



## **Hank Payments Corp.**

### **Management Discussion and Analysis**

**June 30, 2023**

(Expressed in Canadian Dollars)

**As approved by the Board of Directors on  
October 30, 2023**

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 Nobelium Tech Corp) (the “Company” or “Hank”) as at and for the year ended June 30, 2023.

## **CAUTIONARY STATEMENT**

**This MD&A has been prepared taking into consideration information available to October 30, 2023 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.**

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### **Company Overview and Vision of Growth**

Hank Payments Corp (formerly Nobelium Tech Corp.) (the Company or “Hank”) is an emerging North American leader in Banking-as-a-Service (“BaaS”) market. The Hank platform modernizes budgets and payments for enterprises and consumers, and automates tedious functions that result in time and economic savings for platform users. The Hank technology stack provides for several vertical market applications of the technology, with features specific to channels and enterprise accounts (“Partners”) that allow those Partners to introduce new revenue streams, while modernizing legacy payment processes. The Company earns recurring transaction and licensing fees from consumers and enterprises and is active in several markets and geographies including Canada and the United States.

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’s BaaS model is emerging which is expected to add additional fees including software licensing and usage fees.

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

The Company’s principal product is the consumer cash management platform. The Company’s technology platform (i) instructs banks to debit cash when Users have cash; (ii) stores the cash on Hank’s banking partner’s balance sheet; and (iii) remits the payment(s) on the due dates to lenders/payees or savings on behalf of the Users. The Hank platform operates as a BaaS usage model, where end Users currently pay a fee to enroll 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).

The Company commenced customization of its Enterprise solutions for Education (“Hank EDU”) in Q2, F2023 after completion of requisite business planning, market identification and penetration assessment. Hank EDU products have come online in the first quarter of fiscal 2024 with new institutional signings, following increased investment R&D, sales and marketing. The Company expects material growth in this vertical channel using its BaaS platform in the coming years. Pricing in Hank EDU is principally event driven with a fee for each financial event the platform facilitates for the institution and paid by the institution itself. Once the Company aggregates enough students on the platform who have paid their tuition or received disbursements from the school, it will deploy its updated and modernized end user cash management tools to the students for incremental monthly subscription and transaction fees.

The Company has identified rent and other markets where its BaaS platform can have a meaningful impact on modernizing the experiences for users and expects to begin commercialization of additional products in calendar 2024.

The Company has entered the Canadian market through a National License Agreement with a Fintech focussed on mortgages, automotive and other products, and will earn recurring minimum fees, as previously disclosed, commencing in September 2023.

All Enterprise accounts are priced using a combination of licensing and transaction fees, some with minimum usage requirements. The platform includes algorithms that perform complex calculations related to cash flow, interest, and payment preferences, ledgering, notification management,

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remittances, transaction management and APIs to several processing partners and banking partners that take instruction from the Hank systems when it comes to moving money, sending money and receiving money on behalf of any Enterprise or Consumer/User Account.

The Company believes that powering other institutions is the most attractive economical outcome with low customer acquisition costs (“CAC”), high software and usage margins, and long-term contracts. The BaaS approach ensures the most efficient long term cash flow for the Company with the most attractive growth prospects.

The Company is focussing on building products for and executing within the following key markets, to attract consumers/users:

**Vehicle/Automotive:** Historically, majority of the revenue has come from this market, which has suffered through supply issues and has experienced slowing growth rates in comparison to the new markets the Company is entering. However, the powerful user history earned through serving this high margin market, has allowed the Company to advance into new markets. Revenue model includes enrolment and recurring processing fees earned monthly as debit and payment events occur.

**Education:** Hank focussed on the education sector as a priority and has launched its education platform products (“Hank EDU”) in the fourth quarter of fiscal 2023. Hank EDU has developed five powerful products that collectively, help students save for school, help schools collect tuition, help schools remit excess payments back to students and help schools collect missed tuitions. The Company started to execute on its pipeline and has signed and launched its first college in the first quarter of fiscal 2024. The market consists of over 5,000 colleges and universities. Hank’s average expected ARR by type of school follows:

Hank-EDU - Revenue Opportunity			
School Types	Average # of Students	Market Size (# of schools)	Potential ARR per School
Small	2,000	3,500	\$ 110,000
Medium	5,000	1,000	\$ 255,000
Large	20,000	500	\$ 1,000,000

Over 2,300 of such institutions are now available to Hank through new approved partner status with national student records companies and Hank is integrating with the most prominent student records companies to accelerate onboarding of colleges. Integration with record keeping companies affords Hank easier and more accelerated launch speeds for new schools, and the Company continues to work on integration with the top record keeping companies in the market today. The revenue model includes processing, transaction, remittance, standby and implementation fees.

**Doors:** Hank has identified Proof of Concept partners with industry leading banks, processors and property management companies within the rental market. The Hank platform helps landlords gain access to rent payments faster at an individual tenant level, while letting their tenants pick their payment plan. These features plus automated late rent portion curing, improves cash management for each party. The revenue model to include licensing and transaction fees along with potential to earn overnight interest as average daily deposits grow.

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**BookBuilder:** The Company is investigating the value of its technology to financial advisors and their customers wanting to accumulate equity and retirement savings quicker. This would lead to an increase in assets under management for advisors and potential for additional solutions advisors may wish to sell. The Company is in discussions with multiple Proof of Concept parties to determine product fit and financial benefits.

**Fintechs & Licensing:** Many FinTech companies struggle to build their own asset base or card usage programs and are not focussed on the heart of the issue with consumer/users: cash flow. By making Hank central to their solutions, the Fintech's gain much more influence over the consumers cash flow and can direct more growth towards their existing products. Hank has closed its first material Fintech licensing deal with a minimum total contract value of \$6.0 million excluding royalties and incremental usage fees. The revenue model includes any combination of the above fee categories.

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### Key Performance Indicators

Historically the SMB market has been the only market the company participated in, with 100% of revenue and growth attributed to this sector. With new Enterprise signings for Platform Licensing and in the Education sector, the Company's revenue will diversify commencing in calendar Q1 2024, while maintaining above industry average margins.

Key Performance Indicators (SMB Accounts)	June 2023
Increase in users managing mortgage payments since the beginning of the pandemic (March-2020)	51%
Increase in users managing multiple payments since the beginning of the pandemic (March-2020)	74%
Change in Contract liability (deferred revenue) over the twelve-month period ended June 30, 2023	(13%)
Active SME Channel Users as of June 30, 2023	44,245
% Of Users acquired 3 years ago that are Active Users	31%
% Of Users acquired 4 years ago that are Active Users	23%

	June 2023	June 2022
Monthly Recurring Revenue ("MRR") Per User (excluding Enrolment Fees) in CAD	\$5.85	\$5.29
Cash Collected from Fees for Fiscal Year Ended	\$5,140,813	\$5,049,882

SMB Monthly Recurring Revenue per user ("MRR") has experienced a cumulative annual average growth rate of 10.59% 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 SMB Average Annual Revenue Per User ("ARPU"), described as total fee revenue earned divided by the total users at the period end, is \$127.04 per user at June 30, 2023. 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.

### Market

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 via transaction/usage or subscription fees.
2. Users and/or Consumers: The end consumer that is using the platform on monthly basis to manage cash flow and budgets and objectives.

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

### ***Emerging Enterprise Market***

Users acquired through the Enterprise Partners have easier and more automated on-boarding, eliminating the need for Enrolment fees, and increasing ARR and MRR. ARPU is also expected to be higher for Enterprise users acquired through Enterprise Channels, with virtually no upfront CAC. However, the Company's initial focus is to drive revenue from the Enterprise first, by providing modernized and integration solutions.

Once our Enterprise accounts exceed certain end user thresholds of usage, the Company will activate its more advanced cash, budget and goal management tools for the consumers, currently in development. This is expected to amplify end user MRR, while deriving significant data and intelligence around user financial behaviors.

The United States alone has 94 million<sup>1</sup> households with debt, many of them struggling with financial literacy, making the United States a sizeable market. The problem is compounding with higher inflation and interest rates and these households remain the Company's end user targets, as described above, and the Company expects to gain access to those potential users through our Enterprise deals.

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

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 Company accesses users in these vertical markets through Enterprise and SMB Accounts creating a matrixed access strategy to the consumer, with nominal CAC.

1. Automotive ("SMB") payments continue to be at record highs driven by supply issues and rising rates and Hank continues to help users accelerate fractional payments and improve auto dealer trade cycle management.
2. There are over 5300 Colleges and Universities serving 18 million students ("EDU") and Hank has activated discussions with hundreds of Schools and expects to continue to close and launch schools in the coming years.
3. Over 20 million multi-tenant apartments ("Doors") with over 2 Million in Canada and approximately 1,000,000 addressable through planned proof of concepts.
4. Over 1 MM Financial Advisors with at least 50 MM customers ("Book Builder") across North America.

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

1. Users' need 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.
5. Institutions' need to efficiently transfer funds back and forth within their respective users and business partners.

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

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.

### ***Canadian Licensing Agreement***

On March 28, 2023, the Company announced the signing of a national license agreement for the use of the Hank technology platform in Canada (the "**National Technology License Agreement**"). 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 National Technology License Agreement included the following key terms:

- Three-year license agreement with minimum base revenue of C\$5,000,000 plus 22% maintenance for C\$6,000,000 in revenue to be earned quarterly commencing in calendar 2023.
- Licensee is exclusive to the Canadian Territory for the term, with customary renewals to support recurring long-term nature of Hank users.
- Licensee has exclusive protection on several entities/partnerships outside of Canada for nine months, to allow licensee to close contracts already in discussion.
- Recurring user counts expected to exceed 130,000 by the end of year three with additional user licensing fees to be paid monthly for user counts exceeding contracted base counts.
- Additional 15% royalty to Hank on Licensee monthly revenues attributed to Hank products, in perpetuity and applied to users exceeding base counts.
- Payments under the deal are expected to commence in Calendar 2023.

### ***Future Outlook***

The Company plans to continue growing its organic business through a focus on both the SME Partners and the Enterprise Partners with more weight and investment given to Enterprise Markets given the size and value of the overall opportunity. The Company will continue to innovate with new features that help consumers and enterprises monitor and manage their financial performance and outcomes respectively and expects new products to increase stickiness of the consumer and enterprise.

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

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

1. Accelerate cost efficient growth 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 several enterprise deals over the coming months with initial focus on Education given the ability to generate positive overall cash flow for the Company. The Company pivoted resources and spend in Calendar Q2, to grow sales and onboard resources specific to the Education channel in order to capitalize on the larger than expected demand. The Company will continue discussions with large scale strategy Enterprise customers and partners that often have long sales cycles but are highly lucrative given the scale of the opportunities. The Company will continue to pursue Proof of Concept and other contracts with strategic partners. 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. Penetrate the US college and university market with its suite of educational platform offerings.

*The company will focus on launching 100 schools over the next 18-24 months, with investment consistent with the recurring revenue opportunity. This growth would have meaningful impacts on cash margin growth and earnings.*

3. Launch Canadian Licensing Partner Deals

*Through calendar 2023 and beyond the Company will continue to work on launching meaningful engagements with the Canadian License partner. Following integration, the Company expects to commence onboarding accounts in Canada through several channels the Company and Canadian Licensee are mutually progressing.*

4. Invest in “POC” Opportunities for Strategic New Channels

The company has designed new experiences that modernizes payments in new markets including rent and tenant management as well as for financial advisors. The company only expects to invest in these customizations as proof-of-concept (“POC”) agreements are signed with a clear path to new revenue through POC partners with a predictable return on R&D and marketing spend.

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### ***Long-term Strategic Plan: Compounding Value***

Management has several strategic objectives over the coming years.

<b>Strategic Objective</b>	<b>Description</b>
1. Consolidator of Consumer Payment and Cash Management	Current business plan
2. Win and launch Enterprise BaaS 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. Launch and expand New Market Sectors	Access expanded user base via development of new markets such as Education, Financial Advisory, Rental and FinTech Markets (new products to be determined as “POC” agreements executed).
4. Continue to Cultivate Dealer Channel growth	Leverage strong existing SME Partner business to expand User enrollment generated through such channels, underpinned by technology innovation and advancement.
5. 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.
6. Consolidator of Savings	Leverage deposits we generate, into helping Banks grow their balance sheets and earn fees

### ***Legal and Regulatory Matters***

The Company has strategic contracts with banks and payment partners based in the United States and will add Canadian partners contemporaneously with the launch of the Canadian License Agreement. 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 take instruction from Hank, and house the consumers’ cash until instructions are provided to make payments. This ensures the Company is not responsible for Users’ cash and the debits turn into deposits for the bank partner, attracting FDIC insurance for certain Hank Users in the USA. Hank shares fees with banks for this important service, and the banks benefit from growing daily deposits. These banking and payment 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.

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### Highlights for Year Ended June 30, 2023

#### 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)							
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	1,403,518	1,452,072	1,512,194	1,541,588	1,479,074	1,378,598	1,304,643	1,180,450
Quarterly Growth	-3%	-4%	-2%	4%	7%	6%	11%	
Cost of sales	171,128	163,823	164,632	137,707	109,310	148,636	160,353	172,242
Gross Profit	1,232,390	1,288,249	1,347,562	1,403,881	1,369,764	1,229,962	1,144,290	1,008,208
Quarterly Growth	-4%	-4%	-4%	2%	11%	7%	13%	
Operating expenses	1,913,268	1,607,028	1,739,785	1,826,057	2,047,436	2,185,259	2,043,599	1,548,115
<b>Adjusted loss from operations (1)</b>	<b>(680,878)</b>	<b>(318,779)</b>	<b>(392,223)</b>	<b>(422,176)</b>	<b>(677,672)</b>	<b>(955,297)</b>	<b>(899,309)</b>	<b>(539,907)</b>
<b>Adjustments:</b>								
Stock based compensation	116,400	(125,205)	(168,515)	(373,085)	149,751	(839,178)	(4,530,767)	(208,734)
Listing expense	0	0	0	0	353,674	0	(1,751,201)	0
Transaction costs	0	0	0	0	194,835	0	(1,469,883)	0
Amortization of Intangible Assets	(56,469)	(52,739)	(49,208)	(44,292)	(41,030)	(37,120)	(36,936)	(36,932)
Restructuring Costs	0	0	0	0	(227,862)	0	0	0
	<b>59,931</b>	<b>(177,944)</b>	<b>(217,723)</b>	<b>(417,377)</b>	<b>429,368</b>	<b>(876,298)</b>	<b>(7,788,787)</b>	<b>(245,666)</b>
<b>Loss from operations</b>	<b>(620,947)</b>	<b>(496,723)</b>	<b>(609,946)</b>	<b>(839,553)</b>	<b>(248,304)</b>	<b>(1,831,595)</b>	<b>(8,688,096)</b>	<b>(785,573)</b>
<b>Net Income (Loss)</b>	<b>(1,389,753)</b>	<b>(529,273)</b>	<b>(733,957)</b>	<b>(833,769)</b>	<b>52,329</b>	<b>(1,864,969)</b>	<b>(8,850,289)</b>	<b>(770,390)</b>
<b>Comprehensive Income (Loss)</b>	<b>(1,299,929)</b>	<b>(526,970)</b>	<b>(686,564)</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>Cash Collected from Fees</b>	<b>1,220,889</b>	<b>1,167,852</b>	<b>1,338,425</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>
Quarterly Growth	5%	-13%	-5%	10%	15%	-17%	3%	

(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. Historically, cash collected from program fee enrollment in Q3 has always been low due to payment schedule setting and number of days in a month but will be recovered in subsequent quarters.

Over the past year, the Company focused on cost management while also investing in new initiatives. The operating cost reduced materially quarter over quarter starting from quarter ending March 31, 2022 until the latest quarter, when the Company started investing strategically for launch of Hank EDU. The Company also temporarily increased investor relations costs in the same quarter. Investment in launch related costs such as marketing and advertising as well as sales expenses related to conferences increased overhead in the last quarter of fiscal 2023. Going forward, margin from Hank EDU platform is expected to more than cover related costs. Operating expenses increased by 19% for the quarter in comparison to the previous quarter and dropped by 7% in comparison to the same quarter last year.

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The company is being awarded new Enterprise business and investments will be made in sales, marketing, and onboarding resources as and when needed, to ensure all opportunities are launched expeditiously and efficiently so the company may benefit from the meaningful cash flow.

The immaterial decline in quarter over quarter revenue is due in part to lower numbers of auto customers enrolled in the period compared to previous quarter as well as minor adjustments to channel pricing for the auto products. This quarter represented the transition for these events and the Company expects this auto channel to continue to perform well at high margin.

Under 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 with 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 fiscal 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 Year Ended (CAD)	June 2023 \$	June 2022 \$	Increase/ Decrease %
<b>Revenue</b>			
Bank Processing Fees	3,109,351	2,677,973	
Enrolment Fees	2,511,875	2,316,520	
Other Revenue	288,146	348,272	
<b>Total Revenue</b>	<b>5,909,372</b>	<b>5,342,765</b>	<b>10.6%</b>
Cost of Sales	(637,290)	(590,541)	7.9%
<b>Gross Profit</b>	<b>5,272,082</b>	<b>4,752,224</b>	<b>10.9%</b>
<b>Gross Profit %</b>	<b>89%</b>	<b>89%</b>	
Operating Expenses	(7,086,138)	(7,824,409)	(9.4)%
<b>Adjusted Income (Loss) from Operations (1)</b>	<b>(1,814,056)</b>	<b>(3,072,185)</b>	<b>41%</b>
<b>Adjustments</b>			
Stock based compensation	(550,405)	(5,428,928)	
Listing expense	0	(1,397,527)	
Transaction costs	0	(1,275,048)	
Amortization of Intangible Assets	(202,708)	(152,018)	
Restructuring costs	0	(227,862)	
	(753,113)	(8,481,383)	
<b>Loss from Operations</b>	<b>(2,567,169)</b>	<b>(11,553,567)</b>	
Cash From Operations	(381,745)	(1,439,063)	73.4%

(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 revenue growth while continuing to demonstrate exceptional margins. While net cashflow is expected to increase through new products and new contracts, as these 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 net dollar 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

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that it will lengthen more of its book beyond three years and increase lifetime value and long-term cash flow.

The adjusted loss from operations has declined materially in comparison to previous year due to costs reduction measures undertaken and the impact of these measures being fully realized. The cost reductions as discussed in detail below were undertaken carefully and without any impact on the investment in research and development to launch new market sectors such as education and Canadian license partnership.

During the year ended June 30, 2023, the Company incurred operating expenses of \$7,086,138 (June 30, 2022 - \$7,824,409) with the annual expense reduction of \$738,271 primarily attributable to:

Expense Decrease	Description	Current State
Executive team & core staff: \$591,833	Streamline management and personnel since the go-public transaction to transition from supporting an acquisition strategy and funding direct marketing channels to cultivating more cost effective channels such as Enterprise BaaS accounts.	As growth strategy shifted from acquisitions towards Enterprise sales, the team has been right sized and core staff is continually being adjusted to adapt to new strategy and initiatives
Software & licensing fees: \$79,730	R&D expenses were capitalized effective Q3, 2022, effectively lower technology expenses	R&D expenses are expected to remain stable going forward
Professional fees: \$42,706	Decreased legal expenditures related to the “go-public” transaction.	The Company has reduced the need for legal expenditures going forward.
G&A: \$273,841	Decreased expenditures in investor relations, marketing, office rent and general expenses following the “go-public” transaction.	The Company has taken cost savings measures to reduce these expenses and is expected to continue these efforts going forward.

### **Number of Common Shares**

There were 73,148,651 common shares issued and outstanding as at June 30, 2023 and 73,148,651 common shares issued and outstanding as at October 30, 2023, being the date of this report. As at June 30, 2023 the Company had outstanding stock options of 4,473,333 and outstanding RSUs of 5,495,084. There were 15,581,443 warrants issued and outstanding as at June 30, 2023.

### **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

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\$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 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.

On December 16, 2022, the Company closed a non-brokered private placement of secured convertible debenture units of the Company for gross proceeds of \$700,000; Each Unit consists of one \$1,000 convertible debenture and 3,333 common share purchase warrants. The Debentures mature on and become payable on 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.

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

## Management Discussion and Analysis – June 30, 2023

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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.

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 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.

### ***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.

## Management Discussion and Analysis – June 30, 2023

### Results of Operations

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

	Year Ended		
	June 30, 2023	June 30, 2022	Change
	\$	\$	%
Total revenue	5,909,372	5,342,765	10.6%
Cost of sales	637,290	590,541	7.9%
Operating expenses	7,086,138	7,824,409	-9.4%
Adjusted loss from operations (1)	(1,814,056)	(3,072,185)	41.0%
<b>Adjustments:</b>			
Stock based compensation	550,405	5,428,928	-89.9%
Listing expense	0	1,397,527	-100.0%
Transaction costs	0	1,275,048	-100.0%
Amortization of Intangible Assets	202,708	152,018	33.3%
Restructuring costs	0	227,862	-100.0%
	753,113	8,481,383	-91.1%
Loss from operations	(2,567,169)	(11,553,568)	77.8%
Other expenses (income)	919,583	(120,250)	864.7%
<b>Net loss</b>	<b>(3,486,752)</b>	<b>(11,433,318)</b>	<b>69.5%</b>
<b>Other comprehensive gain (loss)</b>			
Currency translation adjustment	(107,041)	(131,465)	18.6%
<b>Comprehensive loss</b>	<b>(3,593,793)</b>	<b>(11,564,783)</b>	<b>68.9%</b>
<b>Loss per share - basic and diluted</b>	<b>(0.05)</b>	<b>(0.17)</b>	<b>71.5%</b>
<b>Non-IFRS Measures</b>			
<b>Adjusted operating results:</b>			
Adjusted loss from operations (1)	(1,814,056)	(3,072,185)	41%

(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 \$1,814,056 for the year ended June 30, 2023, compared to adjusted loss from operations of \$3,072,185 for the year ended June 30, 2022. The Company recorded a loss from operations of \$2,567,169 for the year ended June 30, 2023, compared to a loss from operations of \$11,553,568 for the year ended June 30, 2022. Changes in each key category are further discussed below.

## Management Discussion and Analysis – June 30, 2023

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### Revenue

	Year Ended		
	June 30, 2023	June 30, 2022	Change
	\$	\$	%
<b>Revenue</b>			
Bank processing fees	3,109,351	2,677,973	16.1%
Enrollment fees	2,511,875	2,316,520	8.4%
Other revenue	288,146	348,272	-17.3%
<b>Total revenue</b>	<b>5,909,372</b>	<b>5,342,765</b>	<b>10.6%</b>
<b>Cost of sales</b>	<b>637,290</b>	<b>590,541</b>	<b>7.9%</b>
<b>Gross profit</b>	<b>5,272,082</b>	<b>4,752,224</b>	<b>10.9%</b>

SMB Revenue increased \$566,607 or 10.6% for the year ended June 30, 2023, in comparison to the year ended June 30, 2022. The increase was due to a 17.3% decrease in other revenue, a 16.1% increase in bank processing fees (also defined as “Recurring User Processing Fees”) and 8.4% increase in enrollment fees.

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 decrease in enrollment fees is the result of Company enacting changes to upfront enrollment fee it charges a key white label customer in order to support the channel’s customer acquisition endeavours. Over the period, 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. The Company also finished an ongoing process to cancel legacy customers from the program in the previous quarter, leading to lower cancellation in the current quarter, and lower contract liability recognized.

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 increased mainly due to higher foreign exchange rate over the current year compared to previous year, leading to higher translated expenses.

## Management Discussion and Analysis – June 30, 2023

### Expenses

	Year Ended		
	June 30, 2023	June 30, 2022	Change
	\$	\$	%
<b>Operating Expenses</b>			
Salaries and wages	4,794,595	5,386,428	-11.0%
Software and licensing fees	605,387	685,117	-11.6%
Professional fees	254,326	297,032	-14.4%
Office and general	1,148,372	1,422,213	-19.3%
Bad debts	267,155	254,925	4.8%
Depreciation	16,303	6,555	148.7%
<i>Less: Restructuring Costs</i>	0	-227,862	
	<b>7,086,138</b>	7,824,409	-9.4%
<b>Adjustments</b>			
Stock based compensation	550,405	5,428,928	-89.9%
Listing expense	0	1,397,527	-100.0%
Transaction costs	0	1,275,048	-100.0%
Amortization	202,708	152,018	33.3%
Restructuring Costs	0	227,862	
<b>Expenses</b>	<b>7,839,251</b>	16,305,792	-51.9%

### Operating Expenses

Salaries and wages decreased 11% for the year ended June 30, 2023, as compared to the year ended June 30, 2022. The comparative decrease is largely related to strategic changes undertaken to streamline costs and bring them back to pre-IPO levels, without affecting the BaaS related growth prospects. The year ended June 30, 2023 is reflecting the impact of cost saving initiatives undertaken by the management over the past quarters.

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 year ended June 30, 2023 were 11.6% 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 decreased by \$273,841 during the year ended June 30, 2023 compared to the previous year ended June 30, 2022. The decrease is primarily due to \$79,039 in investor relations expenses, \$59,429 related to office space, \$46,736 in marketing expenses, \$95,359 related to various general expenses, offset by an increase of \$6,722 in ongoing public company costs.

Professional fees decreased by \$42,706, as the Company reduced legal expenses incurred after go-public initiative.

## Management Discussion and Analysis – June 30, 2023

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### **Adjustments**

The Company incurred \$550,405 in stock-based compensation expense during the year ended June 30, 2023, resulting from \$45,418 related to the vesting of stock options, and \$504,987 related to the vesting of restricted stock units. 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**

	Year Ended		
	June 30,	June 30,	Change
	2023	2022	
	\$	\$	%
<b>Other expenses (income)</b>			
Accretion expense	133,868	22,600	492.3%
Interest expense	90,696	19,112	374.6%
Provision for tax penalties	693,101	0	100.0%
Foreign exchange gain	1,918	(12,547)	115.3%
Gain on debt modification	0	(1,097)	100.0%
Unrealized gain on derivative liabilities	0	(148,318)	100.0%
	919,583	(120,250)	864.7%

In the past, the Company has financed its operations partially by issuing 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 increase in accretion expense and interest expense for the year ended June 30, 2023 is mainly due to new issuance of convertible debentures to fund new initiatives. Further, the Company has estimated and recorded a provision related to interest and penalties expected on outstanding tax payable to date.

## Management Discussion and Analysis – June 30, 2023

### Financial Position

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

	June 30, 2023	June 30, 2022
	\$	\$
<b>ASSETS</b>		
Current		
Cash	692,124	803,146
Accounts receivable	547,407	1,026,674
Prepaid expenses and deposits	482,076	327,051
Sales tax receivable	125,886	97,816
<b>Total current assets</b>	<b>1,847,493</b>	<b>2,254,687</b>
Due from related party	1,677,092	1,013,151
Restricted cash	158,880	154,632
Equipment	27,361	15,126
Intangible assets	495,711	344,144
<b>Total assets</b>	<b>4,206,537</b>	<b>3,781,740</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	4,928,660	2,819,494
Contract liability - current portion	1,318,706	1,466,779
Convertible debentures	25,159	18,716
<b>Total current liabilities</b>	<b>6,272,525</b>	<b>4,304,989</b>
Convertible debentures	1,396,040	634,039
Contract liability	2,559,457	2,976,695
<b>Total liabilities</b>	<b>10,228,022</b>	<b>7,915,723</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital	8,438,709	8,156,340
Contributed surplus	8,402,921	6,978,999
Other comprehensive income	115,462	222,503
Deficit	(22,978,577)	(19,491,825)
<b>Total shareholders' deficiency</b>	<b>(6,021,485)</b>	<b>(4,133,983)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>4,206,537</b>	<b>3,781,740</b>

## Management Discussion and Analysis – June 30, 2023

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### ***Total Assets***

Total assets were \$4,206,537 as at June 30, 2023, an increase of \$424,797 or 11% from June 30, 2022, largely due to a decrease of \$479,267 in accounts receivable, a decrease of \$111,022 in cash, an increase of \$155,025 in prepaid expenses and deposits and an increase of \$663,941 in due from related party.

### ***Current Assets***

Current Assets decreased by 18% at June 30, 2023 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, along with making changes to recognize and manage new receivable balance more effectively. Management expects the receivable balance to stay proportional to revenue growth going forward.

### ***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 June 30, 2023 is due to the foreign exchange translation from USD to CAD.

### ***Equipment***

The increase in equipment can mainly be attributed to the purchase of new equipment for our customer service team during the year ended June 30, 2023.

### ***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. The net increase of \$151,567 to the intangible assets at June 30, 2023 as compared to June 30, 2022 is due to amortization recorded in the amount of \$202,708 for the period, offset by the capitalization of \$342,445 of development expenditures and an unrealized gain of \$11,830 from foreign exchange translation.

For the year ended June 30, 2023 the Company expensed \$802,294 (2022 - \$913,571), in relation to the research and maintenance of the Company's internally generated proprietary software. The amount consists of \$767,858 (2022 -\$760,043), in salaries and wages and \$34,436 (2022 - \$153,528), 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.

## Management Discussion and Analysis – June 30, 2023

### Total liabilities

Total liabilities were \$10,228,022 as at June 30, 2023, an increase of \$2,312,299 or 29% from June 30, 2022. The increase is attributable to a \$2,109,166 increase in accounts payable and a \$768,444 increase in convertible debentures, offset by a \$565,311 decrease in contract Liability.

### Accounts payable and other liabilities

Accounts payable and accrued liabilities were \$4,928,660 as at June 30, 2023, an increase of \$2,109,166 or 75% from June 30, 2022. The increase in accounts payable and other liabilities is primarily due to working capital management and the timing of payments to vendors in relation to financing activities.

### Convertible Debentures and Derivative Liability

Transactions related to the Company's convertible debentures during the year ended June 30, 2023 and 2022 include the following:

	2023	2022
<b>Carrying amount of debt, June 30,</b>	<b>652,755</b>	235,295
Issued during the year	1,369,146	631,119
Accretion	133,868	22,600
Accrued interest	89,087	19,112
Gain on debt modification	-	(1,097)
Debentures converted	(240,081)	(238,324)
Debentures settled	(500,000)	-
Interest paid	(83,576)	(15,950)
<b>Carrying amount of debt, June 30,</b>	<b>1,421,199</b>	<b>652,755</b>

Convertible debentures are comprised of the following:

	November 18, 2020 \$	December 7, 2020 \$	February 25, 2021 \$	April 16, 2021 \$	June 30, 2022 \$	December 16, 2023 \$	April 21, 2023 \$	June 15, 2023 \$	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>
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)
<b>Carrying amount of debt at June 30, 2023</b>	<b>6,297</b>	<b>2,964</b>	<b>9,455</b>	-	-	<b>434,994</b>	<b>656,683</b>	<b>310,806</b>	<b>1,421,199</b>
Current carrying amount at June 30, 2023	6,297	2,964	9,455	-	-	-	6,443	-	25,159
Long term carrying amount at June 30, 2023	-	-	-	-	-	434,994	650,240	310,806	1,396,040

## Management Discussion and Analysis – June 30, 2023

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### *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.

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.

### *December 7, 2020 Convertible Debenture*

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

## Management Discussion and Analysis – June 30, 2023

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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 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 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.

### *February 25, 2021 Convertible Debenture*

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

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model using the assumptions disclosed in Note 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.

## Management Discussion and Analysis – June 30, 2023

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### *April 16, 2021 Convertible Debenture*

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

### *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

## Management Discussion and Analysis – June 30, 2023

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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.

### *December 16, 2022 Convertible Debenture*

On December 16, 2022, the Company closed a non-brokered private placement of 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.

### *April 21, 2023 Convertible Debenture*

On April 21, 2023, the Company closed a non-brokered private placement of 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

## Management Discussion and Analysis – June 30, 2023

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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 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 \$391,497 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.

### *June 15, 2023 Convertible Debenture*

On June 15, 2023, the Company closed a non-brokered private placement of secured convertible debenture units (the "Units") of the Company for gross proceeds of \$500,000. 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 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 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

## Management Discussion and Analysis – June 30, 2023

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debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

### ***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 \$3,878,163 at June 30, 2023 (June 30, 2022 - \$4,443,474). Details of the Company's contract liability is noted as follows:

	<b>June 30, 2023</b>	June 30, 2022
Opening balance	\$ 4,443,474	\$ 4,103,624
Revenue recognized from contract liability	<b>(2,511,875)</b>	(2,316,520)
Additions	<b>1,795,059</b>	2,535,010
Currency translation adjustment	<b>151,505</b>	121,360
Ending balance	<b>\$ 3,878,163</b>	\$ 4,443,474
Current portion	\$ 1,318,706	\$ 1,466,779
Long-term portion	\$ 2,559,457	\$ 2,976,695

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

## Management Discussion and Analysis – June 30, 2023

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### **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 year ended June 30, 2023:

- On August 29, 2022, the Company issued 2,000,000 common shares upon conversion of the June 8, 2022 convertible debentures.
- On June 30, 2023, 100,000 warrants were exercised into common shares of the Company, for proceeds of \$7,500. The fair value of the options was estimated to be \$34,788 using the Black Scholes option pricing model.

The Company had the following share-based transactions during the year ended June 30, 2022:

- On October 13, 2021, the Company issued 300,000 common shares upon conversion of the November 18 and December 7 convertible debentures (Note 9).
- On October 13, 2021, the Company issued 175,000 common shares upon conversion of the February 25 convertible debentures (Note 9).
- On October 13, 2021, the Company issued 375,000 common shares upon conversion of the April 16 convertible debentures (Note 9).
- On October 13, 2021, 2,121,875 common shares valued at \$1,379,219 were issued in connection with the RTO between the Company and Hank US (Note 4).
- On October 13, 2021, the Company issued 1,298,900 common shares at a price of \$0.65 per share for finder's fees. The price per share was based on the underlying share price from the concurrent unit financing. The finder's fees in the amount of \$844,285 have been expensed as transaction costs.
- 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 have been allocated to share capital. 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 March 9, 2022, 262,500 stock options were exercised into common shares of the Company, for proceeds of \$39,375. The fair value of the options was estimated to be \$4,395 using the Black Scholes option pricing model.
- On May 20, 2022, 766,583 RSUs with a total value of \$468,279 were exercised into common shares of the Company.

## Management Discussion and Analysis – June 30, 2023

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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 year ended June 30, 2023 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 year ended June 30, 2023, the Company expensed \$15,618 (2022: \$nil), 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 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 year ended June 30, 2023, the Company expensed \$3,861 (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 year ended June 30, 2023, the Company expensed \$2,331 (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 year ended June 30, 2023, the Company expensed \$1,163 (2022: \$nil), as stock based compensation relating to the vesting of these options.
- On April 17, 2023, the Company issued 500,000 stock options to an officer of the Company. The fair value of the options were valued at \$6,437 using the Black-Scholes model and the following assumptions: share price of \$0.04, expected life of 2 years, \$nil dividends, 100% volatility, exercise

## Management Discussion and Analysis – June 30, 2023

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price of \$0.10, and a risk-free interest rate of 3.95%. The stock options fully vested on issuance and are recorded as stock-based compensation.

- 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 year ended June 30, 2023, the Company expensed \$421 (2022: \$nil) as stock based compensation relating to the vesting of these options.
- On April 17, 2023, the Company cancelled 725,000 stock options and repriced 1,045,000 outstanding stock options to \$0.10 per option. All other terms of the options remain unchanged. As a result of the repricing, the Company recorded an expense of \$10,884 which has been recorded as stock based compensation.
- 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 year ended June 30, 2023, the Company expensed \$744 (2022: \$nil) as stock based compensation relating to the vesting of these options.

During the year ended June 30, 2022 the Company had the following stock option activity:

- On October 13, 2021, the Company issued 4,320,000 stock options to certain employees and consultants. The fair value of the options were valued at \$2,457,067 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 fully vested on issuance and are recorded as stock-based compensation. These stock options include 1,000,000 options valued at \$568,766 that were issued to Officers and Directors. On April 17, 2023, the 750,000 of these stock options were cancelled and 795,000 stock options were repriced from \$1.00 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 year ended June 30, 2023, the Company expensed \$3,959 (2022: \$80,598) 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.
- On November 29, 2021, the Company issued 20,000 stock options to a sales agent. The fair value of the options were valued at \$6,168 using the Black-Scholes model and the following assumptions: share price of \$0.37, expected life of 10 years, \$nil dividends, 100% volatility, exercise price of \$1.00, and a risk-free interest rate of 1.9%. The stock options fully vested on issuance and are recorded as stock-based compensation.

## Management Discussion and Analysis – June 30, 2023

- On March 7, 2022, the Company issued 1,050,000 stock options to a consultant. The fair value of the options were valued at \$17,579 using the Black-Scholes model and the following assumptions: share price of \$0.08, expected life of 1 year, \$nil dividends, 100% volatility, exercise price of \$0.15, and a risk-free interest rate of 1.36%. The stock options vest in four equal tranches with 262,500 vesting on issuance, 262,500 vesting on June 7, 2022, 262,500 vesting on September 7, 2022 and the last 262,500 vesting on December 7, 2022. On May 30, 2022, the agreement related to this option issuance was terminated, as a result all unvested options were cancelled. During the year ended June 30, 2023, the Company expensed \$nil (2022: \$13,397) as stock based compensation related these options. On March 9, 2022, 262,500 of these options were exercised for proceeds of \$39,375.
- On May 30, 2022, the Company issued 150,000 stock options to a consultant. The fair value of the options were valued at \$8,085 using the Black-Scholes model and the following assumptions: share price of \$0.12, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.15, and a risk-free interest rate of 2.55%. The stock options fully vested on issuance and are recorded as stock-based compensation. On April 17, 2023, the 150,000 stock options were repriced from \$0.15 to \$0.10, all other terms of the options remain unchanged.

Stock option activity for the year ended June 30, 2023 is as follows:

	2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	4,740,000	\$ 0.97	-	-
Granted <sup>(1)</sup>	1,625,000	\$ 0.13	6,045,500	\$ 0.81
Exercised	-	-	(262,500)	\$ 0.15
Repriced	1,045,000	\$ 0.10	-	-
Expired/Cancelled	(2,936,667)	\$ 1.00	(1,043,000)	\$ 0.21
<b>Outstanding, June 30,</b>	<b>4,473,333</b>	<b>\$ 0.45</b>	<b>4,740,000</b>	<b>\$ 0.97</b>
<b>Exercisable, June 30,</b>	<b>3,889,999</b>	<b>\$ 0.49</b>	<b>4,573,333</b>	<b>\$ 0.97</b>

- (1) Includes 255,500 options assumed by the Company on October 13, 2021, as a result of the RTO (Note 4). The fair value of the options was calculated using the Black-Scholes model and the following assumptions: share price of \$0.65, expected life of 0.25 years, \$nil dividends, 100% volatility, exercise price of \$0.40, and a risk-free interest rate of 0.69%. As a result, the fair value of \$69,632 for these options has been recorded in reserves. These options expired on January 11, 2022.

## Management Discussion and Analysis – June 30, 2023

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

<b>Expiry Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested</b>	<b>Exercise Price</b>
May 30, 2024	150,000	150,000	\$ 0.10
August 5, 2024	400,000	300,000	\$ 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	50,000	16,667	\$ 0.10
October 13, 2031	1,550,000	1,550,000	\$ 1.00
October 13, 2031	1,045,000	1,045,000	\$ 0.10
October 13, 2031	83,333	83,333	\$ 1.00
November 29, 2031	20,000	20,000	\$ 1.00
<b>Balance, June 30, 2023</b>	<b>4,473,333</b>	<b>3,889,999</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.

During the year ended June 30, 2023 the Company had the following RSU activity:

- 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 year ended June 30, 2023, the Company expensed \$10,000 (2022: \$nil) as stock based compensation related to the vesting of these RSUs.
- 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 year ended June 30, 2023, the Company expensed \$891 (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 year ended June 30, 2023, the Company expensed \$8,222 (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 year ended June 30, 2023, the Company expensed \$1,548 (2022: \$nil) as stock based compensation related to the vesting of these RSUs.

## Management Discussion and Analysis – June 30, 2023

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During the year ended June 30, 2022 the Company had the following RSU activity:

- On October 13, 2021, Hank issued 4,600,000 RSUs to certain employees and consultants valued at \$2,990,000. The RSUs include 3,500,000 RSUs valued at \$2,275,000 that were issued to Officers and Directors. The RSUs vest in three equal tranches with one third vesting on the transaction date, one third vesting on October 13, 2022 and the last third vesting on October 13, 2023. During the year ended June 30, 2023, the Company expensed \$740,237 (2022: \$2,065,672) as stock based compensation related to the vesting of these RSUs which includes \$564,382 (2022: \$1,571,707), 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 year ended June 30, 2023, the Company expensed \$8,873 (2022: \$184,467) 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.
- On November 1, 2021, Hank issued 750,000 RSUs to an officer of the Company valued at \$337,500. The RSUs vest in four tranches with 150,000 vesting 30 days from issuance, 200,000 vesting on November 1, 2022, 200,000 vesting on November 1, 2023 and the last 200,000 vesting on November 1, 2024. During the year ended June 30, 2023, the Company expensed \$nil (2022: \$177,500), as stock based compensation related to the vesting of these RSUs. On May 20, 2022, 150,000 of these RSUs with a total value of \$67,500 were exercised into common shares of the Company. On May 30, 2022, the Officer resigned from the Company and as a result all unvested RSUs were forfeited and the Company reversed \$110,000 of previously recorded stock based compensation.
- 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 year ended June 30, 2023, the Company expensed \$3,200 (2022: \$3,096) 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 year ended June 30, 2023, the Company expensed \$4,126 (2022: \$3,499) as stock based compensation related to the vesting of these RSUs.

## Management Discussion and Analysis – June 30, 2023

RSU activity for the year ended June 30, 2023 is as follows:

	Number of RSUs	
	2023	2022
Opening balance	5,128,417	-
Granted	1,500,000	5,895,000
Exercised	-	(766,583)
Cancelled	(1,133,333)	-
<b>Outstanding, June 30,</b>	<b>5,495,084</b>	<b>5,128,417</b>
<b>Exercisable, June 30,</b>	<b>2,481,666</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 Cancelled	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	-	-	-
<b>Balance, June 30, 2023</b>	<b>7,395,000</b>	<b>3,415,000</b>	<b>1,133,333</b>	<b>766,583</b>

During the year ended June 30, 2023, the Company had the following warrant activity:

- On December 16, 2022, the Company granted 2,333,100 warrants as part of the Debenture Units issued. Each warrant is exercisable into one common share for a period of two years at an exercise price of \$0.10. The fair value of the warrants were valued at \$37,581 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 3.66%.
- On April 21, 2023, the Company granted 3,652,968 warrants as part of the Debenture Units issued. Each warrant is exercisable into one common share for a period of two years at an exercise price of \$0.10. The fair value of the warrants were valued at \$50,640 using the Black-Scholes model and the following assumptions: share price of \$0.045, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.80%.
- On April 21, 2023, the Company granted 185,000 warrants as a finder's fee related to the Debenture Units issued. Each warrant is exercisable into one common share for a period of two years at an exercise price of \$0.10. The fair value of the warrants were valued at \$2,896 using the Black-Scholes model and the following assumptions: share price of \$0.045, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.80%.

## Management Discussion and Analysis – June 30, 2023

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- On June 15, 2023, the Company granted 1,666,500 warrants as part of the Debenture Units issued. Each warrant is exercisable into one common share for a period of two years at an exercise price of \$0.10. The fair value of the warrants were valued at \$66,977 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 \$0.10, and a risk-free interest rate of 4.44%.

During the year ended June 30, 2022, the Company had the following warrant activity:

- On October 13, 2021, the Company granted 3,142,500 warrants as part of the units issued pursuant to the private placement. Each warrant is exercisable into one common share for a period of three years at an exercise price of \$1.00. The fair value of the warrants were valued at \$1,093,216 using the Black-Scholes model and the following assumptions; share price of \$0.65, expected life of 3 years, \$nil dividends, 100% volatility, exercise price of \$1.00, and a risk-free interest rate of 0.84%.
- On April 27, 2023, the Company repriced the 3,142,500 outstanding common share purchase warrants. from \$1.00 to \$0.075 and amended the expiry date of the warrants to add an acceleration clause. In the event the closing price of the Company's common shares on the TSXV exceeds the warrant repricing by 25% for any ten consecutive trading, the expiry date of the warrants shall be accelerated from October 13, 2024 to a date that is 30 days following the seventh calendar day following the ten consecutive trading day period. All other terms of the warrants remain unchanged. On June 30, 2023, the acceleration clause was triggered, and on June 30, 2023, 200,000 warrants were exercised. The remaining warrants expired on July 30, 2023.
- On October 13, 2021, in connection with the private placement, the Company granted 219,975 non-transferable compensation warrants to the financing agents. Each warrant will be exercisable to acquire one unit comprised of one common share plus one warrant exercisable for a period of 2 years at an exercise price of CAD \$1.00.

The fair value of the warrants were valued at \$115,224 using the Black-Scholes model and the following assumptions: Unit price of CAD \$1.00, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of CAD \$1.00, and a risk-free interest rate of 0.69%. The warrants are recorded as a reduction in share capital.

- On October 13, 2021, as a result of the RTO, the Company revalued the 665,000 warrants previously granted with debenture issuances, upon the conversion of the convertible debt (note 9). The fair value of the warrants was determined using the Black-Scholes model and the following assumptions: share price of CAD \$0.65, expected life of 1.11 to 1.51 years, \$nil dividends, 100% volatility based on comparable companies, exercise price of CAD \$0.80 to \$1.00, and a risk-free interest rate of 0.69%. As a result, the fair value of \$192,867 for these warrants has been recorded in reserves.
- On June 13, 2022, the Company granted 2,666,400 warrants as part of the Debenture Units issued. Each warrant is exercisable into one common share for a period of two years at an exercise price of \$0.25. The fair value of the warrants were valued at \$85,102 using the Black-Scholes model and the following assumptions; share price of \$0.10, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.25, and a risk-free interest rate of 3.35%.
- 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,

## Management Discussion and Analysis – June 30, 2023

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 year ended June 30, 2022, Hank recorded \$429,379 (2021: \$677,295) in stock based compensation related to these warrants and these warrants have fully vested and are exercisable as at June 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>		
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
<b>Balance, June 30, 2023</b>	<b>15,581,443</b>		

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

The Company used cash from operating activities in the amount of \$381,745 (June 30, 2022 – cash outflow of \$1,439,063) for the year ended June 30, 2023. The decrease in cash outflow from operating activities is primarily due to expenses related to the company go-public initiative in Q2 2022, as well as 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 year ended June 30, 2023, the Company used \$1,008,188 (June 30, 2022 - \$853,597) for investing activities consisting of investment in equipment and platform and advances to its largest SME wholesaler and related party.

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

During the year ended June 30, 2023, the Company generated \$1,428,766 (June 30, 2022 - \$2,934,966) financing activities primarily from issuance and settlement of convertible debentures over the year.

### ***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 year ended June 30, 2023 and 2022, not disclosed elsewhere in these unaudited condensed consolidated interim financial statements:

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

As part of the Agreement, when Hank and Marketing Corp. enter into agreements with customers, the gross fees paid or payable by the customer are collected by the Hank banking and technology platform and then shared by Hank and Marketing Corp. based on pre-set terms agreed upon between Hank and Marketing Corp. depending on the types of customer contracts entered into and what is considered market pricing for the services provided by each respective party. Hank provides similar services to other wholesalers of the Hank platform, for similar fee structures. The total amount collected by Hank from customers and remitted to Marketing Corp. for the year ended June 30, 2023 amounted to \$3,845,300 (2022 - \$3,249,914);

- b) During the year ended June 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 year ended June 30, 2023, amounted to \$93,341 (2022 - \$178,751);
- c) During the year ended June 30, 2023, the Company charged fees in the amount of \$288,146 (2022 - \$348,272), to Marketing Corp. for sales support. The Company incurred costs in relation to these services in the amount of \$250,562, for the year ended June 30, 2023 (2022 - \$302,845);
- d) During the year ended June 30, 2023, the Company received a promissory note with a person related to a director in the amount of \$100,000 (2022 - \$nil). This note was unsecured, with interest rate of 1.5% with no fixed terms of repayment. This promissory note was fully repaid during the year ended June 30, 2023 and the Company paid interest of \$1,500.
- e) Refer to Note 8 of the June 30, 2023 financial statements

## Management Discussion and Analysis – June 30, 2023

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### Key Management Compensation

The remuneration of Directors and other key management personnel of the Company during the year ended June 30, 2023 and 2022 were as follows :

- a) During the year ended June 30, 2023, the Company expensed \$877,437 (2022 - \$1,184,056) in fees payable to officers of the Company. As at June 30, 2023, the Company had amounts payable to officers of the Company in the amount of \$7,801 (June 30, 2022 - \$48,506).

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

- b) During the year ended June 30, 2023, the Company expensed \$528,754 (2022 - \$2,747,352), in share based compensation related to Officers of the Company.

- c) During the year ended June 30, 2023, the Company expensed \$64,125 (2022 - \$60,750), in director's fees. As at June 30, 2023, the Company had amounts payable to director's of the Company in the amount of \$100,021 (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 – June 30, 2023

### 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 June 30, 2023. 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)							
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	1,403,518	1,452,072	1,512,194	1,541,588	1,479,074	1,378,598	1,304,643	1,180,450
<i>Quarterly Growth</i>	-3%	-4%	-2%	4%	7%	6%	11%	
Cost of sales	171,128	163,823	164,632	137,707	109,310	148,636	160,353	172,242
Gross Profit	1,232,390	1,288,249	1,347,562	1,403,881	1,369,764	1,229,962	1,144,290	1,008,208
<i>Quarterly Growth</i>	-4%	-4%	-4%	2%	11%	7%	13%	
Operating expenses	1,913,268	1,607,028	1,739,785	1,826,057	2,047,436	2,185,259	2,043,599	1,548,115
<b>Adjusted loss from operations (1)</b>	<b>(680,878)</b>	<b>(318,779)</b>	<b>(392,223)</b>	<b>(422,176)</b>	<b>(677,672)</b>	<b>(955,297)</b>	<b>(899,309)</b>	<b>(539,907)</b>
<b>Adjustments:</b>								
Stock based compensation	116,400	(125,205)	(168,515)	(373,085)	149,751	(839,178)	(4,530,767)	(208,734)
Listing expense	0	0	0	0	353,674	0	(1,751,201)	0
Transaction costs	0	0	0	0	194,835	0	(1,469,883)	0
Amortization of Intangible Assets	(56,469)	(52,739)	(49,208)	(44,292)	(41,030)	(37,120)	(36,936)	(36,932)
Restructuring Costs	0	0	0	0	(227,862)	0	0	0
	59,931	(177,944)	(217,723)	(417,377)	429,368	(876,298)	(7,788,787)	(245,666)
<b>Loss from operations</b>	<b>(620,947)</b>	<b>(496,723)</b>	<b>(609,946)</b>	<b>(839,553)</b>	<b>(248,304)</b>	<b>(1,831,595)</b>	<b>(8,688,096)</b>	<b>(785,573)</b>
<b>Net Income (Loss)</b>	<b>(1,389,753)</b>	<b>(529,273)</b>	<b>(733,957)</b>	<b>(833,769)</b>	<b>52,329</b>	<b>(1,864,969)</b>	<b>(8,850,289)</b>	<b>(770,390)</b>
<b>Comprehensive Income (Loss)</b>	<b>(1,299,929)</b>	<b>(526,970)</b>	<b>(686,564)</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>Cash Collected from Fees</b>	<b>1,220,889</b>	<b>1,167,852</b>	<b>1,338,425</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>
<i>Quarterly Growth</i>	5%	-13%	-5%	10%	15%	-17%	3%	

(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 \$680,878 in Q4, 2023 compared to an adjusted loss from operations of \$318,779 in the previous quarter. The increased adjusted loss for the quarter is due to investments by the Company for new initiatives. The Company incurred a loss from operations of \$620,947 in Q4 2023 as compared to a loss from operations of \$496,723 in the previous quarter. This is primarily due to increases in operating expenses for new initiatives.

## Management Discussion and Analysis – June 30, 2023

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### **Capital Management**

The Company includes equity comprised of issued share capital, deficit and cash and cash equivalents in the definition of capital. As at June 30, 2023, the Company's shareholders' deficiency was \$6,021,485 (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 year ended June 30, 2023 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 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.

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

The Company had no off-balance sheet arrangements as at June 30, 2023.

### **Summary of Significant Accounting Policies**

The Company's unaudited condensed interim statements of financial position as at June 30, 2023 and June 30, 2022, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the period ended June 30, 2023 and June 30, 2022, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to note 3 of the Company's unaudited condensed interim financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements and recent accounting pronouncements.

### **Financial Instruments**

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

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

## Management Discussion and Analysis –June 30, 2023

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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 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 year ended June 30, 2022:

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 year ended June 30, 2023, the Company recorded a gain of \$nil (2022:\$148,318), 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 9. During the year ended June 30, 2022, these convertible debentures were converted, therefore at June 30, 2023 and June 30, 2022 the value of the derivative liabilities related to the conversion features of the convertible debentures amounted to \$nil. On October 13, 2021, the warrants related to the convertible debentures were assumed by the Company from Hank US as a result of the RTO, therefore, at June 30, 2023 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 June 30, 2023 and June 30, 2022.

## Management Discussion and Analysis – June 30, 2023

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### **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 June 30, 2023 and June 30, 2022 was determined as follows:

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Gross carrying amount	\$ 576,218	\$ 1,080,709
Expected credit loss rate	5%	5%
Lifetime expected credit loss	\$ 28,811	\$ 54,035
Net carrying amount	\$ 547,407	\$ 1,026,674

  

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Beginning balance	\$ 54,035	\$ 58,914
Write-offs	(290,734)	(251,119)
Net remeasurement of loss allowance	267,155	254,925
Currency translation adjustment	(1,645)	(8,685)
Ending balance	\$ 28,811	\$ 54,035

### **Liquidity Risk**

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

As at June 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.

## Management Discussion and Analysis –June 30, 2023

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

	<b>June 30, 2023</b>		June 30, 2022
Trade payables	\$ 587,936	\$	578,413
Accrued liabilities	1,121,417		456,026
Payroll liabilities	3,219,307		1,785,055
	<b>\$ 4,928,660</b>	<b>\$</b>	<b>2,819,494</b>

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. 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 March 31, 2023 and 2022, 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 year ended June 30, 2023, and June 30, 2022:

	Year Ended		
	June 30, 2023	June 30, 2022	Change
	\$	\$	%
<b>Reported and adjusted measures:</b>			
Loss from operations	(2,567,169)	(11,553,568)	77.8%
<b>Adjustments:</b>			
Stock based compensation	550,405	5,428,928	-89.9%
Listing expense	0	1,397,527	-100.0%
Transaction costs	0	1,275,048	-100.0%
Amortization of Intangible Assets	202,708	152,018	0.0%
Restructuring Costs	0	227,862	-100.0%
<b>Adjusted loss from operations</b>	<b>(1,814,056)</b>	<b>(3,072,185)</b>	<b>41.0%</b>

### **SUBSEQUENT EVENTS**

On September 6, 2023, the Company granted 250,000 stock options to a consultant of the Company with an exercise price of \$0.10 per stock option, exercisable for a period of one year from the grant date. The stock options vest in four equal tranches with one fourth vesting every three months from the grant date.

On September 6, 2023 the Company granted 50,000 stock options to a consultant of the Company with an exercise price of \$0.10 per stock option, exercisable for a period of eight years from the grant date. The stock options were fully vested on issuance.

On September 6, 2023, the Company granted 250,000 RSUs to consultants of the Company. The RSUs vest one year from the grant date.