



Hank Payments Corp.

Consolidated Financial Statements

For the Years Ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

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Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Hank Payments Corp.

Opinion

We have audited the consolidated financial statements of Hank Payments Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023 and 2022 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2023 and, as of that date, the Company had an accumulated deficit and its current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's

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report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Soheil Talebi.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
October 30, 2023

Hank Payments Corp.

Consolidated Statements of Financial Position

As at June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

	Note	June 30,	June 30,
	#	2023	2022
		\$	\$
ASSETS			
Current			
Cash		692,124	803,146
Accounts receivable	14	547,407	1,026,674
Prepaid expenses and deposits		482,076	327,051
Sales tax receivable		125,886	97,816
Total current assets		1,847,493	2,254,687
Advances to related party	8	1,677,092	1,013,151
Restricted cash	5	158,880	154,632
Equipment	6	27,361	15,126
Intangible assets	7	495,711	344,144
Total assets		4,206,537	3,781,740
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12,14	4,928,660	2,819,494
Contract liability - current portion	10	1,318,706	1,466,779
Convertible debentures	9	25,159	18,716
Total current liabilities		6,272,525	4,304,989
Convertible debentures	9	1,396,040	634,039
Contract liability	10	2,559,457	2,976,695
Total liabilities		10,228,022	7,915,723
SHAREHOLDERS' DEFICIENCY			
Share capital	11	8,438,709	8,156,340
Contributed surplus	11	8,402,921	6,978,999
Other comprehensive income		115,462	222,503
Deficit		(22,978,577)	(19,491,825)
Total shareholders' deficiency		(6,021,485)	(4,133,983)
Total liabilities and shareholders' deficiency		4,206,537	3,781,740

Nature of operations and going concern (Note 1)

Related party transactions (Note 12)

Subsequent events (Note 18)

Approved on behalf of the Board:

"Michael Hilmer", Director
(signed)

"Jennifer Fallon", Director
(signed)

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

Hank Payments Corp.

Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	June 30, 2023	June 30, 2022
	#	\$	\$
Revenue			
Bank processing fees		3,109,351	2,677,973
Enrollment fees	10	2,511,875	2,316,520
Other revenue	12(c)	288,146	348,272
Total revenue		5,909,372	5,342,765
Cost of sales		637,290	590,541
Gross profit		5,272,082	4,752,224
Expenses			
Salaries and wages	7	4,794,595	5,386,428
Stock based compensation	11,12	550,405	5,428,928
Software and licensing fees	7	605,387	685,117
Professional fees		254,326	297,032
Office and general	13	1,148,372	1,422,213
Listing expense	4	-	1,397,527
Transaction costs	4	-	1,275,048
Bad debts	14	267,155	254,925
Depreciation	6	16,303	6,555
Amortization	7	202,708	152,018
		7,839,251	16,305,791
Loss from operations		(2,567,169)	(11,553,567)
Other expenses (income)			
Accretion expense	9	133,868	22,600
Interest expense	9	90,696	19,112
Provision for interest and penalties	14	693,101	-
Foreign exchange loss		1,918	(12,547)
Gain on debt modification	9	-	(1,097)
Gain on derivative liabilities	14	-	(148,318)
Net loss		(3,486,752)	(11,433,317)
Other Comprehensive loss			
Currency translation adjustment		(107,041)	(131,465)
Comprehensive loss		(3,593,793)	(11,564,782)
Loss per share - basic and diluted		(0.05)	(0.17)
Weighted average number of outstanding common shares - basic and diluted			
		72,719,884	68,054,358

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

Hank Payments Corp.

Consolidated Statements of Changes in Shareholders' Deficiency

For the Years Ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Number of Common Shares (Note 11) #	Share Capital \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Shareholder's Deficiency \$
Balance, June 30, 2021	62,606,293	3,502,097	677,295	353,968	(8,058,508)	(3,525,147)
Stock-based compensation	-	-	5,428,928	-	-	5,428,928
Warrants issued with convertible debentures	-	-	192,867	-	-	192,867
Conversion of debt (Note 9)	850,000	421,218	-	-	-	421,218
Reverse merger (Note 4)	2,121,875	1,379,219	69,632	-	-	1,448,851
Shares issued on finder's fees Note 4)	1,298,900	844,285	-	-	-	844,285
Private placement	3,142,500	1,497,472	914,069	-	-	2,411,541
Exercise of RSUs	766,583	468,279	(468,279)	-	-	-
Exercise of options	262,500	43,770	(4,395)	-	-	39,375
Issuance of debentures	-	-	168,882	-	-	168,882
Currency translation adjustment	-	-	-	(131,465)	-	(131,465)
Net loss for the year	-	-	-	-	(11,433,317)	(11,433,317)
Balance, June 30, 2022	71,048,651	8,156,340	6,978,999	222,503	(19,491,825)	(4,133,983)
Balance, June 30, 2022	71,048,651	8,156,340	6,978,999	222,503	(19,491,825)	(4,133,983)
Stock-based compensation	-	-	550,405	-	-	550,405
Warrants issued with convertible debentures	-	-	2,896	-	-	2,896
Issuance of debentures	-	-	905,409	-	-	905,409
Conversion of debt (Note 9)	2,000,000	240,081	-	-	-	240,081
Exercise of warrants	100,000	42,288	(34,788)	-	-	7,500
Currency translation adjustment	-	-	-	(107,041)	-	(107,041)
Net loss for the year	-	-	-	-	(3,486,752)	(3,486,752)
Balance, June 30, 2023	73,148,651	8,438,709	8,402,921	115,462	(22,978,577)	(6,021,485)

The accompanying notes are an integral part of consolidated financial statement

Hank Payments Corp.

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
	\$	\$
Operating activities		
Net loss for the year	(3,486,752)	(11,433,317)
Adjusted for non-cash items:		
Amortization	202,708	152,018
Depreciation	16,303	6,555
Accrued interest	90,696	19,112
Accretion expense	133,868	22,600
Gain on debt modification	-	(1,097)
Listing expense	-	1,397,527
Transaction costs	-	844,285
Stock based compensation	550,405	5,428,928
Unrealized loss on derivative liabilities	-	(148,318)
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(155,025)	(46,699)
Accounts receivable	479,267	92,684
Sales tax receivable	(28,070)	(77,828)
Contract liability	(565,311)	339,850
Accounts payable and accrued liabilities	2,380,166	1,964,637
Cash used in operating activities	(381,745)	(1,439,063)
Investing activities		
Additions to equipment	(28,134)	(21,962)
Addition to intangible assets	(342,445)	(97,163)
Advances to related party	(637,609)	(809,664)
Cash acquired in reverse takeover	-	75,192
Cash used in investing activities	(1,008,188)	(853,597)
Financing activities		
Interest paid	(85,184)	(15,950)
Settlement of debentures	(500,000)	-
Private placement	-	3,142,500
Share issuance costs	-	(730,959)
Exercise of warrants	7,500	-
Exercise of options	-	39,375
Debenture issuance costs	(18,550)	-
Proceeds from convertible debentures	2,025,000	500,000
Cash provided by financing activities	1,428,766	2,934,966
Effect of currency translation	(149,855)	(149,671)
Net increase (decrease) in cash	(111,022)	492,635
Cash, beginning of year	803,146	310,511
Cash, end of year	692,124	803,146
Supplemental Information:		
Shares and options issued for reverse takeover	-	1,448,851
Shares issued for finder's fees	-	844,285
Shares issued on conversion of debentures	240,081	421,218
Shares issued on exercise of RSUs	-	468,279
Convertible debentures issued for settlement of accounts payable	271,000	300,000

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

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

On October 13, 2021, the Company completed the reverse takeover (“RTO”) of Hank Payments Corp. (formerly The Card Collaborative Corp.) (“Hank US”). Hank US was incorporated on October 29, 2014, in the State of Florida. On January 13, 2021, the Company filed articles of amendment to change its name to Hank Payments Corp. These consolidated financial statements are presented as a continuation of Hank US as the deemed acquirer (Note 4).

These financial statements of the Company have been prepared on a going concern basis which presumes the Company will continue in operation and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of \$3,486,752 during the year ended June 30, 2023 (June 30, 2022 – \$11,433,317), and has a total accumulated deficit of \$22,978,577 as at June 30, 2023 (June 30, 2022 – \$19,491,825). The Company’s ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. To this point, all operational activities and overhead costs shortfalls have been funded through the issuance of debt and equity instruments.

The Company believes that continued funding from equity and debt issuances will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurances that the Company will continue to have the required funding for its operations. These material uncertainties cast significant doubt as to the Company’s ability to continue as a going concern. As at June 30, 2023 and June 30, 2022, these financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements of the Company were prepared using accounting policies consistent with IFRS as issued by the Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect on June 30, 2023 and June 30, 2022.

These financial statements were authorized for issue by the Board of Directors on October 30, 2023.

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

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

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

Basis of Presentation

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

Functional and Presentation Currency

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

Use of Estimates and Judgements

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

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

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

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

Contingencies

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

Financial instruments

(a) Recognition and initial measurement

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

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

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

i) Financial assets measured at amortized cost

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

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

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

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

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

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

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

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

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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Company transfers contractual rights to receive the cash flows of the financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset have been transferred or in a transaction where

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control of the asset. Any rights and obligations created or retained in the transfer by the Company are recognized as separate assets or liabilities.

iv) *Impairment of financial assets*

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

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

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

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

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

i) *Financial liabilities measured at amortized cost*

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

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

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

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

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

d) Derivative financial instruments - warrants and options

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

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

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

Asset/Liability	Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Advances to related party	Amortized cost

Impairment of long-lived assets

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

The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Revenue from contracts with customers

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

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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

Enrolment fees are upfront fees charged to customers to access Hank's automatic processing platform over the term of a loan. Revenue is recognized over the term of the loan. Revenue from non-cancellable contracts is recorded as an accounts receivable and a corresponding contract liability after typical three month cancellable period has lapsed. Fees received or receivable are recorded as contract liability until the satisfaction of the performance obligation. If a contract is determined to be abandoned, the amount of contract liability is recognized as revenue at the time the determination is made.

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

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

Intangible assets

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

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

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. They are amortized on a straight-line basis over their useful life of five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

Equipment

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

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

Loss per share

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

Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options, warrants and the convertible debenture conversion feature were anti-dilutive for the years ended June 30, 2023 and 2022.

Equity

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

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

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

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

Share based Payments

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

Leases

Leases

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

Lease obligations

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The lease term determined by the Company comprises:

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

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

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

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

Interest on the lease obligations is calculated using the effective interest method and increases the lease obligation while rent payments reduce the obligation. The lease obligation is remeasured whenever a lease contract is modified, and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Right-of-use assets

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

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

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

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

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets.

Convertible debentures

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible debentures (continued)

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

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

Government Grants and Assistance

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

Significant accounting judgement and estimates

Expected credit losses

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgement and estimates (continued)

Leases

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

Provisions

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

Deferred tax assets

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

Revenue recognition

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

Capitalization of qualifying development costs

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgement and estimates (continued)

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

Amortization and impairment of non-financial assets

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

Fair value of financial assets and financial liabilities

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

Derivative liabilities

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

Share-based payments

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

Hank Payments Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective July 1, 2022

During the year ended June 30, 2023, the Company adopted a number of amendments and improvements of existing standards. These included IAS 16 and IAS 37. These new standards and changes did not have any material impact on the Company's financial statements.

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

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

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

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

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

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

Hank Payments Corp.

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4. REVERSE TAKEOVER

On October 13, 2021, an aggregate of 63,456,293 shares of the Company were issued to the shareholders of Hank US in exchange for their shares in Hank US on a one for one basis. In addition, all of the Hank US securities exercisable or exchangeable for, or convertible into, or other rights to acquire the Company's securities outstanding, including those acquired by way of the private placement were also converted. This includes the conversion of convertible debentures of \$665,000 into 850,000 common shares.

At the time of the RTO, the Company did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted for under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to profit and loss. As Hank US is deemed to be the accounting acquirer for accounting purposes, these consolidated financial statements present the historical financial information of Hank US up to the date of the RTO.

The fair value of the consideration issued for the net assets of the Company is as follows:

Purchase consideration shares	\$	1,379,219
Options assumed		69,632
Fair value of consideration	\$	1,448,851
Identifiable assets acquired		
Cash and cash equivalents	\$	75,192
Other current assets		19,988
Accounts payable and accrued liabilities		(43,856)
Net Assets acquired	\$	51,324
Listing expense	\$	1,397,527

During the year ended June 30, 2022, the Company incurred transaction costs in the amount of \$1,275,048 which include finders fees and legal costs related to the RTO.

5. RESTRICTED CASH

Restricted cash relates to deposits in non-interest bearing reserve accounts that are established and controlled by participating banks to cover any possible losses as a result of disputes, fraud, or embezzlement in the Company's operations. As at June 30, 2023, restricted cash was related to one deposit in the amount of \$158,880 (USD\$120,000) (June 30, 2022 - \$154,632 (USD\$120,000)).

Hank Payments Corp.

Notes to the Consolidated Financial Statements
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6. EQUIPMENT

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

<u>Cost</u>		
Balance at June 30, 2021	\$	2,267
Additions		21,962
Currency translation		(106)
Balance at June 30, 2022		24,123
Additions		28,134
Currency translation		452
Balance at June 30, 2023	\$	52,709
<u>Depreciation</u>		
Balance at June 30, 2021	\$	(2,267)
Additions		(6,555)
Currency translation		(175)
Balance at June 30, 2022		(8,997)
Additions		(16,303)
Currency translation		(48)
Balance at June 30, 2023	\$	(25,348)
<u>Net Book Value</u>		
Balance, June 30, 2022	\$	15,126
Balance, June 30, 2023	\$	27,361

Hank Payments Corp.

Notes to the Consolidated Financial Statements
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7. INTANGIBLE ASSETS

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

<u>Cost</u>		
Balance at June 30, 2021	\$	726,550
Additions		97,163
Currency translation		28,842
Balance at June 30, 2022		852,555
Additions		342,445
Currency translation		23,422
Balance at June 30, 2023	\$	1,218,422
<u>Amortization</u>		
Balance at June 30, 2021	\$	(340,163)
Additions		(152,018)
Currency translation		(16,230)
Balance at June 30, 2022		(508,411)
Additions		(202,708)
Currency translation		(11,592)
Balance at June 30, 2023	\$	(722,711)
<u>Net Book Value</u>		
Balance, June 30, 2022	\$	344,144
Balance, June 30, 2023	\$	495,711

Amortization recorded on intangible assets for the year ended June 30, 2023 amounted to \$202,708 (2022 - \$152,018).

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.

8. ADVANCES TO RELATED PARTY

The amount due from a related party corporation, a shareholder and wholesaler, is unsecured, non-interest bearing and due on demand. As at June 30, 2023, the balance owing from the related party was \$1,677,092 (2022: \$1,013,151).

Hank Payments Corp.

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9. CONVERTIBLE DEBENTURES

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

	2023	2022
Carrying amount of debt, June 30,	652,755	235,295
Issued during the year, net of issuance costs	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)
Carrying amount of debt, June 30,	1,421,199	652,755

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 \$
Carrying amount of debt at June 30, 2021	102,172	50,909	38,254	43,960	-	-	-	-	235,295
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)
Carrying amount of debt at June 30, 2022	6,297	2,964	9,455	-	634,039	-	-	-	652,755
Proceeds from issuance of convertible debentures	-	-	-	-	-	700,000	1,096,000	500,000	2,296,000
Amounts classified as equity instruments	-	-	-	-	-	(281,879)	(433,486)	(190,044)	(905,409)
Issuance costs	-	-	-	-	-	-	(21,445)	-	(21,445)
Accreted interest	-	-	-	-	106,974	16,873	9,171	850	133,868
Interest expense	-	-	-	-	28,424	37,589	21,019	2,055	89,087
Debentures converted	-	-	-	-	(240,081)	-	-	-	(240,081)
Debentures settled	-	-	-	-	(500,000)	-	-	-	(500,000)
Interest paid	-	-	-	-	(29,356)	(37,589)	(14,576)	(2,055)	(83,576)
Carrying amount of debt at June 30, 2023	6,297	2,964	9,455	-	-	434,994	656,683	310,806	1,421,199
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

June 15, 2023 Convertible Debenture

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

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9. CONVERTIBLE DEBENTURES (continued)

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

April 21, 2023 Convertible Debenture

On April 21, 2023, the Company closed a non-brokered private placement of 1,096 secured convertible debenture units (the "Units") of the Company for gross proceeds of \$1,096,000 of which \$825,000 was received in cash and \$271,000 was issued in settlement of outstanding payables. The Company paid a cash finder's fee of \$18,550 and issued 185,500 finder's warrants in relation to the closing. Each Unit consists of one \$1,000 convertible debenture ("Debentures") and 3,333 common share purchase warrants ("Warrant"). The Debentures mature on and become payable on April 21, 2028 and bear interest at a fixed rate of 10% per annum, payable semi-annually. The Debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures.

At any time before maturity, a holder of Debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.075 per share during the first year and \$0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Debentures at any time at the Conversion Price on not less than 5 days notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.35.

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

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9. CONVERTIBLE DEBENTURES (continued)

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 \$382,846 and \$50,640, respectively, which includes \$8,652 of transaction costs. The carrying value of the Units, net of the equity components have been accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

December 16, 2022 Convertible Debenture

On December 16, 2022, the Company closed a non-brokered private placement of 700 secured convertible debenture units (the "Units") of the Company for gross proceeds of \$700,000; Each Unit consists of one \$1,000 convertible debenture ("Debentures") and 3,333 common share purchase warrants ("Warrant"). The Debentures mature on and become payable on December 16, 2027, and bear interest at a fixed rate of 10% per annum, payable semi-annually. The Debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures.

At any time before maturity, a holder of Debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.075 per share during the first year and \$0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Debentures at any time at the Conversion Price on not less than 5 days notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.35. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share until December 16, 2024.

The Units are determined to be a compound instrument, comprising a liability, a conversion feature and warrants. Both conversion feature and warrants met the fixed for fixed criteria and were therefore presented as equity instruments in accordance with IAS 32. The fair value of the debt component was determined by discounting the stream of future payments of interest and principal at a market interest rate of 23% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial fair value of the financial liability. The fair value of the liability was determined to be \$418,121. The residual value of \$281,879 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of \$244,298

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9. CONVERTIBLE DEBENTURES (continued)

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.

June 13, 2022 Convertible Debenture

On June 13, 2022, the Company closed a non-brokered private placement of 800 unsecured convertible debenture units (the "Units") of the Company for gross proceeds of \$800,000; of which \$500,000 was received in cash and \$300,000 was issued in settlement of outstanding payables. Each Unit consists of one \$1,000 convertible debenture ("Debentures") and 3,333 common share purchase warrants ("Warrant"). The Debentures mature on and become payable on June 13, 2025 and bear interest at a fixed rate of 10% per annum, payable quarterly. The Debentures are direct, unsecured obligations of the Company, ranking equally with all other unsecured indebtedness of the Company. At any time before maturity, a holder of Debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.15 per share (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Debentures at any time after June 13, 2023, at the Conversion Price on not less than 5 days' notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.50. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.25 per common share until June 13, 2024.

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

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

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

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9. CONVERTIBLE DEBENTURES (continued)

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. 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

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9. CONVERTIBLE DEBENTURES (continued)

entitles the holder to purchase one common share of the Company until December 6, 2022 at an exercise price equal to a 20% discount of the Company's go-public transaction price per common share.

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model using the assumptions disclosed in Note 14. 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.

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9. CONVERTIBLE DEBENTURES (continued)

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model using the assumptions disclosed in Note 14. 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.

April 16, 2021 Convertible Debenture

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

These convertible debentures are determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and warrants. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model using the assumptions disclosed in Note 14. 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.

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10. 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:

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

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

11. SHARE CAPITAL

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

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

a) Common shares

The Company had the following share-based transactions during the 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 (Note 9).
- 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.

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11. SHARE CAPITAL (continued)

a) Common shares (continued)

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.

b) Stock Options

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

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11. SHARE CAPITAL (continued)

b) Stock Options (continued)

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 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.

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11. SHARE CAPITAL (continued)

b) Stock Options (continued)

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

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11. SHARE CAPITAL (continued)

b) Stock Options (continued)

- 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.
- 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 years ended June 30, 2023 and 2022 are as follows:

	2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	4,740,000	\$ 0.97	-	-
Granted ⁽¹⁾	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
Outstanding, June 30,	4,473,333	\$ 0.45	4,740,000	\$ 0.97
Exercisable, June 30,	3,889,999	\$ 0.49	4,573,333	\$ 0.97

- (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.

Hank Payments Corp.

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11. SHARE CAPITAL (continued)

b) Stock Options (continued)

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

Expiry Date	Number of Options Outstanding	Number of Options Vested	Exercise Price
May 30, 2024	150,000	150,000	\$ 0.10
August 5, 2024	400,000	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
Balance, June 30, 2023	4,473,333	3,889,999	

c) Restricted Stock Units

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

During the 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.

Hank Payments Corp.

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11. SHARE CAPITAL (continued)

c) Restricted Stock Units (continued)

- 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.

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.

Hank Payments Corp.

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11. SHARE CAPITAL (continued)

c) Restricted Stock Units (continued)

- 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.

RSU activity for the years ended June 30, 2023 and 2022 are as follows:

	Number of RSUs	
	2023	2022
Opening balance	5,128,417	-
Granted	1,500,000	5,895,000
Exercised	-	(766,583)
Forfeited	(1,133,333)	-
Outstanding, June 30,	5,495,084	5,128,417
Exercisable, June 30,	2,481,666	1,095,084

Details of the RSUs vested and exercised are as follows:

Issuance Date	Number of RSUs Granted	Number of RSUs Vested	Number of RSUs Forfeited	Number of RSUs Exercised
October 13, 2021	4,600,000	2,983,333	200,000	616,583
October 13, 2021	500,000	166,667	333,333	-
November 1, 2021	750,000	150,000	600,000	150,000
November 12, 2021	20,000	6,667	-	-
December 13, 2021	25,000	25,000	-	-
November 1, 2022	250,000	83,333	-	-
December 1, 2022	50,000	-	-	-
April 17, 2023	1,000,000	-	-	-
May 26, 2023	200,000	-	-	-
Balance, June 30, 2023	7,395,000	3,415,000	1,133,333	766,583

Hank Payments Corp.

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11. SHARE CAPITAL (continued)

d) Warrants

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%.
- 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.

Hank Payments Corp.

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11. SHARE CAPITAL (continued)

d) Warrants (continued)

- 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, 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.

Hank Payments Corp.

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11. SHARE CAPITAL (continued)

d) Warrants (continued)

	Number of warrants	Expiry Date	Exercise Price
Balance, June 30, 2021	2,665,000		
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
Balance, June 30, 2022	8,693,875		
Repriced warrants	(3,142,500)	2024-10-13	\$ 1.00
Repriced warrants	3,142,500	2023-07-29	\$ 0.075
Warrants granted	2,333,100	2024-12-16	\$ 0.10
Warrants granted	3,652,968	2025-04-21	\$ 0.10
Warrants granted	1,666,500	2025-06-15	\$ 0.10
Warrants exercised	(100,000)		\$0.075
Warrants expired	(665,000)		\$ 0.95
Balance, June 30, 2023	15,581,443		

12. RELATED PARTY TRANSACTIONS

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control of common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources 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 years ended June 30, 2023 and 2022, not disclosed elsewhere in these consolidated financial statements:

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

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

Hank Payments Corp.

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12. RELATED PARTY TRANSACTIONS (continued)

- 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); and
- 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.

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 directors 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.

Hank Payments Corp.

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13. GOVERNMENT GRANT

On February 17, 2021, the Company received a promissory note in the amount of \$427,550 (USD \$340,000) pursuant to the Paycheck Protection Program (the “PPP Loan”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The Loan was to mature on February 17, 2026 and bore interest at a rate of 1.00% per annum. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP Loan. The Loan was subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses. During the year ended June 30, 2022, the full amount of the Promissory Note was forgiven.

14. FINANCIAL INSTRUMENTS AND RISK FACTORS

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

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

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

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

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

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

The Company uses the Black-Scholes-Merton valuation model to estimate fair value of the derivative liabilities at each reporting period. This is a level 2 reoccurring fair value measurement. The key level 2 inputs used by management to determine the fair value are the expected future volatility in the price of the Company’s shares and the expected life of the convertible debentures. The Company believes that a 1% difference in the inputs used for this fair value measurement would not cause a material difference to the fair value.

The following range of assumptions were used to value the embedded derivative liabilities (Note 9) 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

Hank Payments Corp.

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14. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

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 Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these financial statements. The following analysis provides a measurement of risks as at June 30, 2023 and June 30, 2022.

Credit Risk

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

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

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

The lifetime expected credit loss as at June 30, 2023 and June 30, 2022 was determined as follows:

	June 30, 2023	June 30, 2022
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

Hank Payments Corp.

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14. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

Credit Risk (continued)

	June 30, 2023	June 30, 2022
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.

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

	June 30, 2023	June 30, 2022
Trade payables	\$ 587,936	\$ 578,413
Accrued liabilities	1,121,417	456,026
Payroll remittance liabilities	3,219,307	1,785,055

Accrued liabilities include a provision for estimated penalties and interest related to payroll remittance liabilities 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.

Hank Payments Corp.

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14. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

Market Risk (continued)

(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 June 30, 2023 and June 30, 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.

15. COMMITMENTS AND CONTINGENCIES

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

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

Hank Payments Corp.

Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022
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16. 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 shareholder's 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.

17. INCOME TAXES

a) Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	2023	2022
	\$	\$
(Loss) before income taxes	(3,486,752)	(11,433,317)
Expected income tax recovery based on statutory rate	(924,000)	(3,030,000)
Adjustment to expected income tax recovery:		
Stock based compensation	146,000	1,439,000
Share issuance costs recorded in equity	-	(224,000)
Expenses not deductible for tax purposes	182,000	370,000
Change in deferred tax liability on convertible debentures	244,000	102,000
Change in benefit of tax assets not recognized	352,000	1,343,000
Deferred income tax provision	-	-

Hank Payments Corp.

Notes to the Consolidated Financial Statements
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17. INCOME TAXES (continued)

Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2023	2022
	\$	\$
<u>Unrecognized deferred tax assets</u>		
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Non-capital loss carry-forwards	3,421,000	2,799,000
Share issuance costs	135,000	179,000
Other temporary differences	55,000	281,000
<u>Total</u>	<u>3,611,000</u>	<u>3,259,000</u>

The tax non-capital loss carry-forwards expire from 2040 to 2043 and the share issuance costs are recognized over five years. The utilization of these losses may be restricted. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

18. 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 on the grant date, one fourth vesting on December 6, 2023, one fourth vesting on March 6, 2024, and the last fourth vesting on September 5, 2024.

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.