts receivable	12	862,428	1,026,674
Prepaid expenses and deposits		240,299	327,051
Sales tax receivable		108,218	97,816
<b>Total current assets</b>		<b>1,822,297</b>	<b>2,254,687</b>
Due from related party	7	1,326,572	1,013,151
Restricted cash	4	164,484	154,632
Equipment	5	13,090	15,126
Intangible assets	6	378,786	344,144
<b>Total assets</b>		<b>3,705,229</b>	<b>3,781,740</b>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	12	3,329,369	2,819,494
Contract liability - current portion	9	1,503,793	1,466,779
Convertible debentures	8	36,949	18,716
<b>Total current liabilities</b>		<b>4,870,111</b>	<b>4,304,989</b>
Convertible debentures	8	402,480	634,039
Contract liability	9	3,033,785	2,976,695
<b>Total liabilities</b>		<b>8,306,376</b>	<b>7,915,723</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	10	8,396,421	8,156,340
Contributed surplus	10	7,352,084	6,978,999
Other comprehensive income		(24,058)	222,503
Deficit		(20,325,594)	(19,491,825)
<b>Total shareholders' deficiency</b>		<b>(4,601,147)</b>	<b>(4,133,983)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>3,705,229</b>	<b>3,781,740</b>

*Nature of operations and going concern (Note 1)*

*Related party transactions (Note 11)*

*Subsequent events (Note 16)*

**Approved on behalf of the Board:**

\_\_\_\_\_  
"Michael Hilmer", Director  
(signed)

\_\_\_\_\_  
"Jason Ewart", Director  
(signed)

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

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive (Loss)  
For the Three Months Ended September 30, 2022 and 2021  
(Expressed in Canadian Dollars)

	Note	2022	Restated (Note 2d) 2021
	#	\$	\$
<b>Revenue</b>			
Bank processing fees		787,394	656,675
Enrollment fees	9	671,892	451,566
Other revenue	11(c)	82,302	72,209
<b>Total revenue</b>		<b>1,541,588</b>	<b>1,180,450</b>
<b>Cost of sales</b>		<b>137,707</b>	<b>172,242</b>
<b>Gross profit</b>		<b>1,403,881</b>	<b>1,008,208</b>
<b>Expenses</b>			
Salaries and wages	6,11	1,222,400	1,100,304
Stock based compensation	10,11	373,085	208,734
Software and licensing fees	6	139,856	219,016
Professional fees		32,161	26,807
Office and general		351,975	155,305
Bad debts		77,134	46,359
Depreciation	5	2,531	324
Amortization	6	44,292	36,932
		<b>2,243,434</b>	<b>1,793,781</b>
<b>Loss from operations</b>		<b>(839,553)</b>	<b>(785,573)</b>
<b>Other expenses (income)</b>			
Accretion expense	8	9,454	17,209
Interest expense		17,534	13,501
Foreign exchange gain		(32,772)	(4,568)
Loss on debt modification	8	-	1,097
Gain on derivative liabilities	12	-	(42,423)
<b>Net loss</b>		<b>(833,769)</b>	<b>(770,390)</b>
<b>Other Comprehensive loss</b>			
Currency translation adjustment		(246,561)	(210,116)
<b>Comprehensive loss</b>		<b>(1,080,330)</b>	<b>(980,506)</b>
<b>Loss per share - basic and diluted</b>		<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of outstanding common shares - basic and diluted</b>			
		<b>71,700,825</b>	<b>62,606,293</b>

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

## Hank Payments Corp. (formerly Nobelium Tech Corp.)

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency  
As at September 30, 2022 and 2021  
(Expressed in Canadian Dollars)

	Number of Common Shares (Note 11) #	Share Capital \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Shareholders' Deficiency \$
<b>Balance, June 30, 2021</b>	<b>62,606,293</b>	<b>3,502,097</b>	<b>677,295</b>	<b>465,039</b>	<b>(8,058,508)</b>	<b>(3,414,077)</b>
Stock-based compensation	-	-	208,734	-	-	208,734
Currency translation adjustment	-	-	-	(210,116)	-	(210,116)
Net loss for the period	-	-	-	-	(770,390)	(770,390)
<b>Balance, September 30, 2021</b>	<b>62,606,293</b>	<b>3,502,097</b>	<b>886,029</b>	<b>254,923</b>	<b>(8,828,898)</b>	<b>(4,185,849)</b>
<b>Balance, June 30, 2022</b>	<b>71,048,651</b>	<b>8,156,340</b>	<b>6,978,999</b>	<b>222,503</b>	<b>(19,491,825)</b>	<b>(4,133,983)</b>
Stock-based compensation	-	-	373,085	-	-	373,085
Conversion of debt (Note 9)	2,000,000	240,081	-	-	-	240,081
Currency translation adjustment	-	-	-	(246,561)	-	(246,561)
Net loss for the period	-	-	-	-	(833,769)	(833,769)
<b>Balance, September 30, 2022</b>	<b>73,048,651</b>	<b>8,396,421</b>	<b>7,352,084</b>	<b>(24,058)</b>	<b>(20,325,594)</b>	<b>(4,601,147)</b>

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

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Unaudited Condensed Consolidated Interim Statements of Cash Flows  
For the Three Months Ended September 30, 2022 and 2021  
(Expressed in Canadian Dollars)

	2022	Restated (Note 2d) 2021
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(833,769)	(770,390)
Adjusted for non-cash items:		
Amortization	44,292	36,932
Depreciation	2,531	324
Accrued interest expense	17,534	13,501
Accretion expense	9,454	17,209
Gain on debt modification	-	1,097
Exchange (gain)	(32,772)	(4,568)
Stock based compensation	373,085	208,734
Gain on derivative liabilities	-	(42,423)
<b>Changes in non-cash working capital items:</b>		
Prepaid expenses and deposits	86,752	(273,724)
Accounts receivable	164,246	(66,732)
HST receivable	(10,402)	-
Contract liability	94,104	386,949
Accounts payable and accrued liabilities	509,875	561,575
Cash provided by operating activities	424,930	68,486
<b>Investing activities</b>		
Additions to equipment	-	(3,845)
Additions to intangible assets	(59,216)	-
Advances to related party	(280,650)	(135,122)
Cash used in investing activities	(339,866)	(138,967)
<b>Financing activities</b>		
Interest paid on debentures	(233)	-
Cash used in financing activities	(233)	-
Effect of currency translation	(276,625)	(105,300)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(191,794)</b>	<b>(175,781)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>803,146</b>	<b>310,511</b>
<b>Cash and cash equivalents, end of period</b>	<b>611,352</b>	<b>134,730</b>
<b>Supplemental Information:</b>		
Shares issued on conversion of debentures	240,081	-

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

# **Hank Payments Corp. (formerly Nobelium Tech Corp.)**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Month Periods Ended September 30, 2022 and 2021  
(Expressed in Canadian Dollars)

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Hank Payments Corp. (formerly Nobelium Tech Corp.) (the “Company” or “Hank”) was incorporated under the Canada Business Corporations Act on February 26, 2015, as Aconi Capital Corporation and changed its name to Nobelium Tech Corp. on January 8, 2016, and to Hank Payments Corp. on October 13, 2021. The Company’s head office is located at 66 Wellington St. West, Suite 4100, Toronto, Ontario, M5K 1B7. The Company’s shares trade on the TSX-V under the stock symbol “HANK”.

On October 13, 2021, the Company completed the reverse takeover (“RTO”) of Hank Payments Corp. (formerly The Card Collaborative Corp.) (“Hank US”). Hank US was incorporated on October 29, 2014, in the State of Florida. On January 13, 2021, the Company filed articles of amendment to change its name to Hank Payments Corp. These unaudited condensed consolidated interim financial statements are presented as a continuation of Hank US as the deemed acquirer.

These unaudited condensed consolidated interim financial statements of the Company have been prepared on a going concern basis which presumes the Company will continue in operation and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of \$833,769 during the three month period ended September 30, 2022 (September 30, 2021 – \$770,390), and has a total accumulated deficit of \$20,325,594 as at September 30, 2022 (June 30, 2022 – \$19,491,825). The Company’s ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. To this point, all operational activities and overhead costs shortfalls have been funded through the issuance of debt and equity instruments.

The Company believes that continued funding from equity and debt issuances will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurances that the Company will continue to have the required funding for its operations. These material uncertainties cast significant doubt as to the Company’s ability to continue as a going concern. As at September 30, 2022 and June 30, 2022, these financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## **2. BASIS OF PREPARATION**

### **(a) Statement of Compliance**

The Company’s condensed consolidated interim financial statements (these “financial statements”) have been prepared in conformity with IAS 34 – Interim Financial Reporting. These financial statements of the Company were prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”).

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Month Periods Ended September 30, 2022 and 2021  
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## 2. BASIS OF PREPARATION (continued)

The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgments in applying the Company's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements were authorized for issue by the Board of Directors on November 29, 2022.

### (b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its wholly owned subsidiary, Hank US.

A subsidiary is an entity over which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. A subsidiary is consolidated from the date upon which control is acquired by the Company and all intercompany transactions and balances have been eliminated on consolidation.

### (c) Basis of Presentation

These financial statements have been prepared on a historical cost basis, except where otherwise disclosed. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### (d) Functional and Presentation Currency

These financial statements are presented in Canadian dollars. The functional currency of the Company, as determined by management, is Canadian dollars and the functional currency of the Company's subsidiary is United States dollars.

For the year ended June 30, 2022, the Company elected to change the presentation currency from United States dollars to Canadian Dollars. The change in presentation currency is a voluntary change which is accounted for retrospectively. The comparative periods have been restated to Canadian dollars using the procedures outlined below:

1. Statements of Operations and Comprehensive Loss and Statement of Cash Flows have been translated into Canadian dollars using average foreign currency rates for the relevant period.
2. Assets and liabilities in the Statement of Financial Position have been translated into Canadian dollars at the closing currency rates on the relevant reporting dates.
3. The equity section of the Statement of Financial Position, including foreign currency translation reserve, deficit, share capital and reserves, have been translated into Canadian dollars using historical rates.

# **Hank Payments Corp. (formerly Nobelium Tech Corp.)**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Month Periods Ended September 30, 2022 and 2021  
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## **2. BASIS OF PREPARATION (continued)**

4. Earnings per share has also been restated to Canadian dollars to reflect the change in presentation currency.
5. Translation differences are recorded in Other comprehensive income as currency translation adjustments.

In making this change in presentation currency, the Company followed the requirements set out in IAS 21 - The Effects of Change in Foreign Exchange Rates ("IAS 21"). In accordance with IAS 21, comparative financial information has been retroactively restated to reflect the Company's results as if they had been historically presented in Canadian dollars (see note 15).

### **(e) Use of Estimates and Judgements**

The preparation of these financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain.

The impacts of such estimates are pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The key assumptions concerning the future, and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year arise in connection with the valuation of financial instruments, contract liabilities and revenue recognition and deferred taxes. Also, see Note 3, Significant accounting judgement and estimates.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the Company are the same as those applied as at and for the year ended June 30, 2022 and are consistently applied to all periods presented except as noted below. They do not include all the information required for full annual financial statements in accordance with IFRS and should be read in conjunction with the audited financial statements for the year ended June 30, 2022.

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Month Periods Ended September 30, 2022 and 2021  
(Expressed in Canadian Dollars)

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgement and estimates

#### *Expected credit losses*

Determining allowance for expected credit losses (“ECLs”) requires management to make assumptions about historical patterns for probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what historical patterns suggest.

#### *Leases*

To determine the carrying amount of right-of-use assets and lease liabilities, the Company must estimate the incremental borrowing rate for each leased asset if the interest rate implicit in the lease cannot be readily determined. Management determines the incremental borrowing rate for each leased asset by taking into account the Company’s credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment.

#### *Provisions*

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

#### *Deferred tax assets*

The Company recognizes deferred tax assets only to the extent that it considers it probable that those assets will be recoverable. The Company makes assumptions about when deferred tax assets are probable to reverse, the extent to which it is probable that temporary differences will reverse and whether or not there will be sufficient taxable profits available to realize the tax assets when they do reverse. In making these judgments, the Company continually evaluates the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.

#### *Revenue recognition*

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. Management also applies judgement in the calculation of the estimated life of a contract, the value of amounts recoverable on contracts and the timing of revenue recognition

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Month Periods Ended September 30, 2022 and 2021  
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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgement and estimates (continued)

#### *Capitalization of qualifying development costs*

In assessing whether development costs qualify for capitalization, management makes judgments and estimates related to expectations of technical feasibility in completing the project, the probability of future economic benefits, the availability of adequate technical and financial resources to complete the development, the ability to reliably measure the costs, and whether the Company intends to complete development, and to use or sell the assets.

In making these judgments and estimates, management has assessed various sources of information, including but not limited to, internal and external scoping and feasibility studies, forecasted cash flows associated with the developments and with operations, in general, which are used to support whether or not the Company will have sufficient resources to complete the development of the assets. Changes in management's judgments, estimates and assumptions, could have a material effect in the future on the Company's financial position and results of operations.

#### *Amortization and impairment of non-financial assets*

The Company reviews amortized non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. It also reviews annually non-financial assets with indefinite life for impairment. If the recoverable amount of the respective non-financial asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, management makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments. The amortization expense related to intangible assets and depreciation related to equipment are determined using estimates relating to the useful life of the related assets.

#### *Fair value of financial assets and financial liabilities*

Fair value of financial assets and financial liabilities on the statement of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

#### *Derivative liabilities*

The Company measures the embedded derivative liabilities relating to the conversion feature of the convertible debentures and warrants issued using the Black-Scholes-Merton valuation model taking into account the features of the instrument and market data as at the grant date and subsequent reporting dates on the basis of the Company's management assumptions.

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Month Periods Ended September 30, 2022 and 2021  
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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgement and estimates (continued)

#### *Share-based payments*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

### New standards not yet adopted and interpretations issued but not yet effective

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

# **Hank Payments Corp. (formerly Nobelium Tech Corp.)**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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## **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **New standards not yet adopted and interpretations issued but not yet effective (continued)**

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

## **4. RESTRICTED CASH**

Restricted cash relates to deposits in non-interest bearing reserve accounts that are established and controlled by participating banks to cover any possible losses as a result of disputes, fraud, or embezzlement in the Company’s operations. As at September 30, 2022, restricted cash was related to one deposit in the amount of \$164,484 (USD\$120,000) (June 30, 2022 - \$154,632 (USD\$120,000)).

## Hank Payments Corp. (formerly Nobelium Tech Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
For the Three Month Periods Ended September 30, 2022 and 2021  
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### 5. EQUIPMENT

Equipment is comprised of office furniture and computer equipment and consists of the following:

<b>Cost</b>		
Balance at July 1, 2021	\$	2,267
Additions		21,962
Currency translation		(106)
<b>Balance at June 30, 2022</b>		<b>24,123</b>
Additions		-
Currency translation		1,048
<b>Balance at September 30, 2022</b>	<b>\$</b>	<b>25,171</b>
<b>Depreciation</b>		
Balance at July 1, 2021	\$	(2,267)
Additions		(6,555)
Currency translation		(175)
<b>Balance at June 30, 2022</b>		<b>(8,997)</b>
Additions		(2,531)
Currency translation		(553)
<b>Balance at September 30, 2022</b>	<b>\$</b>	<b>(12,081)</b>
<b>Net Book Value</b>		
<b>Balance, June 30, 2022</b>	<b>\$</b>	<b>15,126</b>
<b>Balance, September 30, 2022</b>	<b>\$</b>	<b>13,090</b>

Depreciation recorded on equipment for the three months ended September 30, 2022 amounted to \$2,531 (2021 - \$324).

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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## 6. INTANGIBLE ASSETS

Intangible assets relate to a software platform which includes costs associated with the development of the Company's internally generated proprietary software. Intangible assets are comprised of the following:

<b><u>Cost</u></b>		
Balance at July 1, 2021	\$	726,550
Additions		97,163
Currency translation		28,842
<b>Balance at June 30, 2022</b>		<b>852,555</b>
Additions		59,216
Currency translation		54,319
<b>Balance at September 30, 2022</b>	<b>\$</b>	<b>966,090</b>
<b><u>Amortization</u></b>		
Balance at July 1, 2021	\$	(340,163)
Additions		(152,018)
Currency translation		(16,230)
<b>Balance at June 30, 2022</b>		<b>(508,411)</b>
Additions		(44,292)
Currency translation		(34,601)
<b>Balance at September 30, 2022</b>	<b>\$</b>	<b>(587,304)</b>
<b><u>Net Book Value</u></b>		
<b>Balance, June 30, 2022</b>	<b>\$</b>	<b>344,144</b>
<b>Balance, September 30, 2022</b>	<b>\$</b>	<b>378,786</b>

Amortization recorded on intangible assets for the three month period ended September 30, 2022 amounted to \$44,292 (2021 - \$36,932).

For the three month period ended September 30, 2022 the Company expensed \$200,896 (2021 - \$263,114), in relation to the research and maintenance of the Company's internally generated proprietary software. The amount consists of \$197,927 (2021 - \$187,130), in salaries and wages and \$2,969 (2021 - \$75,984), in consulting fees. 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.

## 7. DUE FROM RELATED PARTY

The amount due from related party, a shareholder and wholesaler, is unsecured, non-interest bearing and due on demand.

As at September 30, 2022, the balance owing from the related party was \$1,326,572 (June 30, 2022: \$1,013,151).

# Hank Payments Corp. (formerly Nobelium Tech Corp.)

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## 8. CONVERTIBLE DEBENTURES

Transactions related to the Company's convertible debentures during the three month periods ended September 30, 2022 and 2021 include the following:

	2022	2021
<b>Carrying amount of debt, June 30,</b>	<b>652,755</b>	235,295
Issued during the year	-	-
Accretion	<b>9,454</b>	17,209
Accrued interest	<b>17,534</b>	13,501
Gain on debt modification	-	(1,097)
Interest paid	<b>(233)</b>	-
Converted during the year	<b>(240,081)</b>	-
<b>Carrying amount of debt, September 30,</b>	<b>439,429</b>	264,908

Convertible debentures are comprised of the following:

	November 18, 2020 \$	December 7, 2020 \$	February 25, 2021 \$	April 16, 2021 \$	June 13, 2022 \$	Total \$
<b>Carrying amount of debt at June 30, 2021</b>	<b>102,172</b>	<b>50,909</b>	<b>38,254</b>	<b>43,960</b>	-	<b>235,295</b>
Proceeds from issuance of convertible debentures	-	-	-	-	800,000	800,000
Amounts classified as equity instruments	-	-	-	-	(168,881)	(168,881)
Gain on debt modification	(733)	(364)	-	-	-	(1,097)
Accreted interest	2,863	1,422	6,963	9,363	1,989	22,600
Interest expense	1,995	997	5,984	6,410	3,726	19,112
Debentures converted	(100,000)	(50,000)	(39,690)	(48,634)	-	(238,324)
Interest paid	-	-	(2,056)	(11,099)	(2,795)	(15,950)
<b>Carrying amount of debt at June 30, 2022</b>	<b>6,297</b>	<b>2,964</b>	<b>9,455</b>	-	<b>634,039</b>	<b>652,755</b>
Accreted interest	-	-	-	-	9,454	9,454
Interest expense	-	-	-	-	17,534	17,534
Debentures converted	-	-	-	-	(240,081)	(240,081)
Interest paid	-	-	-	-	(233)	(233)
<b>Carrying amount of debt at September 30, 2022</b>	<b>6,297</b>	<b>2,964</b>	<b>9,455</b>	-	<b>420,713</b>	<b>439,429</b>
Current carrying amount at September 30, 2022	6,297	2,964	9,455	-	18,233	36,949
Long term carrying amount at September 30, 2022	-	-	-	-	402,480	402,480

### *June 13, 2022 Convertible Debenture*

On June 13, 2022, the Company closed a non-brokered private placement of unsecured convertible debenture units (the "Units") of the Company for gross proceeds of \$800,000; of which \$500,000 was received in cash and \$300,000 was issued in settlement of outstanding payables. Each Unit consists of one \$1,000 convertible debenture ("Debentures") and 3,333 common share purchase warrants ("Warrant"). The Debentures mature on and become payable on June 13, 2025 and bear interest at a fixed rate of 10% per annum, payable quarterly. The Debentures are direct, unsecured obligations of the Company, ranking equally with all other unsecured indebtedness of the Company. At any time before maturity, a holder of Debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.15 per share (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Debentures at any time after June 13, 2023, at the

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## 8. CONVERTIBLE DEBENTURES (continued)

Conversion Price on not less than 5 days notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.50. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.25 per common share until June 13, 2024.

The Units are determined to be a compound instrument, comprising a liability, a conversion feature and warrants. Both conversion feature and warrants met the fixed for fixed criteria and were therefore presented as equity instruments in accordance with IAS 32. The fair value of the debt component was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial fair value of the financial liability. The fair value of the liability was determined to be \$631,119. The residual value of \$168,881 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of \$112,294 and \$56,587, respectively. The carrying value of the Units, net of the equity components, have been accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

As at September 30, 2022, the value of the Debentures amounted to \$420,713 (June 30, 2022 – \$634,039). Accretion expense of \$9,454 (September 30, 2021 - \$nil) and interest expense of \$17,534 (September 30, 2021 - \$nil) were recorded in relation to these Debentures for the three month period ended September 30, 2022. During the three month period ended September 30, 2022, the Company paid \$233 (September 30, 2021 - \$nil) in interest owing on these Debentures.

On August 29, 2022, at the option of the holder, \$300,000 of the June 13, 2022, convertible debentures were converted into 2,000,000 common shares of the Company.

### *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 \$100,000. Each debenture unit consists of \$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 November 18, 2022 at an exercise price equal to a 20% discount of the Company's go-public transaction price per common share.

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## 8. CONVERTIBLE DEBENTURES (continued)

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 assumptions disclosed in Note 12. 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 \$2,299 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 \$1,897 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 \$733 as a result of this debt modification during the year ended June 30, 2022.

On October 13, 2021, the November 18, 2020 convertible debentures were converted into 200,000 common shares of the Company. At September 30, 2022, accrued interest in the amount of \$6,297 remains owing on these debentures.

### *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 \$50,000. Each debenture unit consists of \$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 assumptions disclosed in Note 12. Using the residual method, the carrying amount of the debt component is the difference between the principal amount and the initial

# Hank Payments Corp.

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### 8. CONVERTIBLE DEBENTURES (continued)

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 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 \$6,968 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 \$496 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 \$364 as a result of this debt modification during the year ended June 30, 2022.

On October 13, 2021, the December 7, 2020 convertible debentures were converted into 100,000 common shares of the Company. At September 30, 2022, accrued interest in the amount of \$2,964 remains owing on these debentures.

#### *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 \$140,000. Each debenture unit consists of \$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 assumptions disclosed in Note 12. 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.

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## 8. CONVERTIBLE DEBENTURES (continued)

On October 13, 2021, the February 25, 2021 convertible debentures were converted into 175,000 common shares of the Company. At September 30, 2022, accrued interest in the amount of \$9,455 remains owing on these debentures.

### *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 \$375,000. Each debenture unit consists of \$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 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 assumptions disclosed in Note 12. 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 October 13, 2021, the April 16, 2021 convertible debentures were converted into 375,000 common shares of the Company. During the year ended June 30, 2022, the Company paid all accrued interest owing on these debentures in the amount of \$11,099.

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## 9. CONTRACT LIABILITY

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) which amounted to \$4,537,578 at September 30, 2022 (June 30, 2022 - \$4,443,474). Details of the Company's contract liability is noted as follows:

	<b>September 30, 2022</b>	June 30, 2022
Opening balance	\$ 4,443,474	\$ 4,103,624
Revenue recognized from contract liability	(671,892)	(2,316,520)
Additions	516,395	2,535,010
Currency translation adjustment	249,601	121,360
Ending balance	<b>\$ 4,537,578</b>	<b>\$ 4,443,474</b>
Current portion	\$ 1,503,793	\$ 1,466,779
Long-term portion	\$ 3,033,785	\$ 2,976,695

Revenue from customer contracts are derived entirely from customers in the United States.

## 10. SHARE CAPITAL

On October 13, 2021, the Company completed the RTO of Hank US. As the financial statements are considered a continuance of the operations of Hank US due to the reverse takeover, all of the share numbers and share prices in these financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

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

### a) Common shares

The Company had the following share-based transactions during the three month period ended September 30, 2022:

- On August 29, 2022, the Company issued 2,000,000 common shares upon conversion of the June 8 convertible debentures (Note 8).

The Company had no share-based transactions during the three month period ended September 30, 2021.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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## 10. SHARE CAPITAL (continued)

### b) Stock Options

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. Options may be exercisable for a maximum period of 10 years from the date of grant. The exercise price and vesting terms of any option granted pursuant to the Plan shall be determined by the Hank Board when granted.

During the three month period ended September 30, 2022 the Company had the following stock option activity:

- On August 5, 2022, the Company issued 400,000 stock options to a consultant. The fair value of the options were valued at \$16,012 using the Black-Scholes model and the following assumptions: share price of \$0.11, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.20, and a risk-free interest rate of 3.25%. The stock options vest in four equal tranches with one fourth vesting on November 5, 2022, one fourth vesting on February 5, 2023, one fourth vesting on May 5, 2023 and the last fourth vesting on August 5, 2023. During the three month period ended September 30, 2022, the Company expensed \$5,090 (September 30, 2021: \$nil) as stock based compensation relating to the vesting of these options.
- On October 13, 2021, the Company issued 250,000 stock options to an employee. The fair value of the options were valued at \$142,191 using the Black-Scholes model and the following assumptions: share price of \$0.65, expected life of 10 years, \$nil dividends, 100% volatility, exercise price of \$1.00, and a risk-free interest rate of 1.61%. The stock options vest in three equal tranches with one third vesting on June 7, 2022, one third vesting on June 7, 2023 and the last third vesting on June 7, 2024. During the three month period ended September 30, 2022, the Company expensed \$3,959 (September 30, 2021: \$nil) as stock based compensation relating to the vesting of these options. On August 10, 2022, the employee resigned from the Company and as a result all unvested options were cancelled and vested options are exercisable for one year from the date of resignation.

During the three month period ended September 30, 2021 the Company had no stock option activity.

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### 10. SHARE CAPITAL (continued)

Stock option activity for the period ended September 30, 2022 is as follows;

	Number of Options	Weighted Average Exercise Price
Balance June 30, 2022	4,740,000	\$ 0.97
Granted	400,000	\$ 0.20
Expired/Cancelled	(1,166,667)	\$ 1.00
<b>Outstanding, September 30, 2022</b>	<b>3,973,333</b>	<b>\$ 0.89</b>
<b>Exercisable, September 30, 2022</b>	<b>3,573,333</b>	<b>\$ 0.96</b>

Details of the options outstanding and exercisable as at September 30, 2022 are as follows:

Expiry Date	Number of Options Outstanding	Number of Options Vested	Exercise Price
November 29, 2031	20,000	20,000	\$ 1.00
October 13, 2031	3,320,000	3,320,000	\$ 1.00
October 13, 2031	83,333	83,333	\$ 1.00
May 30, 2024	150,000	150,000	\$ 0.15
August 5, 2024	400,000	-	\$ 0.20
<b>Balance, June 30, 2022</b>	<b>3,973,000</b>	<b>3,573,000</b>	

#### c) Restricted Stock Units

The Company has a Restricted Stock Unit plan ("RSUs") which authorizes the board of directors to grant incentive RSUs 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 7,001,956 shares less any shares reserved pursuant to the Company's other share compensation arrangements. The vesting terms and other conditions of any RSUs granted shall be determined by the Hank Board when granted.

During the three month period ended September 30, 2022 the Company had the following RSU activity:

- On October 13, 2021, Hank issued 4,600,000 RSUs to certain employees and consultants valued at \$2,990,000. The RSUs include 3,500,000 RSUs valued at \$2,275,000 that were issued to Officers and Directors. The RSUs vest in three equal tranches with one third vesting on the transaction date, one third vesting on October 13, 2022 and the last third vesting on October 13, 2023. During the three month period ended September 30, 2022, the Company expensed \$353,641 (September 30, 2021: \$nil) as stock based compensation related to the vesting of these RSUs. which includes \$284,375, in stock based compensation to officers and directors.

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## 10. SHARE CAPITAL (continued)

- On October 13, 2021, Hank issued 500,000 RSUs to an employee valued at \$325,000. The RSUs vest in three equal tranches with one third vesting on June 7, 2022, one third vesting on June 7, 2023 and the last third vesting on June 7, 2024. During the three month period ended September 30, 2022, the Company expensed \$8,873 (September 30, 2021: \$nil) as stock based compensation related to the vesting of these RSUs. On August 10, 2022, the employee resigned from the Company and as a result all unvested RSUs were cancelled.
- On November 12, 2021, Hank issued 20,000 RSUs to an employee of the Company valued at \$8,000. The RSUs vest in three equal tranches with one third vesting on November 12, 2022, one third vesting on November 12, 2023 and the last third vesting on November 12, 2024. During the three month period ended September 30, 2022, the Company expensed \$1,222 (September 30, 2021: \$nil) as stock based compensation related to the vesting of these RSUs.
- On December 13, 2021, Hank issued 25,000 RSUs to an employee of the Company valued at \$7,625. The RSUs vest in four tranches with 5,000 vesting 30 days from issuance, 6,666 vesting on December 13, 2022, 6,666 vesting on December 13, 2023 and the last 6,668 vesting on December 13, 2024. During the three month period ended September 30, 2022, the Company expensed \$300 (September 30, 2021: \$nil) as stock based compensation related to the vesting of these RSUs. On August 5, 2022, the employee resigned from the Company and as a result all unvested RSUs were cancelled.

During the three month period ended September 30, 2021 the Company had no RSU activity.

RSU activity for the three month period ended September 30, 2022 is as follows:

	Number of RSUs	
	2022	2021
Opening balance, June 30,	5,128,417	-
Cancelled	(1,120,000)	-
<b>Outstanding, September 30,</b>	<b>4,008,417</b>	-
<b>Exercisable, September 30,</b>	<b>1,095,084</b>	-

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## 10. SHARE CAPITAL (continued)

Details of the RSUs vested and exercised are as follows:

<b>Issuance Date</b>	<b>Number of RSUs Outstanding</b>	<b>Number of RSUs Vested</b>	<b>Number of RSUs Exercised</b>
October 13, 2021	3,816,750	1,533,333	616,583
October 13, 2021	166,667	166,667	-
November 1, 2021	-	150,000	150,000
November 12, 2021	20,000	6,667	-
December 13, 2021	5,000	5,000	-
<b>Balance, September 30, 2022</b>	<b>4,008,417</b>	<b>1,861,667</b>	<b>766,583</b>

### d) Warrants

During the three month period ended September 30, 2022, the Company had no warrant activity.

During the three month period ended September 30, 2021, the Company had the following warrant activity:

- 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 \$0.47 per share. The fair value of the warrants was valued at \$1,106,674 using the Black-Scholes model and the following assumptions: share price of \$0.80, expected life of 2.67 years, \$nil dividends, 100% volatility based on comparable companies, exercise price of \$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, 2022, Hank recorded \$nil (2021: \$203,416) in stock based compensation related to these warrants and these warrants have fully vested and are exercisable as at September 30, 2022.

	<b>Number of warrants</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
<b>Balance, June 30, 2021</b>	<b>2,665,000</b>		
Warrants granted	3,142,500	2024-10-13	\$ 1.00
Warrants granted	219,975	2023-10-13	\$ 1.00
Warrants granted	2,666,400	2024-06-13	\$ 0.25
<b>Balance, June 30, 2022</b>	<b>8,693,875</b>		
<b>Balance, September 30, 2022</b>	<b>8,693,875</b>		

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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## 11. 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 months ended September 30, 2022 and 2021, not disclosed elsewhere in these unaudited condensed consolidated interim 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 ownership at the time (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, 2022 amounted to \$1,001,019 (2021 - \$938,696);

- b) During the three month period ended September 30, 2022, the Company had expenses that were incurred by related entities, Marketing Corp., Uptempo Servicing Corp., a company under common ownership, and the Parent which were charged back to Hank. These expenses 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, 2022, amounted to \$47,082 (2021 - \$54,616);
- c) During the three month period ended September 30, 2022, the Company charged fees in the amount of \$82,302 (2021 - \$72,209), to Marketing Corp. for sales support. The Company incurred costs in relation to these services in the amount of \$71,567, for the three month period ended September 30, 2022 (2021 - \$62,789); and
- d) During the three month period ended September 30, 2022, the Company advanced \$280,650 to a related party (2021 - \$135,122), see Note 7.

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## 11. RELATED PARTY TRANSACTIONS (continued)

### Key Management Compensation

The remuneration of directors and other key management personnel of the Company during the three month period ended September 30, 2022 and 2021 were as follows:

- a) During the three month period ended September 30, 2022, the Company expensed \$213,683 (2021 - \$229,354) in fees payable to officers of the Company. As at September 30, 2022, the Company had amounts payable to officers of the Company in the amount of \$46,342 (June 30, 2022 - \$48,506).

The amount payable to officers is unsecured, non-interest bearing with no fixed terms of repayment.

- b) During the three month period ended September 30, 2022, the Company expensed \$284,375 (2021 - \$203,416), in share based compensation related to Officers of the Company.

- c) During the three month period ended September 30, 2022, the Company expensed \$10,125 (2021 - \$Nil), in director's fees. As at June 30, 2022, the Company had amounts payable to director's of the Company in the amount of \$70,875 (June 30, 2022 - \$60,750).

The amount payable to directors is unsecured, non-interest bearing with no fixed terms of repayment.

## 12. FINANCIAL INSTRUMENTS AND RISK FACTORS

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 and due to parent company approximate their carrying value due to the relatively short term maturities of these instruments. The fair value of convertible debentures approximate their carrying value as a result of the short time that has passed since their issuance.

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## 12. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

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 2 reoccurring fair value measurement. The key level 2 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 (Note 8) during the three month periods ended September 30, 2022 and 2021:

Stock price (CDN)	\$0.80
Exercise price (CDN)	\$0.64 - \$1.00
Risk-free interest rate	0.20-0.69%
Expected life	0.08 - 3 years
Estimated volatility in the market price of the common shares	100%
Dividend yield	Nil

During the three month period ended September 30, 2022, the Company recorded a gain of \$Nil (2021: \$42,423), on the revaluation of derivative liabilities included in the statement of operations. The derivative liabilities consisted of warrants and conversion features attached to the convertible debentures as noted in Note 8. On October 13, 2021, these convertible debentures were converted, therefore as at September 30, 2022 and June 30, 2022 the value of the derivative liabilities related to the conversion features of the convertible debentures amounted to \$Nil. On October 13, 2021, the warrants related to the convertible debentures were assumed by the Company from Hank US as a result of the RTO, therefore, as at September 30, 2022 and June 30, 2022, the value of derivative liabilities related to the attached warrants amounted to \$Nil.

### Risk Management Policies

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 these financial statements. The following analysis provides a measurement of risks as at September 30, 2022 and June 30, 2022:

#### 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.

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## 12. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

### Credit Risk (continued)

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.

The lifetime expected credit loss as at September 30, 2022 and June 30, 2022 was determined as follows:

	September 30, 2022	June 30, 2022
Gross carrying amount	\$ 907,819	\$ 1,080,709
Expected credit loss rate	5%	5%
Lifetime expected credit loss	\$ 45,391	\$ 54,035
Net carrying amount	\$ 862,428	\$ 1,026,674

	September 30, 2022	June 30, 2022
Beginning balance	\$ 54,035	\$ 58,914
Write-offs	(88,647)	(251,119)
Net remeasurement of loss allowance	77,134	254,925
Currency translation adjustment	2,869	(8,685)
Ending balance	\$ 45,391	\$ 54,035

### 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.

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## 12. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

### Liquidity Risk (continued)

As at September 30, 2022, 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:

	<b>September 30, 2022</b>	June 30, 2022
Trade payables	\$ 694,437	\$ 578,413
Accrued liabilities	433,291	456,026
Payroll liabilities	2,201,641	1,785,055
	<b>\$ 3,329,369</b>	<b>\$ 2,819,494</b>

### Market Risk

#### (i) 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.

#### (ii) Foreign Currency Risk

The Company operates in Canada and the United States. The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary is the United States dollar. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars. The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. 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 loss for the year. As at September 30, 2022 and 2021, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

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## **12. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)**

### **Market Risk (continued)**

#### (iii) 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.

## **13. COMMITMENTS AND CONTINGENCIES**

In the course of normal business, the Company may become involved in certain legal proceedings. In management's opinion, there are no current legal proceedings which would result in claims against the Company that would have a material adverse effect on the Company's overall financial position, results of operations, or cash flows.

The Company is party to certain management contracts. These contracts require additional payments of up to \$960,000 USD upon the occurrence of employee terminations. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

On September 9, 2022, the Company was named in an ex-employee complaint as one of three defendants as filed in the District Court of Harris County, Texas alleging breach of contract, fraudulent misrepresentation and tortious interference with a Florida based employment contract resulting in alleged damages and seeking monetary relief in excess of \$1 million. The Company denies the allegations and has initiated discussions with legal counsel and plans to defend the claim as and when needed. As at the date of these financial statements, it is premature, and not practicable, to determine whether there will be any outflow and, if so, the amount of the outflow. Accordingly, no provisions have been accrued on the Company's statement of financial position.

## **14. 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, 2022, the Company's shareholders' deficiency was \$4,601,147 (June 30, 2022 – \$4,133,983). 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.

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## 14. CAPITAL MANAGEMENT (continued)

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, 2022 and year ended June 30, 2022.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2022, the Company may not be compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

## 15. CHANGE IN PRESENTATION CURRENCY

For comparative purposes, consolidated statements of loss and comprehensive loss and consolidated statements of cash flows include adjustments to reflect the change in the accounting policy resulting from the change in presentation currency to the Canadian dollar. The amounts previously reported in US dollars as shown below have been translated into Canadian dollars at September 30, 2021 exchange rates. The effect of the translation is as follows:

<b>Unaudited Condensed Consolidated Interim Statement of Operations and Comprehensive (Loss) Three month period ended September 30, 2021</b>	<b>Previously reported (US \$)</b>	<b>Translated (CAD \$)</b>
Total revenue	\$ 936,866	\$ 1,180,450
Gross Profit	\$ 800,166	\$ 1,008,208
Loss from operations	\$ (623,469)	\$ (785,573)
Net loss	\$ (609,677)	\$ 770,390
Currency translation adjustment	-	(210,116)
Comprehensive loss	\$ (609,677)	\$ (980,506)

<b>Unaudited Condensed Consolidated Interim Statement of Cash Flows Three month period ended September 30, 2021</b>	<b>Previously reported (US \$)</b>	<b>Translated (CAD \$)</b>
Cash (used in) provided by operating activities	\$ (36,606)	\$ 68,486
Cash used in investing activities	\$ (108,185)	\$ (138,967)
Cash provided by financing activities	\$ -	\$ -
Effect of currency translation	\$ -	\$ (105,300)
Cash, end of period	\$ 105,742	\$ 134,730

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## **16. SUBSEQUENT EVENTS**

On November 1, 2022, the Company granted 300,000 stock options valued at \$5,791 to employees of the Company. The Options vest in three equal tranches with 100,000 vesting on the grant date, 100,000 vesting on November 1, 2023 and 100,000 vesting on November 1, 2024.

On November 1, 2022, the Company granted 250,000 RSUs valued at \$15,000 to an employee of the Company. The RSUs vest in three tranches with 83,333 vesting on the grant date, 83,333 vesting on November 1, 2023 and 83,334 vesting on November 1, 2024.

On November 15, 2022, the Company announced the signing of a binding Memorandum of Understanding ("MOU") to enter into an exclusive negotiating period, to close a national license agreement for the use of the Hank technology platform in Canada. An initial term of five years, underpinned by minimum monthly licensing fees approaching material user counts over time and is commensurate with meaningful penetration of the Canadian market. The Licensee provided a deposit of \$150,000 and will invest \$250,000 into the next available financing offered by Hank at then current pricing. Definitive signing of the licensing agreement is expected no later than January 30, 2023.