



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

**Management Discussion and Analysis**

**September 30, 2022**  
(Expressed in Canadian Dollars)

**As approved by the Board of Directors on  
November 29, 2022**

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 quarter ended September 30, 2022.

## **CAUTIONARY STATEMENT**

**This MD&A has been prepared taking into consideration information available to November 29, 2022 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 Nobelium Tech Corp.) (the Company or “Hank”) is a North American leader in consumer Fintech Software-as-a-Service (SaaS) that provides a platform that manages consumer cash flow and budgets on an automated basis using proprietary algorithms that collect, store and disburse cash as required to discharge obligations in a timely fashion. The Company 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 “**Users**”). The Company acquires Users through various channels including (i) small to medium sized enterprises (the “**SME Partners**”) and (ii) large enterprise businesses (the “**Enterprise Partners**”). The Company does not take balance sheet risk when managing loan and other household payments for Users as it does not lend funds or bridge cash shortfalls. All of Hank’s current revenues are derived from usage fees.

Users benefit from the convenience of knowing their bills are aligned to their cash flow and their household budget is now automated across all enrolled payees which increases propensity to pay and may reduce delinquencies or missed payments. Users 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 pay down highest yielding debt first. Each User’s experience is unique, but many report benefits such as cost savings, convenience, and credit quality improvement.

#### ***Principal Products or Services***

The Company’s principal product is the consumer loan payment management platform. The Company’s technology platform instructs banks to debit cash when Users have cash, and store it on Hank’s bank partner’s balance sheet (FDIC insured) and then remits the payment(s) on the due dates to lenders/payees on behalf of the Users. The Hank platform operates as a Software as a Service (“SaaS”) usage model where Users 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 company is introducing flat monthly subscription/licensing fees, based on the number of monthly transactions and other features subscribed for by the user. The platform includes algorithms that perform complex calculations related to cash flow, interest, and payment preferences, in order to present to Users customized and optimal payment strategies to improve payment performance. Users often rely on the product for convenience to avoid having to manage cashflow, deal with multiple push payments to various payees, and write physical checks. Other Users 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 over 42,000 active Users already paying recurring monthly fees plus a setup/enrolment fee and channels continue to add Users each month, replenishing users that drop off due to loan retirement or other reasons. The average auto loan user stays on the platform for approximately 3 years and mortgage users have materially longer terms. Current power-users process over 25 payments monthly and part of Hank’s objective is to increase usage from existing Users over time. The Company handles approximately \$21 million USD in monthly payments and has helped consumers pay off over \$1 Billion USD in liabilities since May 2018 with over 3 million payments made since then. The Company is focused on adding Users through Enterprise Partners and SME Partners. These channels already have access to Users requiring cashflow and budget management support and discipline and look to bundle hank often as part of their solutions.

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Key Performance Indicators	September 2022
Increase in users managing mortgage payments since the beginning of the pandemic (March-2020)	55%
Increase in users managing multiple payments since the beginning of the pandemic (March-2020)	78%
Increase in Contract liability (deferred revenue) over the three-month period ended September 30, 2022	2%
Active SME Channel Users as of September 30, 2022	42,396
% Of Users acquired 3 years ago that are Active Users	34%
% Of Users acquired 4 years ago that are Active Users	25%

	September 2022	September 2021
Monthly Recurring Revenue (“MRR”) Per User (excluding Enrolment Fees) in CAD	\$5.52	\$5.15
Cash Collected from Fees in the period	\$1,413,648	\$1,302,114

Monthly Recurring Revenue per user (“MRR”) has experienced a cumulative annual average growth rate of 7% and will continue to rise as new users are enrolled at a higher price for recurring monthly fees, including additional products and features subscribed for.

The Average Annual Revenue Per User (“ARPU”), described as total fee revenue earned divided by the total users at the period end, is \$126.08 per user at September 30, 2022. This figure is expected to fall in certain circumstances where pure play licensing deals are awarded as certain channels and licensees take responsibility for CAC, and revenue associated with it. This will increase cash efficiency of Hank over time and appear as lower ARPU, while in fact it has the effect of transitioning to more efficient cash on higher user growth.

Users acquired through the Enterprise Partners have automated on-boarding eliminating the need for Enrolment fees and increasing ARR and MRR. ARPU is also expected to be higher for subscription users acquired through Enterprise Channels, with virtually no upfront cost of acquisition (“CAC”). Enterprise channels are expected to enroll larger User bases over a short period of time after engagement. Fee proposals include either the Enterprise account “Company” paying or the consumer paying as well as a combination of both

### Market

The United States market alone has 94 million<sup>1</sup> households with debt, many of them struggling with financial literacy, making the United States a sizable market. The problem is growing with higher inflation and interest rates.

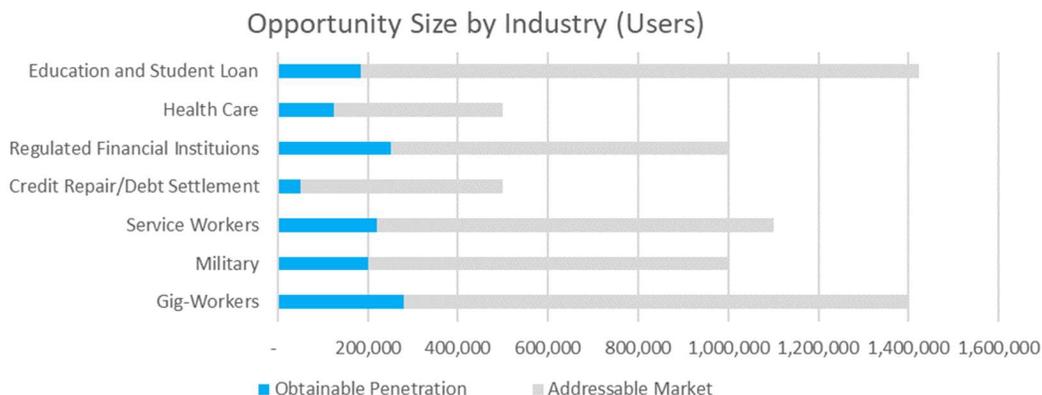
With a disciplined focus on large Enterprise Partners and growth within SMEs, the Company is (i) expanding its market base; and (ii) addressing its market in a more expedited and efficient manner.

<sup>1</sup> <https://cdn.ramseysolutions.net/media/blog/debt/managing-debt/avg-am-debt.jpg>

## Management Discussion and Analysis – September 30, 2022

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Although not mutually exclusive and with expected overlap, each of the following categories represent a substantial market by itself with material user counts in the US. The chart below represents the current opportunities the Company is pursuing where there is visibility on the gross user counts and our current estimates on potential penetration:



The Company measures opportunity size by addressable market, of a much larger market. The addressable market describes total users counts currently being bid and obtainable penetration is the Company's reasonable expectation of total users it could close going forward. Successful penetration into these markets could lead to over 1.3 million additional users over time.

In each of the markets above there are common elements that Hank provides a solution for:

1. Users needs to save money for an event in the future
2. Users need to pay loans or liabilities for borrowings or commitments already made
3. Users need to control cash flow
4. Users need to save money for various lifestyle events

Each use case can be addressed using Hank's technology platform already in production, while also providing for the opportunity to charge for customization of the platform for unique features required by specific channels.

Hank's existing relationships with bank partners and bank channels that service these industries, have provided for several credible entry points necessary to address these markets along with making strategic investments in team members and relationships. Going forward, the Company will utilise a regional coverage approach to execute on these opportunities. The initial opportunities are expected to be closed within the current operating footprint and the Company plans to invest a portion of its profits in the regional expansion strategy where account managers will cover multiple sectors due to the common elements of the market segments mentioned above.

In addition to the United States market, the Company also intends to judiciously enter new markets working with carefully selected partners. This is consistent with the recent signing of a binding Memorandum of Understanding (the "MOU") to negotiate and close an exclusive national license agreement for the use of Hank technology platform in Canada as further discussed below.

### ***Distribution and Marketing***

Historically, the Company has sold through SME Partners, 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. The SME Partners earn a fee for doing so and in many cases, set the retail MSRP and keep the spread between retail MSRP and Hank Fees to the User or the channel. The advantage of wholesale/reseller partners is that the cost to acquire the consumers is primarily borne by the partners. The SME Partners consist of auto dealers, mortgage brokers and other loan originators that use the platform to enrol Users at the time of loan origination to ensure quality payment performance and accelerated equity building. Hank has integrated within these channels with systems used industry wide to ensure frictionless onboarding of Users at the point of loan sale. As planned, Hank over the second half of fiscal 2022 started focusing on larger Enterprise Partners and is developing this channel aggressively.

On November 15, 2022, the Company announced the signing of a binding MOU to enter into an exclusive negotiating period, to close a national license agreement for the use of the Hank technology platform in Canada. As part of the signing of the MOU, the company received a \$150,000 deposit plus a commitment to invest an additional \$250,000 towards a subsequent financing the Company undertakes in the future. Over the next quarter the parties are working out the details of the agreement which will include a) dedicated Canadian environment; b) various interfaces with open bank APIs; c) bank partnerships; d) collateral and data sharing; and e) uptime service levels and other elements consistent with a SaaS license. The exclusive license agreement will require a minimum fee that escalates over time along with an initial term of five years. The licensee has partners and strategies to access a large Canadian market at a very low customer acquisition cost, borne by the licensee. Hank will support the licensee in closing each opportunity and growing the overall business to well surpass the minimum targets.

### **The Company defines its market through the following key terms:**

1. **Customer:** The SME Partner or Enterprise Partner that either pays licensing on behalf of the Users or sells the program to the Users who pay for the service directly.
2. **Users and/or Consumers:** The end consumer that is using the platform on monthly basis to manage cash flow and budgets.
3. **Enterprise Partners:** Banks, Lenders, Debt Settlement, Unions, Education sector and Gig-Economy platforms that provide their own services to consumers and license Hank on a per user per month basis. These accounts either pay for the program for the User or structure a monthly fee that the Users pay.

In each case, all fees are debited and controlled by Hank as part of the Hank solution, and any remittances to the channel partners are paid after Hank fees are collected ensuring timely collection of fees and healthy cash flow on scale. The Hank ledgering and fee management systems control all cash related triggers including debits from consumers, payments to payees and payments to channels, a must to maintain regulatory compliance.

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With the continued success of Hank within SME Partners, and the build up of valuable evidentiary data, the Company commenced the pursuit of larger scale Enterprise Partners. Hank and has developed a meaningful funnel of opportunities, in various stages of development, with strong User bases that the Company has a reasonable expectation of earning recurring monthly revenue from.

By powering channels that already serve consumers, Hank avoids material customer acquisition costs while dramatically increasing access to Users and preserving its attractive margin and long-term annual recurring revenue profile. Overhead scales well into licensed channels as certain additional services Hank provides in the SME market out of necessity, are not required in the enterprise market, or are provided by the Channel.

Furthermore, the Enterprise Partners often have well established consumer portals and applications and Hank is in discussions with several, surrounding integration into their platforms for a unified experience for their consumers, customer service agents, back offices and related ecosystem members. In certain cases, Hank portals may be delivered on a white label or branded basis as well.

The Company remains devoted to its existing SME Partners with highly predictable growth and looks forward to continuing its expansion through strategic partnerships and transactions.

### **Future Outlook**

The Company plans to continue growing its organic business through a focus on both the SME Partners and the Enterprise Partners. The Company will continue to innovate with new features that help consumers monitor and manage their financial performance and outcomes respectively and expects new products to increase stickiness of the consumer and thus lengthen the duration they are a paying user.

### **Next twelve months: Management Priorities**

Management has the following principal priorities to focus on over the next twelve months:

1. Grow faster and more cost effectively by remaining focussed on its channel partners. Adding Enterprise Partners will remain a priority along side SME growth.

*The Company continues to negotiate with numerous channels/clients and is expected to launch enterprise deals over the coming months. The recent additions to the Company's executive team have further bolstered its efforts in the Enterprise space. These engagement and transaction sizes range from 20,000 initial customers and 1,000 additions a month, to partnerships with upwards of 1,000,000 users targeted for Hank subscriptions. Further, strategic transactions such as licensing agreements jurisdictions allows the Company to leverage partnerships to grow Enterprise accounts across jurisdictions. The company cannot predict the timing of announcements and launches given the nature and size of the deals being negotiated, and the channel/customer resources required to integrate the Hank APIs.*

2. Evolve its platform to accommodate multiple large-scale tenants

*Through calendar 2023 the platform will continue to be upgraded to support new features and integration with channels and other product partners and banks.*

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### **Long-term Strategic Plan: 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 and Cash Management	Current business plan
2. Win and launch Enterprise SaaS deals	Focus on licensing and deploying the Hank platform with large scale Enterprise Partners leading to material paying User enrollment on the Hank platform.
3. Cultivate Dealer Channel growth	Leverage strong existing SME Partner business to expand User enrollment generated through such channels.
4. Consolidator of Financial Behavior Information	Continue to collect meaningful financial and relational data that will be monetizable in the coming years and support more strategic partnerships with interest in such data.
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 such as our bank partners. Where possible, reciprocal relationships will be agreed upon.

### **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 managed 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 is never responsible for Users' cash and those debits turn into deposits for the bank partner, attracting FDIC insurance for the Users. 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.

## Highlights for Quarter Ended September 30, 2022

### Performance Highlights

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

	Quarter Ended (CAD)							
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	1,541,588	1,479,074	1,378,598	1,304,643	1,180,450	1,167,701	1,116,389	1,089,327
<i>Quarterly Growth</i>	4%	7%	6%	11%	1%	5%	2%	
Cost of sales	137,707	109,310	148,636	160,353	172,242	167,748	154,298	176,428
Gross Profit	1,403,881	1,369,764	1,229,962	1,144,290	1,008,208	999,953	962,091	912,899
<i>Quarterly Growth</i>	2%	11%	7%	13%	1%	4%	5%	
Operating expenses	1,826,057	2,047,436	2,185,259	2,043,599	1,548,115	1,521,074	797,173	1,351,151
<b>Adjusted loss from operations (1)</b>	<b>(422,176)</b>	<b>(677,672)</b>	<b>(955,297)</b>	<b>(899,309)</b>	<b>(539,907)</b>	<b>(521,121)</b>	<b>164,918</b>	<b>(438,252)</b>
<b>Adjustments:</b>								
Stock based compensation	(373,085)	149,751	(839,178)	(4,530,767)	(208,734)	(677,295)	0	0
Listing expense	0	353,674	0	(1,751,201)	0	0	0	0
Transaction costs	0	194,835	0	(1,469,883)	0	0	0	0
Amortization of Intangible Assets	(44,292)	(41,030)	(37,120)	(36,936)	(36,932)	(35,984)	(37,116)	(38,194)
Restructuring Costs	0	(227,862)	0	0	0	0	0	0
	(417,377)	429,368	(876,298)	(7,788,787)	(245,666)	(713,279)	(37,116)	(38,194)
<b>Loss from operations</b>	<b>(839,553)</b>	<b>(248,304)</b>	<b>(1,831,595)</b>	<b>(8,688,096)</b>	<b>(785,573)</b>	<b>(1,234,400)</b>	<b>127,802</b>	<b>(476,446)</b>
<b>Net Income (Loss)</b>	<b>(833,769)</b>	<b>52,329</b>	<b>(1,864,969)</b>	<b>(8,850,289)</b>	<b>(770,390)</b>	<b>(1,245,749)</b>	<b>46,210</b>	<b>(542,233)</b>
<b>Comprehensive Income (Loss)</b>	<b>(1,080,330)</b>	<b>(82,190)</b>	<b>(1,798,200)</b>	<b>(8,703,887)</b>	<b>(980,506)</b>	<b>(1,192,940)</b>	<b>71,941</b>	<b>(238,562)</b>
<b>Cash Collected from Fees</b>	<b>1,413,648</b>	<b>1,284,563</b>	<b>1,120,540</b>	<b>1,342,665</b>	<b>1,302,114</b>	<b>1,234,151</b>	<b>1,035,172</b>	<b>1,217,374</b>
<i>Quarterly Growth</i>	10%	15%	-17%	3%	6%	19%	-15%	

(1) This is a non-IFRS measure. Please refer to "Non-IFRS Measures" in this MD&A for the definition and reconciliation of this measure

\*Cash flow for the Company is predictable and impacted by the number of 'debit' Fridays in any given quarter. This can present an increase or decrease in cash flow in any given quarter but has no material effect on annual cash received. Cash collected in Q1 2023 increased by 10% compared to Q4 2022 due to more Fridays in the period, resulting in higher additional debits, enrolment and processing fees collected.

The Company maintained steady growth in Q1 2023 as cash receipts for the quarter grew by 9% compared to the comparable quarter in the prior year. Operating expenses dropped by 11% during the quarter, a trend the Company expects to continue in the coming quarters as the complete effects of cost reduction measures undertaken over the past two quarters are realized.

The adjusted loss from operations continues to decline quarter over quarter due to costs reduction measures combined with revenue and resulting growth in gross margin.

Recurring cash receipts continued to build over the year, increasing 9% year over year on modest revenue growth. IFRS revenue amortizes enrollment fees over the expected life of the customer, whereas cash from said fees is usually received in the first twelve months. The combination of this

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plus increasing processing fees quarterly leads to predictable growth in cash receipts. Cash collections from enrolments and bank processing are historically lower in the third quarter of every year due to shorter months and fewer processing days in February in particular reducing sweeps in that month and recovering sweeps in subsequent months thus achieving annual growth.

For the Quarter Ended (CAD)	September 2022 \$	September 2021 \$	Increase/ Decrease %
<b>Revenue</b>			
Bank Processing Fees	787,394	656,675	
Enrolment Fees	671,892	451,566	
Other Revenue	82,302	72,209	
<b>Total Revenue</b>	<b>1,541,588</b>	<b>1,180,450</b>	<b>30.6%</b>
Cost of Sales	137,707	172,242	(20.1) %
<b>Gross Profit</b>	<b>1,403,881</b>	<b>1,008,208</b>	<b>39.2%</b>
<b>Gross Profit %</b>	<b>91.07%</b>	<b>85.41%</b>	
Operating Expenses	1,826,057	1,548,115	18.0%
<b>Adjusted Income (Loss) from Operations (1)</b>	<b>(422,176)</b>	<b>(539,907)</b>	<b>(21.8)%</b>
<b>Adjustments</b>			
Stock based compensation	373,085	208,734	
Amortization of Intangible Assets	44,292	36,932	
	431,127	245,666	
<b>Loss from Operations</b>	<b>(839,553)</b>	<b>(785,573)</b>	
Cash From Operations	424,930	68,486	520.5%

(1) This is a non-IFRS measure presented by management to normalize that income from operations for expenses incurred outside of the normal course of business. Please refer to “Non-IFRS Measures” in this MD&A for the definition and reconciliation of this measure

The Company maintained its year over year Q1 revenue growth while transitioning from its investment in marketing and product development subsequent to the go-public transaction, to focus on more cost-effective and highly scalable Enterprise channel and license growth. Further, the Company continues to demonstrate exceptional margins. While net cashflow is expected to increase through new products and new contracts, 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, which is a purposeful choice, to drive growth and cash flow. The Company believes Enterprise Partners’ margins over 60% are very strong relative to its peer group, provided that consumer stickiness and lifetime value increases, with the overall objective of adding and keeping Users for over three years. Over 25% of users have stayed more than three years historically with a limited feature set to rely on, and with new features available and more coming, the Company is confident that it will lengthen more of its book beyond three years and increase lifetime value and long-term cash flow.

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During the quarter ending September 30, 2022, the Company incurred higher operating expenses than the quarter ending September 30, 2021, primarily attributable to:

Expense Increase	Description	Current State
Executive team: \$122,096	Investment in management to support acquisition strategy, direct marketing channels post “go-public” transaction	As growth strategy shifted from acquisitions towards Enterprise sales, the team has been right sized and \$0.7 million in annual cost savings have been realized over the last six months and an additional \$0.1 million of annual savings are expected to be realized in future months.
G&A: \$196,670	Increased expenditures in investor relations, public company expenses and rent following the “go-public” transaction	The Company has taken cost savings measures to reduce these expenses and expects to realize \$0.5 million of annual cost savings beginning in the next quarter.

### **Number of Common Shares**

There were 73,048,651 common shares issued and outstanding as at September 30, 2022 and 73,048,651 common shares issued and outstanding as at November 29, 2022, being the date of this report. As at September 30, 2022 the Company had outstanding stock options of 3,973,333 and outstanding RSUs of 4,008,417. There were 8,693,875 warrants issued and outstanding as at September 30, 2022.

### **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. On October 13, 2021, the Company issued 3,142,500 common shares related to its brokered private placement at a price of \$1.00 per unit for a total of \$3,142,500. Each unit is comprised of one common share and one common share purchase warrant. The fair value of the warrants were valued at \$1,093,216, the remaining proceeds of \$2,049,284. Agent’s fees of \$690,199 and other share issuance costs of \$155,984 have been recorded as a reduction to the warrants and share capital in the amount of \$294,371 and \$551,812, respectively. The fee paid to the agents consist of cash payments in the amount of \$574,975 and 219,975 warrants valued at \$115,224.

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

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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 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.

### ***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.

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### Results of Operations

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

	Three Months Period Ended		
	September 30, 2022	September 30, 2021	Change
	\$	\$	%
Total revenue	1,541,588	1,180,450	30.6%
Cost of sales	137,707	172,242	-20.1%
Operating expenses	1,826,057	1,548,115	18.0%
Adjusted loss from operations (1)	(422,176)	(539,907)	-21.8%
<b>Adjustments:</b>			
Stock based compensation	373,085	208,734	78.7%
Amortization of Intangible Assets	44,292	36,932	19.9%
	417,377	245,666	69.9%
Loss from operations	(839,553)	(785,573)	6.9%
Other expenses (income)	(5,784)	(15,184)	-61.9%
<b>Net loss</b>	<b>(833,769)</b>	<b>(770,390)</b>	<b>8.2%</b>
<b>Other comprehensive gain (loss)</b>			
Currency translation adjustment	(246,561)	(210,116)	17.3%
<b>Comprehensive loss</b>	<b>(1,080,330)</b>	<b>(980,506)</b>	<b>10.2%</b>
<b>Loss per share - basic and diluted</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>-6%</b>
<b>Non-IFRS Measures</b>			
<b>Adjusted operating results:</b>			
Adjusted loss from operations (1)	(422,176)	(539,907)	-22%

(1) This is a non-IFRS measure. Please refer to "Non-IFRS Measures" in this MD&A for the definition and reconciliation of this measure

The Company recorded an adjusted loss from operations of \$422,176 for the quarter ended September 30, 2022, compared to adjusted loss from operations of \$539,907 for the prior year period. The Company recorded a loss from operations of \$839,553 for the quarter ended September 30, 2022, compared to a loss from operations of \$785,573 for the quarter ended September 30, 2021. Changes in each key category are further discussed below.

## Management Discussion and Analysis – September 30, 2022

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### Revenue

	Three Months Period Ended		
	September 30, 2022	September 30, 2021	Change
	\$	\$	%
<b>Revenue</b>			
Bank processing fees	787,394	656,675	19.9%
Enrollment fees	671,892	451,566	48.8%
Other revenue	82,302	72,209	14.0%
<b>Total revenue</b>	<b>1,541,588</b>	1,180,450	30.6%
<b>Cost of sales</b>	<b>137,707</b>	172,242	-20.1%
<b>Gross profit</b>	<b>1,403,881</b>	1,008,208	39.2%

Revenue increased \$361,138 or 30.6% during the quarter ended September 30, 2022, in comparison to the prior period ended September 30, 2021. The increase was due to a 48.8% increase in enrollment fees, a 19.9% increase in bank processing fees (also defined as “Recurring User Processing Fees”) and 14% 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 the Company has entered in to with new customers over the year. Over the year, the Company has also advanced its reengagement process to account for final confirmational outreach to customers that have stopped using the program. As part of the process, customers that are unsuccessfully re-engaged are formally cancelled from the program. This resulted in a recognition of remaining contract liability associated with the cancelled customers.

Recurring User Processing Fees are based on recurring monthly fees charged to Users and fees charged in relation to use of the platform to manage cash collection, storage and remittance to payees. The increase in bank processing fees is mainly due to an increase in usage fees charged to new Users.

Other revenue is the result of a fee being charged to a related party channel in relation to support services and other assistance the Company provides in order for the channel to grow efficiently.

Cost of sales relate mainly to bank processing fees and decreased as a percentage of revenue due to the effective impact of a prior price decrease on the Company’s bank processing fees and direct cost savings. As a result, the gross margin percentage increased to 91.07% for the quarter ended September 30, 2022 (85.41% for September 30, 2021).

## Management Discussion and Analysis – September 30, 2022

### Expenses

	Three Months Period Ended		
	September 30, 2022	September 30, 2021	Change
	\$	\$	%
<b>Operating Expenses</b>			
Salaries and wages	1,222,400	1,100,304	11.1%
Software and licensing fees	139,856	219,016	-36.1%
Professional fees	32,161	26,807	20.0%
Office and general	351,975	155,305	126.6%
Bad debts	77,134	46,359	66.4%
Depreciation	2,531	324	681.6%
	<b>1,826,057</b>	1,548,115	18%
<b>Adjustments</b>			
Stock based compensation	373,085	208,734	78.7%
Amortization	44,292	36,932	19.9%
<b>Expenses</b>	<b>2,243,434</b>	1,793,781	25.1%

### Operating Expenses

Salaries and wages increased 11% in the quarter ended September 30, 2022, as compared to the quarter ended September 30, 2021. The comparative increase is largely related to strategic expansion of the management team of the Company to execute on its enterprise sales growth strategy. The September 30, 2022 quarter already is reflecting the impact of cost saving initiatives undertaken by the management over the past two quarters. Another \$100,000 in annual cost savings will be realized over the next quarter in terms of net salary and wage reductions.

Software and licensing fees consist of costs for 3<sup>rd</sup> party non-core products including hosting services and data analytics tools. These fees incurred in the quarter ended September 30, 2022 were 36.1% lower than the prior year as the prior year balance included R&D expenses that are being capitalized effective Q3, 2022.

Office and general expense increased by \$196,670 during the quarter ended September 30, 2022 compared to the previous quarter ended September 30, 2021. The increase is primarily due to \$164,154 in investor relations expenses, \$21,061 in ongoing public company expenses, \$25,122 related to office space, offset by a decrease of \$7,884 in marketing expenses and \$8,959 related to various general expenses.

Bad debts increased by \$30,775, as the Company focussed its efforts on verifying aged receivables. This was a one-time exercise and the Company expects this increase in bad debts to be transitory as the Company continues its current receivables monitoring process.

## Management Discussion and Analysis – September 30, 2022

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### Adjustments

The Company incurred \$373,085 in stock-based compensation expense during the quarter ended September 30, 2022, resulting from \$9,049 related to the vesting of stock options, and \$364,036 related to the vesting of restricted stock. These costs were related to the vested portion of such employee incentives and the initial material expense is primarily one-time in nature. As other equity incentives vest, they will be expensed on a non-cash basis.

### Other Expenses

	Three Months Period Ended		
	September 30, 2022	September 30, 2021	Change
	\$	\$	%
<b>Other expenses (income)</b>			
Accretion expense	9,454	17,209	-45.1%
Interest expense	17,534	13,501	29.9%
Foreign exchange gain	(32,772)	(4,568)	617.5%
Gain on debt modification	0	1,097	-100.0%
Unrealized gain on derivative liabilities	0	(42,423)	-100.0%
	<b>(5,784)</b>	<b>(15,184)</b>	<b>-61.9%</b>

During the years ended June 30, 2021 and June 30, 2022 the Company closed non-brokered private placements 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 accretion expense in the current year is due to the issuance and valuation of the convertible debentures issued in year ended June 30, 2022.

## Management Discussion and Analysis – September 30, 2022

### Financial Position

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

	September 30, 2022	June 30, 2022
	\$	\$
<b>ASSETS</b>		
Current		
Cash	611,352	803,146
Accounts receivable	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	1,326,572	1,013,151
Restricted cash	164,484	154,632
Equipment	13,090	15,126
Intangible assets	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	3,329,369	2,819,494
Contract liability - current portion	1,503,793	1,466,779
Convertible debentures	36,949	18,716
<b>Total current liabilities</b>	<b>4,870,111</b>	<b>4,304,989</b>
Convertible debentures	402,480	634,039
Contract liability	3,033,785	2,976,695
<b>Total liabilities</b>	<b>8,306,376</b>	<b>7,915,723</b>
<b>SHAREHOLDER'S DEFICIENCY</b>		
Share capital	8,396,421	8,156,340
Contributed surplus	7,352,084	6,978,999
Other comprehensive income	-24,058	222,503
Deficit	\$ (20,325,594)	\$ (19,491,825)
<b>Total shareholder's deficiency</b>	<b>\$ (4,601,147)</b>	<b>\$ (4,133,983)</b>
<b>Total liabilities and shareholder's deficiency</b>	<b>3,705,229</b>	<b>3,781,740</b>

#### **Total Assets**

Total assets were \$3,705,229 as at September 30, 2022, a decrease of \$76,511 or 2% from June 30, 2022, largely due to a decrease of \$191,794 in cash, a decrease of \$164,246 in account receivable, and an increase of \$313,421 in due from related party.

### ***Current Assets***

Current Assets decreased by 19% at September 30, 2022 as compared to June 30, 2022. The decrease is primarily due to decreases in cash and accounts receivable. Accounts receivable has decreased due to the Company taking a more active approach to manage, collect and write-off old receivables. Management expects the receivable balance to stay proportional to revenue growth going forward. The remaining decrease in current assets is due to a decrease in prepaid expenses and deposits.

### ***Due from Related Party***

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

### ***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. The change in the restricted cash as at September 30, 2022 is due to the foreign exchange translation from USD to CAD.

### ***Equipment***

The decrease in equipment can be attributed to depreciation during the quarter ended September 30, 2022.

### ***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 software platforms which includes costs associated with the development of the Company's internally generated proprietary software. There were additions of \$59,216 to intangible assets during the quarter ended September 30, 2022. The increase of \$34,642 in intangible assets at September 30, 2022 as compared to June 30, 2022 is due to \$44,292 of amortization expense for the year period, offset by a \$59,216 increase in development expenditures and an unrealized gain of \$19,718 from foreign exchange translation.

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.

### ***Total liabilities***

Total liabilities were \$8,306,376 as at September 30, 2022, an increase of \$390,653 or 5% from June 30, 2022. The increase is attributable to a \$509,875 increase in Accounts Payable and \$94,104 increase in Contract liability offset by a \$240,081 conversion of debentures into equity.

## Management Discussion and Analysis – September 30, 2022

### Accounts payable and other liabilities

Accounts payable and accrued liabilities were \$3,329,369 as at September 30, 2022, an increase of \$509,875 or 18% from June 30, 2022. The increase in accounts payable and other liabilities is due to working capital management and the timing of payments to vendors.

### Convertible Debentures and Derivative Liability

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

#### 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.

## Management Discussion and Analysis – September 30, 2022

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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 14 of the Financial Statements. 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 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 assumptions disclosed in Note 14 of the Financial Statements. 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 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

## Management Discussion and Analysis – September 30, 2022

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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 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 assumptions disclosed in Note 14 of the Financial Statements. 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 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 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

## Management Discussion and Analysis – September 30, 2022

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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 was estimated using the Black-Scholes-Merton valuation model using the assumptions disclosed in Note 14 of the Financial Statements. 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.

### *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 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 ended September 30, 2022, the Company paid \$233 (September 30, 2021 - \$nil) in interest owing on these Debentures.

## Management Discussion and Analysis – September 30, 2022

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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.

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

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

### ***Equity***

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 the 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.

### **Common shares**

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

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

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

## Management Discussion and Analysis – September 30, 2022

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### 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. 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 quarter 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 quarter period ended September 30, 2021 the Company had no stock option activity.

Stock option activity for the quarter ended September 30, 2022 is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
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>

## Management Discussion and Analysis – September 30, 2022

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

<b>Expiry Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested</b>	<b>Exercise Price</b>
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, September 30, 2022</b>	<b>3,973,333</b>	<b>3,573,333</b>	

### 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.

- 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.
- 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 quarter ended September 30, 2021 the Company had no RSU activity.

## Management Discussion and Analysis – September 30, 2022

RSU activity for the quarter 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, 2022</b>	<b>4,008,417</b>	-
<b>Exercisable, September 30, 2022</b>	<b>1,095,084</b>	-

Details of the RSUs vested and exercised are as follows:

Issuance Date	Number of RSUs Granted	Number of RSUs Vested	Number of RSUs Exercised
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>

During the quarter ended September 30, 2022, the Company had no warrant activity.

During the quarter 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.

## Management Discussion and Analysis – September 30, 2022

	Number of warrants	Expiry Date	Exercise Price
<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>		

### ***Cash from Operating Activities***

The Company generated cash from operating activities in the amount of \$424,930 (September 30, 2021 – \$68,486) for the quarter ended September 30, 2022. The increase in cash from operating activities is primarily due to working capital changes in prepaid expenses and adjustments to Accounts Receivable and Contract Liability due to a one-time verification of aged receivables.

### ***Cash Used in Investing Activities***

During the quarter ended September 30, 2022, the Company used \$59,216 for investment in the platform and equipment for new employees. Additionally, in the quarter ended September 30, 2022 the Company advanced \$280,650 to its largest SME wholesaler and related party.

### ***Cash Used in Financing Activities***

During the quarter ended September 30, 2022, the Company paid \$233 interest on debentures.

### ***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 or 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 quarter ended September 30, 2022 and 2021, not disclosed elsewhere in these consolidated 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

## Management Discussion and Analysis – September 30, 2022

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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); and
- 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).
- d) During the three month period ended September 30, 2022, the Company advanced \$280,650 to a related party (2021 - \$135,122).

### Key Management Compensation

The remuneration of directors and other key management personnel of the Company during the quarter 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.

## Management Discussion and Analysis – September 30, 2022

### 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, 2022. This information has been prepared on the same basis as the Company's unaudited 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 unaudited condensed interim consolidated financial statements of the Company and the related notes to those statements.

	Quarter Ended (CAD)							
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	1,541,588	1,479,074	1,378,598	1,304,643	1,180,450	1,167,701	1,116,389	1,089,327
<i>Quarterly Growth</i>	4%	7%	6%	11%	1%	5%	2%	
Cost of sales	137,707	109,310	148,636	160,353	172,242	167,748	154,298	176,428
Gross Profit	1,403,881	1,369,764	1,229,962	1,144,290	1,008,208	999,953	962,091	912,899
<i>Quarterly Growth</i>	2%	11%	7%	13%	1%	4%	5%	
Operating expenses	1,826,057	2,047,436	2,185,259	2,043,599	1,548,115	1,521,074	797,173	1,351,151
<b>Adjusted loss from operations (1)</b>	<b>(422,176)</b>	<b>(677,672)</b>	<b>(955,297)</b>	<b>(899,309)</b>	<b>(539,907)</b>	<b>(521,121)</b>	<b>164,918</b>	<b>(438,252)</b>
<b>Adjustments:</b>								
Stock based compensation	(373,085)	149,751	(839,178)	(4,530,767)	(208,734)	(677,295)	0	0
Listing expense	0	353,674	0	(1,751,201)	0	0	0	0
Transaction costs	0	194,835	0	(1,469,883)	0	0	0	0
Amortization of Intangible Assets	(44,292)	(41,030)	(37,120)	(36,936)	(36,932)	(35,984)	(37,116)	(38,194)
Restructuring Costs	0	(227,862)	0	0	0	0	0	0
	<b>(417,377)</b>	<b>429,368</b>	<b>(876,298)</b>	<b>(7,788,787)</b>	<b>(245,666)</b>	<b>(713,279)</b>	<b>(37,116)</b>	<b>(38,194)</b>
<b>Loss from operations</b>	<b>(839,553)</b>	<b>(248,304)</b>	<b>(1,831,595)</b>	<b>(8,688,096)</b>	<b>(785,573)</b>	<b>(1,234,400)</b>	<b>127,802</b>	<b>(476,446)</b>
<b>Net Income (Loss)</b>	<b>(833,769)</b>	<b>52,329</b>	<b>(1,864,969)</b>	<b>(8,850,289)</b>	<b>(770,390)</b>	<b>(1,245,749)</b>	<b>46,210</b>	<b>(542,233)</b>
<b>Comprehensive Income (Loss)</b>	<b>(1,080,330)</b>	<b>(82,190)</b>	<b>(1,798,200)</b>	<b>(8,703,887)</b>	<b>(980,506)</b>	<b>(1,192,940)</b>	<b>71,941</b>	<b>(238,562)</b>
<b>Cash Collected from Fees</b>	<b>1,413,648</b>	<b>1,284,563</b>	<b>1,120,540</b>	<b>1,342,665</b>	<b>1,302,114</b>	<b>1,234,151</b>	<b>1,035,172</b>	<b>1,217,374</b>
<i>Quarterly Growth</i>	10%	15%	-17%	3%	6%	19%	-15%	

(1) This is a non-IFRS measure. Please refer to "Non-IFRS Measures" in this MD&A for the definition and reconciliation of this measure

The Company incurred an adjusted loss from operations of \$422,176 in Q1, 2023 compared to an adjusted loss from operations of \$677,672 in the previous quarter. The improved adjusted loss for the quarter is due to cost savings efforts implemented by the Company throughout Q1, 2023. These efforts are expected to have continued positive impacts into the next quarter as the savings become fully realized. The Company incurred a loss from operations of \$839,553 in Q1 2023 as compared to a loss from operations of \$248,304 in the previous quarter. This is primarily due to a change in estimate to the valuation of equity instruments related to the go-public event in the previous quarter.

### ***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.

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.

### ***Off-Balance Sheet Arrangements***

The Company had no off-balance sheet arrangements as at September 30, 2022.

## **Summary of Significant Accounting Policies**

The significant accounting policies used in the preparation of these financial statements are described below.

### ***Cash and cash equivalents***

Cash consists of bank balances and cash held in trust. Cash equivalents consist of short-term deposits with original maturities of three months or less. As at September 30, 2022 and September 30, 2021, there were no cash equivalents.

### **Contingencies**

Management's determination of the existence of contingencies requires the use of judgment. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also applies judgment to assess the likelihood of the occurrence of one or more future events. When contingencies exist, management estimates the related financial impact to the Company based on the possible outcomes of one or more future events.

### Financial instruments

#### *(a) Recognition and initial measurement*

The Company initially recognizes a financial asset or a financial liability on the date it becomes a party to the contractual provisions of the instrument. Except for trade receivables that do not contain a significant financing component, a financial asset or financial liability is initially measured at fair value. If a financial asset or financial liability is not subsequently recognized at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are initially recognized at their transaction price.

#### *(b) Classification and subsequent measurement – Non-derivative financial assets*

On initial recognition, the Company classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss (“FVTPL”) on the basis of the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are reclassified subsequently to their initial recognition when, and only when, the Company changes its business model for managing financial assets.

##### *i) Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost using the effective interest method, less impairment losses, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. Upon derecognition, all gains or losses are also recognized in profit or loss.

##### *ii) Financial assets measured at fair value through other comprehensive income*

A financial asset is subsequently measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. This election is made for each separate investment.

These assets are subsequently measured at fair value. For debt instruments measured at fair value through other comprehensive income, interest calculated using the effective interest method, foreign exchange gains and losses, and impairment gains or losses are recognized in profit or loss. Other gains or losses are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously

## Management Discussion and Analysis – September 30, 2022

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recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

For equity instruments measured at fair value through other comprehensive income, dividends are recognized in profit or loss, unless the dividend represents a recovery of part of the cost of the investment. Gains or losses are recognized in other comprehensive income and are never reclassified to profit or loss.

### *iii) Financial assets classified at fair value through profit and loss*

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income are measured at FVTP. This includes all derivative financial assets. The Company may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. These assets are subsequently measured at fair value, and gains or losses, including interest income or dividend income, are recognized in profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Company transfers contractual rights to receive the cash flows of the financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset have been transferred or in a transaction where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control of the asset. Any rights and obligations created or retained in the transfer by the Company are recognized as separate assets or liabilities.

### *iv) Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost or fair value through other comprehensive income. The Company uses a matrix to determine the lifetime expected credit losses for trade receivables.

The Company uses historical patterns for the probability of default, the timing of collection and the amount of the incurred credit loss, which is adjusted based on management's judgment about whether current economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss, and applied against trade and other receivables through a loss allowance account.

### *c) Classification and subsequent measurement – Non-derivative financial liabilities*

Non-derivative financial liabilities are recognized initially on the date the Company becomes a party to the contractual obligations of the financial instrument. All non-derivative financial liabilities are recognized initially at fair value along with directly attributable transaction costs. Subsequent to initial measurement, non-derivative financial liabilities are measured at amortized cost or as financial liabilities measured at fair value through profit and loss.

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*i) Financial liabilities measured at amortized cost*

A financial liability is subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognized in profit or loss. Upon derecognition, all gains or losses are also recognized in profit or loss.

*ii) Financial liabilities measured at fair value through profit and loss*

Financial liabilities are classified as measured at FVTPL if they are held for trading, are derivative financial liabilities or are designated as such on initial recognition. Financial liabilities at fair value through profit or loss are subsequently measured at fair value, and gains or losses, including interest expense, are recognized in profit or loss.

The Company derecognizes a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

*d) Derivative financial instruments— warrants and options*

A financial derivative such as warrants or options that will be settled with the Company's own equity instruments will be classified as an equity instrument if the derivative is to acquire a fixed number of the Company's own equity instruments for a fixed amount of Canadian dollars.

A financial derivative will be considered a financial liability at FVTPL if it's to acquire either a variable number of equity instruments and the options/warrants were not offered pro-rata to all existing owners of the case class of non-derivative equity instruments.

The Company's classification and measurement of its financial assets and financial liabilities are as follows:

<b>Asset/Liability</b>	<b>Classification</b>
Cash	Amortized cost
Accounts receivable	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Derivative liabilities	FVTPL
Warrant liabilities	FVTPL
Due from related party	Amortized cost
Due to parent company	Amortized cost

### **Impairment of long-lived assets**

Long-lived assets, including equipment and intangible assets, are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or the "CGU").

The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable

amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

### **Revenue from contracts with customers**

The Company recognizes revenue to depict the transfer of control of promised services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Revenue is measured based on the consideration specified in a contract with a customer.

The Company provides consumers services to manage and reduce the terms of their liabilities and loans by changing their payment frequency to match the consumers' cash flows, without altering the underlying loan documentation. The Company derives revenue from enrolment fees and the bank processing fees.

Enrolment fees are upfront fees charged to customers to access Hank's automatic processing platform over the term of a loan. Revenue is recognized over the term of the loan. Revenue from non-cancellable contracts is recorded as an accounts receivable and a corresponding contract liability. Fees received or receivable are recorded as contract liability until the satisfaction of the performance obligation.

Revenue related to bank processing fees are recognized when the Company satisfies its performance obligation and payment is received.

Other revenue is related to fees charged to a related party for sales support at an agreed upon rate and is recognized when the Company satisfies its performance obligation.

### **Intangible assets**

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized as soon as the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. They are amortized on a straight-line basis

## Management Discussion and Analysis – September 30, 2022

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over their useful life of five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

### **Equipment**

Equipment is stated at historical cost, less accumulated depreciation and any accumulated impairment losses. The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of operations. Expenditures to replace a component of an item of equipment that is accounted for separately are capitalized and the existing carrying amount of the component written off. Other subsequent expenditures are capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repair and maintenance, are recognized in the statement of operations as incurred.

Depreciation is charged to the statement of operations based on the cost, less estimated residual value of the asset, on a straight-line basis over the estimated useful life. Depreciation commences when the assets are available for use. The Company's equipment consists of office and computer equipment. The useful life of the Company's equipment is three years and is amortized on a straight-line basis from the month of addition.

### **Loss per share**

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the dilution that would occur if stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options, warrants and the convertible debenture conversion feature were anti-dilutive for the quarter ended September 30, 2022 and 2021.

### **Equity**

Share capital is classified as equity. Transaction costs directly attributable to the issue of shares and share purchase options are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

### **Income taxes**

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax liabilities or assets are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on the initial

recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Share based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of operations over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, plus any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The fair value of stock options is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. The fair value of RSUs is the market value of the underlying shares as of the date of grant. Changes to the estimated number of awards that will eventually vest are accounted for prospectively.

### **Leases**

#### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

#### Lease obligations

The Company recognizes lease obligation and right-of-use asset for its leased equipment. The lease obligation is measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease terms. If that rate cannot be readily determined, the Company will use its incremental borrowing rate.

The lease term determined by the Company comprises:

- The non-cancellable period of lease contracts, including a rent-free period if applicable;
- Periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option;
- Periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The commencement date of the lease begins on the date on which the lessor makes the underlying asset available for use to the Company. Lease payments included in the measurement of the lease obligation are comprised of the following:

- Fixed lease payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price of purchase options that the Company is reasonably certain to exercise;
- Lease payments in an option renewal period if the Company is reasonably certain to exercise the extension option;
- Penalties for early termination of the lease unless the Company is reasonably certain not to terminate early; and
- Less any lease incentives receivable.

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease obligations. The variable payments are recognized as an expense in the period in which they are incurred. The Company accounts for any leases and associated non-lease components separately, as opposed to a single arrangement, which is permitted under IFRS 16. The Company records non-lease components such as an expense in the period in which they are incurred.

Interest on the lease obligations is calculated using the effective interest method and increases the lease obligation while rent payments reduce the obligation. The lease obligation is remeasured whenever a lease contract is modified, and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount

## Management Discussion and Analysis – September 30, 2022

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rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

### Right-of-use assets

The right-of-use asset will be initially calculated at an amount equal to the initial value of the lease liability, adjusted for the following items:

- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Company;
- An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located.

For short-term leases that have a lease term of 12 months or less and low-value assets, the Company has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16.

The right-of-use assets will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent liabilities and Contingent assets.

### Convertible debentures

The convertible debentures are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreement. One of the criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash ("fixed for fixed"). If the conversion feature meets the fixed for fixed criteria, the conversion option will be classified as equity components. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the convertible debenture is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criteria, the conversion option will be recorded as derivative financial liability, which must be separately accounted for at fair value on initial recognition. The carrying amount of the debt component, on initial recognition, is recalculated as the difference between the proceeds of the convertible promissory notes as a whole and the fair value of the derivative financial liabilities. Subsequent to initial recognition, the derivative financial liability is re-measured at fair value at the end of each reporting period with changes in fair value recognized in the statement of operations for each reporting period, while the debt component is accreted to the face value of the debt using the effective interest method.

The liability component is recognized initially at the fair value of a similar liability that does not

have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the computed financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition except on conversion or upon expiration, when the carrying value of the equity portion is transferred to common shares or contributed surplus

### **Government Grants and Assistance**

Government grants are recognized only once there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received. Grants are recognized as either income over the period(s) necessary to match them with the related costs or if related to a specific expense, as a reduction to the expenses for which they are intended to compensate, on a systematic basis. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Grants receivable for costs already incurred or for immediate financial support, with no future related costs, are recognized as income in the period in which the grant is receivable. Forgivable loans are accounted for in the same way as a government grant whereby the receipt of a forgivable loan is recorded either as a reduction of a non-current asset or as a reduction of expenses. The liability to repay a forgivable loan is recorded in the period in which conditions arise that will cause the loan to become repayable.

### **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.

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### *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

### *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.

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### *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.

### *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.

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

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.

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

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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.

### **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 and due to shareholder approximate their carrying value due to the relatively short-term maturities of these instruments.

The fair value of convertible debentures approximates their carrying value as a result of the short time that has passed since their issuance.

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 during the three month period ended September 30, 2022 and September 30, 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 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

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result of the RTO, therefore, at September 30, 2022 and June 30, 2022, the value of derivative liabilities related to the attached warrants amounted to \$Nil.

### 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 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.

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:

	<b>September 30, 2022</b>	<b>June 30, 2022</b>
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

	<b>September 30, 2022</b>	<b>June 30, 2022</b>
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

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### 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, 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>\$</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 September 30, 2021, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

#### (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.

### ***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 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.

### ***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.

### ***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.

## Non-IFRS Measures

The Company uses certain measures to assess financial performance that are not in accordance with IFRS (“Non-IFRS measures”). The Company believes the non-IFRS measures described below are more reflective of our ongoing operating results and provide readers with a better understanding of the Company’s operating performance through the eyes of management. Non-IFRS measures are intended to provide additional information only and do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should not be considered in isolation or as a substitute for measures of performance determined under IFRS. The following discussion describes the non-IFRS measures we use in evaluating our operating results.

### Adjusted Loss from Operations

Adjusted Loss from operations is loss from operations excluding the impact of stock-based compensation, corporate restructuring and transaction costs, business acquisition costs, and amortization of intangible assets acquired in business combinations. Management believes it is appropriate to adjust for these items when evaluating the underlying performance of our business because amortization of intangible assets and stock-based compensation are primarily non-cash in nature; and corporate restructuring, transaction costs, and business acquisition costs are not reflective of the continuing operating activities.

### Reconciliation of Non-IFRS Measures to IFRS

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for the quarter ended September 30, 2022, and September 30, 2021:

	Three Months Period Ended		
	September 30, 2022	September 30, 2021	Change
	\$	\$	%
<b>Reported and adjusted measures:</b>			
Loss from operations	(839,553)	(785,573)	6.9%
<b>Adjustments:</b>			
Stock based compensation	373,085	208,734	100.0%
Amortization of Intangible Assets	44,292	36,932	19.93%
<b>Adjusted loss from operations</b>	<b>(422,176)</b>	<b>(539,907)</b>	<b>-21.8%</b>

### **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.