Hank Payments Corp.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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Hank Payments Corp.

Notice to Reader Issued by Management

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect.

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

November 28, 2023

Hank Payments Corp.

Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2023 and June 30, 2023
(Unaudited - Expressed in Canadian Dollars)

	Note	**September 30, 2023**	June 30, 2023
	#	**$**	$
ASSETS			
Current			
Cash		**120,527**	692,124
Accounts receivable	13	**592,158**	547,407
Prepaid expenses and deposits		**339,090**	482,076
Sales tax receivable		**131,473**	125,886
Total current assets		**1,183,248**	1,847,493
Advances to related party	7	**1,611,540**	1,677,092
Restricted cash	4	**189,307**	158,880
Equipment	5	**26,420**	27,361
Intangible assets	6	**554,153**	495,711
Total assets		**3,564,668**	**4,206,537**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12,13	**5,098,542**	4,928,660
Contract liability - current portion	9	**1,255,255**	1,318,706
Convertible debentures	8	**76,587**	25,159
Total current liabilities		**6,430,384**	**6,272,525**
Convertible debentures	8	**1,422,790**	1,396,040
Contract liability	9	**2,468,046**	2,559,457
Total liabilities		**10,321,220**	**10,228,022**
SHAREHOLDERS' DEFICIENCY			
Share capital	10	**8,438,709**	8,438,709
Contributed surplus	10	**8,544,036**	8,402,921
Other comprehensive income		**21,854**	115,462
Deficit		**(23,761,151)**	(22,978,577)
Total shareholders' deficiency		**(6,756,552)**	**(6,021,485)**
Total liabilities and shareholders' deficiency		**3,564,668**	**4,206,537**

Nature of operations and going concern (Note 1)
Related party transactions (Note 12)
Subsequent events (Note 16)

Approved on behalf of the Board:

"Michael Hilmer", Director	*"Jennifer Fallon"*, Director
(signed)	(signed)

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

Hank Payments Corp.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the Three Months Ended September 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	Note #	**2023 $**	2022 $
Revenue			
Bank processing fees		**815,548**	787,394
Enrollment fees	9	**562,130**	671,892
Technology licensing fee	11	**169,444**	-
Other revenue	12(c)	**34,297**	82,302
Total revenue		**1,581,419**	1,541,588
Cost of sales		**171,236**	137,707
Gross profit		**1,410,183**	1,403,881
Expenses			
Salaries and wages	6	**1,302,854**	1,222,400
Stock based compensation	10,12	**141,115**	373,085
Software and licensing fees	6	**201,402**	139,856
Professional fees		**39,531**	32,161
Office and general		**327,380**	351,975
Bad debts	13	**40,597**	77,134
Depreciation	5	**6,216**	2,531
Amortization	6	**63,139**	44,292
Total operating expenses		**2,122,234**	2,243,434
Loss from operations		**(712,051)**	(839,553)
Other expenses (income)			
Accretion expense	8	**26,750**	9,454
Interest expense	8	**57,871**	17,534
Foreign exchange loss		**(14,098)**	(32,772)
Net loss		**(782,574)**	(833,769)
Other Comprehensive loss			
Currency translation adjustment		**(93,608)**	(246,561)
Comprehensive loss		**(876,182)**	(1,080,330)
Loss per share - basic and diluted		**(0.01)**	(0.01)
Weighted average number of outstanding common shares - basic and diluted		**73,148,651**	71,700,825

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

Hank Payments Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the Three Months Ended September 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	Number of Common Shares (Note 10)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Shareholder's Deficiency
	#	$	$	$	$	$
Balance, June 30, 2022	**71,048,651**	**8,156,340**	**6,978,999**	**222,503**	**(19,491,825)**	**(4,133,983)**
Stock-based compensation	-	-	373,085	-	-	373,085
Conversion of debt (Note 8)	2,000,000	240,081	-	-	-	240,081
Currency translation adjustment	-	-	-	(246,561)	-	(246,561)
Net loss for the period	-	-	-	-	(833,769)	(833,769)
Balance, September 30, 2022	**73,048,651**	**8,396,421**	**7,352,084**	**(24,058)**	**(20,325,594)**	**(4,601,147)**
Balance, June 30, 2023	**73,148,651**	**8,438,709**	**8,402,921**	**115,462**	**(22,978,577)**	**(4,601,147)**
Stock-based compensation	-	-	141,115	-	-	141,115
Currency translation adjustment	-	-	-	(93,608)	-	(93,608)
Net loss for the period	-	-	-	-	(782,574)	(782,574)
Balance, September 30, 2023	**73,148,651**	**8,438,709**	**8,544,036**	**21,854**	**(23,761,151)**	**(6,756,552)**

The accompanying notes are an integral part of condensed interim consolidated financial statement

Hank Payments Corp.

Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	2023	2022
	$	$
Operating activities		
Net loss for the year	**(782,574)**	(833,769)
Adjusted for non-cash items:		
Amortization	**63,139**	44,292
Depreciation	**6,216**	2,531
Accrued interest	**57,871**	17,534
Accretion expense	**26,750**	9,454
Exchange (gain)	**(14,098)**	(32,772)
Stock based compensation	**141,115**	373,085
Changes in non-cash working capital items:		
Prepaid expenses and deposits	**142,986**	86,752
Accounts receivable	**(44,751)**	164,246
Sales tax receivable	**(5,587)**	(10,402)
Contract liability	**(154,862)**	94,104
Accounts payable and accrued liabilities	**169,882**	509,875
Cash (used in) provided by operating activities	**(393,913)**	424,930
Investing activities		
Additions to equipment	**(4,888)**	-
Addition to intangible assets	**(111,611)**	(59,216)
Advances from (to) related party	**94,475**	(280,650)
Cash used in investing activities	**(22,024)**	(339,866)
Financing activities		
Interest paid	**(6,443)**	(233)
Increase restricted cash	**(27,067)**	-
Cash used in financing activities	**(33,510)**	(233)
Effect of currency translation	**(122,150)**	(276,625)
Net increase (decrease) in cash	**(571,597)**	(191,794)
Cash, beginning of period	**692,124**	803,146
Cash, end of period	**120,527**	611,352
Supplemental Information:		
Shares issued on conversion of debentures	-	240,081

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

These condensed interim consolidated financial statements of the Company have been prepared on a going concern basis which presumes the Company will continue in operation and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of $782,574 during the three month period ended September 30, 2023 (September 30, 2022 – $833,769) and has a total accumulated deficit of $23,761,151 as at September 30, 2023 (June 30, 2023 – $22,978,577). The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. To this point, all operational activities and overhead costs shortfalls have been funded through the issuance of debt and equity instruments.

The Company believes that continued funding from equity and debt issuances will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurances that the Company will continue to have the required funding for its operations. These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern. As at September 30, 2023 and June 30, 2023, these financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in conformity with IAS 34 – Interim Financial Reporting and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2023. These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Company on November 28, 2023.

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

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

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

Basis of Presentation

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

Functional and Presentation Currency

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

Use of Estimates and Judgements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are the same as those applied as at and for the year ended June 30, 2023 and are consistently applied to all periods presented except as noted below. They do not include all the information required for full annual financial statements in accordance with IFRS and should be read in conjunction with the audited financial statements for the year ended June 30, 2023.

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 after typical three moth cancellable period has lapsed. Fees received or receivable are recorded as contract liability until the satisfaction of the performance obligation. If a contract is determined to be abandoned, the amount of contract liability is recognized as revenue at the time the determination is made.

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

The Company provides the right to use its internal software platform, for a determined period of time, through technology licensing agreements. The technology licensing agreements include a base fee for the use of the software platform as well as fees related to the maintenance of the software platform. Revenue related to licensing agreements is recognized on a straight line basis over the term of the contract.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgement and estimates (continued)

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

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

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

Revenue recognition
Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables.

Management also applies judgement in the calculation of the estimated life of a contract, the value of amounts recoverable on contracts and the timing of revenue recognition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgement and estimates (continued)

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 established fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

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.

4. RESTRICTED CASH

Restricted cash relates to deposits in non-interest bearing reserve accounts that are established and controlled by participating banks to cover any possible losses as a result of disputes, fraud, or embezzlement in the Company's operations. As at September 30, 2023, restricted cash was related to one account in the amount of $189,307 (US$140,000) (June 30, 2023 - $158,880 (US$120,000)). During the three month period ended September 30, 2023, the Company increased its daily bank limit, and as a result, increased the amount in the related reserve account.

5. EQUIPMENT

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

Cost		
Balance at June 30, 2022	$	24,123
Additions		28,134
Currency translation		452
Balance at June 30, 2023		**52,709**
Additions		4,888
Currency translation		857
Balance at September 30, 2023	**$**	**58,454**
Depreciation		
Balance at June 30, 2022	$	(8,997)
Additions		(16,303)
Currency translation		(48)
Balance at June 30, 2023		**(25,348)**
Additions		(6,216)
Currency translation		(470)
Balance at September 30, 2023	**$**	**(32,034)**
Net Book Value		
Balance, June 30, 2023	**$**	**27,361**
Balance, September 30, 2023	**$**	**26,420**

Depreciation recorded on equipment for the three month period ended September 30, 2023 amounted to $6,216 (September 30, 2022 - $2,531).

6. INTANGIBLE ASSETS

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

Cost		
Balance at June 30, 2022	$	852,555
Additions		342,445
Currency translation		23,422
Balance at June 30, 2023		**1,218,422**
Additions		111,611
Currency translation		25,767
Balance at September 30, 2023	**$**	**1,355,800**
Amortization		
Balance at June 30, 2022	$	(508,411)
Additions		(202,708)
Currency translation		(11,592)
Balance at June 30, 2023		**(722,711)**
Additions		(63,139)
Currency translation		(15,797)
Balance at September 30, 2023	**$**	**(801,647)**
Net Book Value		
Balance, June 30, 2023	**$**	**495,711**
Balance, September 30, 2023	**$**	**554,153**

Amortization recorded on intangible assets for the three month period ended September 30, 2023 amounted to $63,139 (September 30, 2022 - $44,292).

For the three month period ended September 30, 2023, the Company expensed $171,638 (September 30, 2022 - $200,896), in relation to the research and maintenance of the Company's internally generated proprietary software. The amount consists of $161,473 (September 30, 2022 -$197,927), in salaries and wages and $10,165 (2022 - $2,969), in consulting fees. The consulting fees are recorded in software and licensing fees and salaries and wages are recorded in salaries and wages on the statement of operations.

7. ADVANCES TO RELATED PARTY

The amount due from a related party corporation, a shareholder and wholesaler, is unsecured, non-interest bearing and due on demand. As at September 30, 2023, the balance owing from the related party was $1,611,540 (June 30, 2023: $1,677,092).

8. CONVERTIBLE DEBENTURES

Transactions related to the Company's convertible debentures during the three month periods ended September 30, 2023 and 2022 include the following:

	2023	2022
Carrying amount of debt, June 30,	**1,421,199**	652,755
Accretion	**26,750**	9,454
Accrued interest	**57,871**	17,534
Debentures converted	**-**	(240,081)
Interest paid	**(6,443)**	(233)
Carrying amount of debt, September 30,	**1,499,377**	439,429

Convertible debentures are comprised of the following:

	2020 and 2021 Issuances [1] $	**June 30, 2022 $**	**December 16, 2022 $**	**April 21, 2023 $**	**June 15, 2023 $**	**Total $**
Carrying amount of debt at June 30, 2022	**18,716**	**634,039**	**-**	**-**	**-**	**652,755**
Proceeds from issuance of convertible debentures	-	-	700,000	1,096,000	500,000	2,296,000
Amounts classified as equity instruments	-	-	(281,879)	(433,486)	(190,044)	(905,409)
Issuance costs	-	-	-	(21,445)	-	(21,445)
Accreted interest	-	106,974	16,873	9,171	850	133,868
Interest expense	-	28,424	37,589	21,019	2,055	89,087
Debentures converted	-	(240,081)	-	-	-	(240,081)
Debentures settled	-	(500,000)	-	-	-	(500,000)
Interest paid	-	(29,356)	(37,589)	(14,576)	(2,055)	(83,576)
Carrying amount of debt at June 30, 2023	**18,716**	**-**	**434,994**	**656,683**	**310,806**	**1,421,199**
Accreted interest	-	-	8,685	12,708	5,357	26,750
Interest expense	-	-	17,644	27,624	12,603	57,871
Interest paid	-	-	-	(6,443)	-	(6,443)
Carrying amount of debt at September 30, 2023	**18,716**	**-**	**461,323**	**690,572**	**328,766**	**1,499,377**
Current carrying amount at September 30, 2023	18,716	-	17,644	27,624	12,603	76,587
Long term carrying amount at September 30, 2023	-	-	443,679	662,948	316,163	1,422,790

(1) At September 30, 2023, the Company owes $18,716 in interest payable related to historical debentures that have been fully settled.

June 15, 2023 Convertible Debenture

On June 15, 2023, the Company closed a non-brokered private placement of 500 secured convertible debenture units (the "Units") of the Company for gross proceeds of $500,000. Each Unit consists of one $1,000 convertible debenture and 3,333 common share purchase warrants. The debentures mature on and become payable on June 15, 2028, and bear interest at a fixed rate of 10% per annum, payable semi-annually. The debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures.

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 $0.085 per share during the first year and $0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding debentures at any time

8. CONVERTIBLE DEBENTURES (continued)

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 $0.35. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 per common share until June 15, 2025.

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 22% 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 $309,956. The residual value of $190,044 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of $123,067 and $66,977, 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.

April 21, 2023 Convertible Debenture

On April 21, 2023, the Company closed a non-brokered private placement of 1,096 secured convertible debenture units (the “Units”) of the Company for gross proceeds of $1,096,000 of which $825,000 was received in cash and $271,000 was issued in settlement of outstanding payables. The Company paid a cash finder's fee of $18,550 and issued 185,500 finder's warrants in relation to the closing. 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 April 21, 2028 and bear interest at a fixed rate of 10% per annum, payable semi-annually. The Debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures.

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 $0.075 per share during the first year and $0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Debentures at any time 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 $0.35.

Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 per common share until April 21, 2025.

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

8. CONVERTIBLE DEBENTURES (continued)

principal at a market interest rate of 23% 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 transaction cost of $21,445 has been allocated on a pro rata basis to the liability and equity portion. The fair value of the liability was determined to be $641,069 which includes $12,794 of transactions costs. The residual value of $433,485 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of $382,846 and $50,640, respectively, which includes $8,652 of transaction costs. 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.

December 16, 2022 Convertible Debenture

On December 16, 2022, the Company closed a non-brokered private placement of 700 secured convertible debenture units (the “Units”) of the Company for gross proceeds of $700,000; 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 December 16, 2027, and bear interest at a fixed rate of 10% per annum, payable semi-annually. The Debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures.

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 $0.075 per share during the first year and $0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Debentures at any time 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 $0.35. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 per common share until December 16, 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 23% 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 $418,121. The residual value of $281,879 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of $244,298 and $37,581, 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.

8. CONVERTIBLE DEBENTURES (continued)

June 13, 2022 Convertible Debenture

On June 13, 2022, the Company closed a non-brokered private placement of 800 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.

On August 29, 2022, at the option of the holder, $300,000 of the June 13, 2022, Debentures were converted into 2,000,000 common shares of the Company. On December 15, 2023, $500,000 of the June 13, 2022 Debentures were settled with cash payments.

9. CONTRACT LIABILITY

The Company's contract liability is deferred revenue which relates to revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) which amounted to $3,723,301 at September 30, 2023 (June 30, 2023 - $3,878,163). Details of the Company's contract liability is noted as follows:

	September 30, 2023	June 30, 2023
Opening balance	**$ 3,878,163**	$ 4,443,474
Revenue recognized from contract liability	**(562,130)**	(2,511,875)
Additions	**329,820**	1,795,059
Currency translation adjustment	**77,448**	151,505
Ending balance	**$ 3,723,301**	$ 3,878,163
Current portion	**$ 1,255,255**	$ 1,318,706
Long-term portion	**$ 2,468,046**	$ 2,559,457

During the three month period ended September 30, 2023, the Company recognized revenue from contract liability in the amount of $562,130 and additions to contract liability of $329,820 (September 30, 2022: $671,892 and $516,395 respectively).

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

10. SHARE CAPITAL

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

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

a) Common shares

The Company had no share-based transactions during the three month period ended September 30, 2023.

The Company had the following share-based transactions during the three month period ended September 30, 2023:

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

10. SHARE CAPITAL (continued)

a) Stock Options

The Company has a stock option plan (the "Plan") which authorizes the board of directors to grant incentive stock options to directors, employees, and consultants. The maximum number of shares in respect of which options may be outstanding under the Plan at any given time is equivalent to 10% of the issued and outstanding shares of the Company at that time. Options may be exercisable for a maximum period of 10 years from the date of grant. The exercise price and vesting terms of any option granted pursuant to the Plan shall be determined by the Hank Board when granted.

During the three month periods ended September 30, 2023 and 2022, the Company had the following stock option activity:

- On September 6, 2023, the Company issued 50,000 stock options to a consultant of the Company. The fair value of the options were valued at $2,267 using the Black-Scholes model and the following assumptions: share price of $0.055, expected life of 8 years, $nil dividends, 100% volatility, exercise price of $0.10, and a risk-free interest rate of 4.66%. The stock options fully vested on the grant date. During the three month period ended September 30, 2023, the Company expensed $2,267 (September 30, 2022: $nil) as stock based compensation relating to the vesting of these options.

- On September 6, 2023, the Company issued 250,000 stock options to a consultant of the Company. The fair value of the options were valued at $3,104 using the Black-Scholes model and the following assumptions: share price of $0.055, expected life of 1 years, $nil dividends, 100% volatility, exercise price of $0.10, and a risk-free interest rate of 4.66%. The stock options vest in four equal tranches with one fourth vesting on issuance, one fourth vesting on December 6, 2023, one fourth vesting on March 6, 2024 and the last fourth vesting on September 5, 2024. During the three month period ended September 30, 2023, the Company expensed $1,138 (September 30, 2022: $nil) as stock based compensation relating to the vesting of these options.

- On May 26, 2023, the Company issued 50,000 stock options to employees of the Company. The fair value of the options were valued at $1,950 using the Black-Scholes model and the following assumptions: share price of $0.08, expected life of 2 years, $nil dividends, 100% volatility, exercise price of $0.10, and a risk-free interest rate of 4.31%. The stock options vest in three equal tranches with one third vesting on issuance, one third vesting on May 26, 2024 and the last third vesting on May 25, 2025. During the three month period ended September 30, 2023, the Company expensed $162 (September 30, 2022: $nil) as stock based compensation relating to the vesting of these options. On August 4, 2023, one of the employees was terminated and the related 16,667 unvested options were cancelled.

10. SHARE CAPITAL (continued)

b) Stock Options (continued)

- On April 17, 2023, the Company issued 75,000 stock options to employees of the Company. The fair value of the options were valued at $966 using the Black-Scholes model and the following assumptions: share price of $0.04, expected life of 2 years, $nil dividends, 100% volatility, exercise price of $0.10, and a risk-free interest rate of 3.95%. The stock options vest in three equal tranches with one third vesting on issuance, one third vesting on April 17, 2024 and the last third vesting on April 16, 2025 During the three month period ended September 30, 2023, the Company expensed $121 (September 30, 2022: $nil) as stock based compensation relating to the vesting of these options.

- On December 1, 2022, the Company issued 100,000 stock options to an employee of the Company. The fair value of the options were valued at $1,861 using the Black-Scholes model and the following assumptions: share price of $0.05, expected life of 2 years, $nil dividends, 100% volatility, exercise price of $0.10, and a risk-free interest rate of 3.75%. The options vest in three equal tranches with one third vesting on the grant date, one third vesting on December 1, 2023 and the last third vesting on November 22, 2024. During the three month period ended September 30, 2023, the Company expensed $233 (September 30, 2022: $nil), as stock based compensation relating to the vesting of these options.

- On November 29, 2022, the Company issued 200,000 stock options to Directors of the Company. The fair value of the options were valued at $3,729 using the Black-Scholes model and the following assumptions: share price of $0.05, expected life of 2 years, $nil dividends, 100% volatility, exercise price of $0.10, and a risk-free interest rate of 3.92%. The options vest in three equal tranches with one third vesting on the grant date, one third vesting on November 29, 2023 and the last third vesting on November 22, 2024. During the three month period ended September 30, 2023, the Company expensed $466 (September 30, 2022: $nil), as stock based compensation relating to the vesting of these options.

- On November 1, 2022, the Company issued 300,000 stock options to employees of the Company. The fair value of the options were valued at $5,791 using the Black-Scholes model and the following assumptions: share price of $0.06, expected life of 2 years, $nil dividends, 100% volatility, exercise price of $0.15, and a risk-free interest rate of 3.92%. 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. During the three month period ended September 30, 2023, the Company expensed $724 (September 30, 2022: $nil), as stock based compensation relating to the vesting of these options.

10. SHARE CAPITAL (continued)

b) Stock Options (continued)

- 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, 2023, the Company expensed $395 (September 30, 2022: $5,090), as stock based compensation relating to the vesting of these options. On April 17, 2023, the 100,000 of these stock options were repriced to $0.10, all other terms of the options remain unchanged.

- 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, 2023, the Company expensed $nil (September 30, 2022: $3,959) 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 expired on August 10, 2023.

Stock option activity for the periods ended September 30, 2023 and 2022 are as follows:

	2023		2022	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Opening balance	4,473,333	$ 0.45	4,740,000	$ 0.97
Granted	300,000	$ 0.10	400,000	$ 0.20
Expired/Cancelled	(100,000)	$ 0.85	(1,166,667)	$ 1,00
Outstanding, September 30,	**4,673,333**	**$ 0.42**	**3,973,333**	**$ 0.89**
Exercisable, September 30,	**4,019,166**	**$ 0.46**	**3,573,000**	**$ 0.96**

10. SHARE CAPITAL (continued)

b) Stock Options (continued)

Details of the options outstanding and exercisable as at September 30, 2023 are as follows:

Expiry Date	Number of Options Outstanding	Number of Options Vested	Exercise Price
May 30, 2024	150,000	150,000	$ 0.10
August 5, 2024	400,000	400,000	$ 0.10
September 6, 2023	250,000	62,500	$ 0.10
November 1, 2024	300,000	100,000	$ 0.15
November 29, 2024	200,000	66,666	$ 0.10
December 1, 2024	100,000	33,333	$ 0.10
April 17, 2025	500,000	500,000	$ 0.10
April 17, 2025	75,000	25,000	$ 0.10
May 26, 2025	33,333	16,667	$ 0.10
September 6, 2032	50,000	50,000	$ 0.10
October 13, 2031	1,550,000	1,550,000	$ 1.00
October 13, 2031	1,045,000	1,045,000	$ 0.10
November 29, 2031	20,000	20,000	$ 1.00
Balance, June 30, 2023	**4,673,333**	**4,019,166**	

c) Restricted Stock Units

The Company has a Restricted Stock Unit plan ("RSUs") which authorizes the board of directors to grant incentive RSUs to directors, employees, and consultants. The maximum number of shares in respect of which options may be outstanding under the Plan at any given time is 7,001,956 shares less any shares reserved pursuant to the Company's other share compensation arrangements. The vesting terms and other conditions of any RSUs granted shall be determined by the Hank Board when granted.

During the three month periods ended September 30, 2023 and 2022 the Company had the following RSU activity:

- On September 6, 2023, the Company granted 250,000 RSUs valued at $13,750 to a consultant of the Company. The RSUs vest on September 6, 2024. During the three month period ended September 30, 2023, the Company expensed $917 (2022: $nil) as stock based compensation related to the vesting of these RSUs.
- On May 26, 2023, the Company granted 200,000 RSUs valued at $16,000 to two directors of the Company. The RSUs vest on May 25, 2024. During the three month period ended September 30, 2023, the Company expensed $4,000 (2022: $nil) as stock based compensation related to the vesting of these RSUs.
- On April 17, 2023, the Company granted 1,000,000 RSUs valued at $40,000 to an officer of the Company. The RSUs vest on April 16, 2024. During the three month period ended September 30, 2023, the Company expensed $10,000 (2022: $nil) as stock based compensation related to the vesting of these RSUs.

10. SHARE CAPITAL (continued)

c) Restricted Stock Units (continued)

- On December 1, 2022, the Company granted 50,000 RSUs valued at $2,500 to an employee of the Company. The RSUs vest in three tranches with 16,666 vesting on December 1, 2023, 16,667 vesting on December 1, 2024 and 16,667 vesting on December 1, 2025. During the three month period ended September 30, 2023, the Company expensed $382 (2022: $nil) as stock based compensation related to the vesting of these RSUs.
- 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. During the three month period ended September 30, 2023, the Company expensed $1,875 (2022: $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 are fully vested. During the three month period ended September 30, 2023, the Company expensed $nil (September 30, 2022: $4,126) as stock based compensation related to the vesting of these RSUs.
- 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, 2023, the Company expensed $555 (September 30, 2022: $1,222) as stock based compensation related to the vesting of these RSUs.
- 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, 2023, the Company expensed $117,880 (September 30, 2022: $353,641) as stock based compensation related to the vesting of these RSUs which includes $94,792 (2022: $257,292), in stock based compensation to officers and directors. On May 20, 2022, 616,583 of these RSUs with a total value of $400,779 were exercised into common shares of the Company which includes 583,250 RSUs valued at $379,113 exercised by officers and directors. During the year ended June 30, 2023, two employees resigned and as a result 200,000 RSUs were forfeited and the Company reversed $77,103 of previously recorded stock based compensation.
- 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, 2023, the Company expensed $nil (September 30, 2022: $8,873) 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 forfeited and the Company reversed $85,006 of previously recorded stock based compensation.

10. SHARE CAPITAL (continued)

d) Restricted Stock Units (continued)

RSU activity for the three month periods ended September 30, 2023 and 2022 are as follows:

	Number of RSUs	
	2023	**2022**
Opening balance	**5,495,084**	**5,128,417**
Granted	250,000	-
Forfeited	-	(1,120,000)
Outstanding, September 30,	**5,745,084**	**4,008,417**
Exercisable, September 30,	**2,481,666**	**1,095,084**

Details of the RSUs vested and exercised are as follows:

Issuance Date	**Number of RSUs Granted**	**Number of RSUs Vested**	**Number of RSUs Forfeited**	**Number of RSUs Exercised**
October 13, 2021	4,600,000	2,983,333	200,000	616,583
October 13, 2021	500,000	166,667	333,333	-
November 1, 2021	750,000	150,000	600,000	150,000
November 12, 2021	20,000	6,667	-	-
December 13, 2021	25,000	25,000	-	-
November 1, 2022	250,000	83,333	-	-
December 1, 2022	50,000	-	-	-
April 17, 2023	1,000,000	-	-	-
May 26, 2023	200,000	-	-	-
September 6, 2023	250,000	-	-	-
Balance, September 30, 2023	**7,645,000**	**3,415,000**	**1,133,333**	**766,583**

10. SHARE CAPITAL (continued)

d) Warrants

During the three month periods ended September 30, 2023 and 2022, the Company had no new warrant activity.

	Number of warrants	Expiry Date	Exercise Price
Balance, June 30, 2022	**8,693,875**		
Repriced warrants	(3,142,500)	2024-10-13	$ 1.00
Repriced warrants	3,142,500	2023-07-29	$ 0.075
Warrants granted	2,333,100	2024-12-16	$ 0.10
Warrants granted	3,652,968	2025-04-21	$ 0.10
Warrants granted	1,666,500	2025-06-15	$ 0.10
Warrants exercised	(100,000)		$0.075
Warrants expired	(665,000)		$ 0.95
Balance, June 30, 2023	**15,581,443**		
Warrants expired	(3,042,500)		$ 0.075
Balance, September 30, 2023	**12,538,943**		

11. TECHNOLOGY LICENSING FEE

On March 27, 2023, the Company signed a three year technology license agreement for the use of the Hank technology platform in Canada. The base license fee of $5,000,000 will be paid in increasing increments over the term of the agreement. The agreement includes a maintenance fee of 22% of the base license fee, $1,100,00 over the term of the agreement, to be paid in proportional payments along with the incremental base fee payments. The Company will charge a monthly per user fee for the number of users over the maximum user allowance which is calculated proportionally to the base fee payments. In addition, a royalty of 15% will be billed monthly for revenue directly attributed to the Hank product for usage above a base number of users provided for by the agreement.

During the three month period ended September 30, 2023, the Company recorded $169,444 (September 30, 2022: $nil) in revenue and a related to the technology licensing agreement. The revenue recorded included $138,889 in revenue related to the base license fee and $30,555 in revenue related to the maintenance fee.

12. RELATED PARTY TRANSACTIONS

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control of common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources of obligations between related parties. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received.

12. RELATED PARTY TRANSACTIONS (continued)

The following are related party transactions during the three month periods ended September 30, 2023 and 2022, 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 with the same key management personnel (the "Agreement"). Under the Agreement, Hank provides processing services to end auto-loan customers procured by Marketing Corp. and assists Marketing Corp. in delivering its marketing services to attract automotive consumers.

   As part of the Agreement, when Hank and Marketing Corp. enter into agreements with customers, the gross fees paid or payable by the customer are collected by the Hank banking and technology platform and then shared by Hank and Marketing Corp. based on pre-set terms agreed upon between Hank and Marketing Corp. depending on the types of customer contracts entered into and what is considered market pricing for the services provided by each respective party. Hank provides similar services to other wholesalers of the Hank platform, for similar fee structures.

   The total amount collected by Hank from customers and remitted to Marketing Corp. for the three month period ended September 30, 2023 amounted to $1,439,176 (September 30, 2022 - $1,001,019);

b) During the three month period ended September 30, 2023, the Company had expenses that were incurred by related entities, Marketing Corp. and Uptempo Servicing Corp., a company with the same key management personnel, and Uptempo Inc., a company with the same key management personnel, 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, 2023, amounted to $nil (2022 - $47,082);

c) During the three month period ended September 30, 2023, the Company charged fees in the amount of $34,297 (2022 - $82,302), to Marketing Corp. for sales support. The Company incurred costs in relation to these services in the amount of $29,823, for the three month period ended September 30, 2023 (2022 - $71,567).

d) Refer to Note 7.

12. RELATED PARTY TRANSACTIONS (continued)

Key Management Compensation

The remuneration of directors and other key management personnel of the Company during the three month period ended September 30, 2023 and 2022 were as follows:

a) During the three month period ended September 30, 2023, the Company expensed $219,582 (September 30, 2022 - $213,683) in fees payable to officers of the Company. As at September 30, 2023, the Company had amounts payable to officers of the Company in the amount of $9,348 (June 30, 2023 - $7,801).

   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, 2023, the Company expensed $109,258 (September 30, 2022 - $284,375), in share based compensation related to Officers and Directors of the Company.

c) During the three month period ended September 30, 2023, the Company expensed $20,250 (September 30, 2022 - $10,125), in director's fees. As at September 30, 2023, the Company had amounts payable to directors of the Company in the amount of $95,463 (June 30, 2023 - $100,021).

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

13. FINANCIAL INSTRUMENTS AND RISK FACTORS

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

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3: inputs for the asset or liability that are not based upon observable market data.

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

The fair values of the Company's financial instruments consisting of cash, restricted cash, accounts receivable, advances from related party, accounts payable and accrued liabilities approximate their carrying value due to the relatively short term maturities of these instruments. The fair value of convertible debentures approximate their carrying value as a result of the short time that has passed since their issuance.

13. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

Risk Management Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these financial statements. The following analysis provides a measurement of risks as at September 30, 2023 and June 30, 2023.

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, 2023 and June 30, 2023 was determined as follows:

		September 30, 2023		June 30, 2023
Gross carrying amount	**$**	**623,324**	$	576,218
Expected credit loss rate		**5%**		5%
Lifetime expected credit loss	**$**	**31,166**	$	28,811
Net carrying amount	**$**	**592,158**	$	547,407

		September 30, 2023		June 30, 2023
Beginning balance	**$**	**28,811**	$	54,035
Write-offs		**(38,795)**		(290,734)
Net remeasurement of loss allowance		**40,597**		267,155
Currency translation adjustment		**553**		(1,645)
Ending balance	**$**	**31,166**	$	28,811

During the three month period ended September 30, 2023, the Company recorded a net remeasurement of loss allowance in the amount of $40,597 (September 30, 2022: $77,134).

13. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

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, 2023, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

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

		September 30, 2023		June 30, 2023
Trade payables	$	**586,086**	$	587,936
Accrued liabilities		**1,034,137**		1,121,417
Payroll remittance liabilities		**3,478,319**		3,219,307
	$	**5,098,542**	$	4,928,660

Accrued liabilities include a provision for estimated penalties and interest in the amount of $687,920.

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.

13. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

(ii) Foreign Currency Risk (continued)

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 period. As at September 30, 2023 and June 30, 2023, 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.

14. COMMITMENTS AND CONTINGENCIES

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

The Company is party to certain management contracts. These contracts require additional payments of up to $1,035,000 USD upon the occurrence of employee terminations. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

15. 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, 2023, the Company's shareholder's deficiency was $6,756,552 (June 30, 2023 – $6,021,485). 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, 2023 and year ended June 30, 2023.

15. CAPITAL MANAGEMENT (continued)

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 June 30, 2023, 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.

16. SUBSEQUENT EVENTS

On November 1, 2023, the Company granted 25,000 stock options to an employee of the Company with an exercise price of $0.10 per stock option, exercisable for a period of two years from the grant date. The stock options vest in three equal tranches with one third vesting on the grant date, one third vesting on November 1, 2024, and the last third vesting on October 31, 2025.

On November 24, 2023, the Company entered into a settlement agreement under which $236,000 of the Company's April 21, 2023 convertible debentures and 786,588 common share purchase warrants were cancelled in exchange for a cash payment of USD$25,000.