



## **Hank Payments Corp.**

### **Management Discussion and Analysis**

**September 30, 2024**

(Expressed in Canadian Dollars)

**As approved by the Board of Directors on  
November 29, 2024**

The following management discussion and analysis (“MD&A”) provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Hank Payments Corp. (Formerly Nobelium Tech Corp) (the “Company” or “Hank”) as at and for the quarter ended September 30, 2024.

## **CAUTIONARY STATEMENT**

**This MD&A has been prepared taking into consideration information available to November 29, 2024 and contains forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address Hank’s expectations, should be considered forward-looking statements. Such statements are based on management’s exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words “may”, “will”, “anticipate”, “believe”, “estimate”, “expect”, “intend” and words of similar import, are intended to identify any forward-looking statements.**

**You should not place undue reliance on these forward-looking statements. These statements reflect management’s current view of future events and are subject to certain risks and uncertainties as contained herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company’s actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that these expectations are based on reasonable assumptions, we can give no assurance that those expectations will materialize.**

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### Company Overview and Vision of Growth

Hank Payments Corp (formerly Nobelium Tech Corp.) (the Company or “Hank”) is an emerging North American leader in the Banking-as-a-Service (“BaaS”) market. Hank powers improved payment experiences and outcomes for North American consumers and the organizations that serve them. Specifically, Hank empowers consumers with the information, intuitive tools, and a platform to optimize and automate their cash and liability management, which can over time improve financial health. With the success of its consumer platform, Hank has developed a suite of Enterprise cash and payment management products that modernize legacy payment experience, in many cases, improving the organizations’ cash flow.

Hank has built and integrated a proprietary banking and technology stack that allows regulated parties to handle cash flow transactions, all being triggered and managed by the Hank technology. The platform allows Hank to focus on deploying innovative industry and consumer centric experiences, all leveraging the same capabilities of modernizing and automating cash and liability management.

The Company earns recurring transaction and licensing fees from Consumers and Enterprise Partners and is active across Canada and the United States.

#### The Market

Hank segments its target market as follows:

1. Consumers: Consumers (also referred to as “**Users or Clients**”) are US and Canadian students and adults who pay bills, have loans and/or savings and equity building goals. Clients use Hank’s platform on a monthly basis to automate and manage cash flow, and to optimize and automate loan and liability payments, with the additional opportunity to save for short- and long-term goals. Savings accounts expected to be enabled in 2025.

The United States alone is a large market, with 94 million<sup>1</sup> households with debt. Effectively managing cash flows, debt payments and saving for goals like retirement is a struggle for many, made even more difficult by higher interest rates and inflation.

Hank attracts these users through its Enterprise Partners, most of which, already provide some service or product to these Clients. This helps Hank leverage the existing customer base of Enterprise Partners to lower its Client acquisition costs, while also generating revenue from the Enterprise Partners.

2. Enterprise Partners: There are numerous types of businesses that regularly collect cash from and remit cash to consumers, or that support consumers with financial management and planning.

These businesses use Hank to accelerate cash collections and remittances, improve portfolio and treasury visibility and performance, and drive business development to enhance the client experience.

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

### Products & services

#### *Consumer Segment*

Hank's principal product is a client cash management platform being developed to help Users build their personal equity by:

- Managing cash flow;
- Optimizing and automating payments for loans or liabilities;
- Optimizing and automating payments to savings and investment accounts; and
- Establishing and managing financial goals and tracking performance against these goals.

Hank often acquires Clients through its Enterprise Partners, who pay licensing fees to Hank on behalf of their originated Clients or they offer the Hank platform or product suite to their clients who sign up, become Hank Clients, and pay for the service directly via transaction or subscription fees.

#### *Enterprise Segment*

Enterprise Partners use Hank to accelerate cash collections and remittances, improve portfolio visibility and performance which enhances the client experience they provide along with driving business development overall.

Clients acquired through the Enterprise Partners allow for a simpler and often a more automated on-boarding process, eliminating the need to charge enrolment fees, while increasing annual and monthly recurring revenues ("ARR" and "MRR"). Average revenue per User ("ARPU") is also expected to be higher for Clients acquired through Enterprise Partners, with virtually no upfront cost of acquisition.

### **Target Channels**

To acquire new Clients, the Company is building products for and/or executing within the following key enterprise channels:

#### *Auto ("Hank Auto")*

- Hank Auto enables auto dealer clients to accelerate paying down their vehicle loans through automated, fractional payments, avoiding loan interest costs and faster equity building.
- Historically, all the Company's revenue came from this important channel, including enrolment and recurring processing fees earned monthly as debit and payment events occur.
- Over 293 active auto dealers in the US are now using the Hank platform to make warranty and insurance products more affordable, and to improve the build-up of equity in vehicles for their customers.

Auto loan payment values are at record highs driven by vehicle supply issues and high interest rates. Hank continues to help Clients accelerate loan payments and improve auto dealer trade cycle management.

The Auto channel is predictable with low costs to operate and has been experiencing strong growth in recent quarters. The powerful Client payment performance history and experience learned through serving this high margin market is powering the Company to new channels that are simple to launch and have low costs to scale.

### *FinTech and Licensing*

Many FinTech companies seek strategic partnerships to accelerate their own business growth. Hank offers valuable visibility into their client cash flows, and its powerful Banking as a Service platform makes it an attractive strategic partner for many client-focused organizations looking to drive growth, cost efficiencies, and positive client experiences.

On March 28, 2023, the Company announced the signing of a national license agreement for the use of the Hank technology platform in Canada (the “National Technology License Agreement”). The licensee is focused on mortgages, auto and other products, with partners and strategies to access the Canadian market at a very low customer acquisition cost, borne by the licensee. Hank will support the licensee in closing each opportunity and growing the overall business to surpass the minimum targets. The National Technology License Agreement includes the following key terms:

- Three-year license agreement with minimum base revenue of \$5 million plus 22% maintenance for a total of \$6 million in revenue to be earned monthly over 36 months.
- Resulting in minimum quarterly revenue of \$500,000 until first quarter of fiscal 2028.
- Licensee is exclusive to the Canadian Territory for the term, with customary renewals to support the recurring long-term nature of Hank Users.
- Recurring User counts expected to exceed 130,000 by the end of year three with additional user licensing fees to be paid monthly for User counts exceeding contracted base counts.
- Additional 15% royalty to Hank on Licensee monthly revenues attributed to Hank products, in perpetuity and applied to Users exceeding base counts.

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### *Education (“Hank EDU”)*

- Hank EDU is a powerful, integrated product suite that helps students save for school and make tuition payments, and helps schools efficiently collect tuition, remit excess payments back to students and collect overdue tuition payments.
- The Education channel is a priority for Hank as in the US alone there are over 5,000 colleges and universities serving 18 million students. Hank’s average expected Annual Recurring Revenue (“ARR”) by school size, depends on products launched but approximates the following:

Hank-EDU - Revenue Opportunity			
School Size	Average # of Students	Market Size (# of schools)	Potential ARR per School
Small	2,000	3,500	\$ 130,000
Medium	5,000	1,000	\$ 318,000
Large	20,000	500	\$ 1,250,000

- After completing the requisite market research, analysis, and business planning, the Company began development of the Hank EDU product suite in FY2023. Supported by an increased investment in sales and marketing, Hank EDU was launched in August 2023, with the first school signed in second half of 2023.
- The Company continues to sign new schools and expects material growth in this channel in the coming years and has activated discussions with hundreds of schools. Additionally, Hank is integrating with the most prominent student records companies to accelerate the onboarding of new schools. Hank has received “approved partner status” from various national student records companies, affording Hank access to over 2,300 schools.
- Pricing in Hank EDU is principally event driven with a fee for each financial event Hank facilitates for the institution. Fees are paid by the school and not by students.
- To date, Hank has disbursed approximately \$4,357,000 to over 1,600 unique students.
- Once Hank aggregates sufficient active student Users on the platform, Hank will offer its full suite of cash management products to student Users, driving incremental monthly subscription and transaction fees.

### *Financial Advisors (“Hank Equity Builder”)*

The Company has identified the wealth management industry as a significant new channel opportunity where its BaaS platform can enhance experience for financial advisors and their clients. Clients are expected to use the platform to accelerate achieving their financial goals including reducing liabilities, building equity, and saving for any short or long-term goal. Advisors would benefit from an enhanced understanding of client cash flows, the opportunity to provide more comprehensive advice and solutions, and the access to a powerful business development tool.

With over 1 million financial advisors and over 50 million clients across North America, the market is significant. Hank has secured an investment from and entered into a strategic licensing and

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reseller agreement with an US based financial advisory firm interested in developing the US Market for Hank Equity Builder. Hank Equity Builder offers a unique budget and cash management platform for clients while also allowing financial advisors to monitor and manage client cash flow against preset objectives. The product is expected to surface additional consumer investible cash available to be transferred to investment accounts by clients or their financial advisors.

On May 30, 2024, Hank signed an agreement with a USA Fintech to exclusively sell a customized version of Hank Equity Builder in the USA Markets with the following key terms:

- Five-year term with prescribed minimum, paying subscribers, evergreening upon achievement of 140,000 paying subscribers;
- The licensee has the exclusive right to resell Equity Builder and its customizations in the US during the term provided that they deliver a minimum annual net subscriber growth of at least 30,000 new paying users annually;
- Both parties will share in subscription revenues approximately 50/50;
- At 100,000 users, and assuming an average subscription cost of \$30/month, Hank would earn USD\$18 million in annual recurring revenue;
- The licensee invested USD \$500,000 into Hank; and
- The licensee is responsible for branding, promotion, selling, marketing, enterprise account management, customer acquisition costs and distribution to prospective users and enterprise clients.

The Company is currently in the customization and integration phase and expects to launch by March 2025.

### *Landlords and Real Estate Investors (“Hank Doors”)*

The Company is currently exploring the property rental market as a significant new channel opportunity where its BaaS platform can enhance Client/Tenant experiences and rental portfolio performance while providing tremendous value to landlords and investment funds. The Hank platform is expected help landlords and funds accelerate rent collections, providing valuable payment visibility and insight into individual tenants. Tenants will be offered personalized rent payment plans, enabling tenants to pick the rent payment schedule that works best for them. These features, along with automated late rent curing options, will improve cash management for all parties.

- Hank has secured an investment from a strategic real estate industry partner to drive introductions to large asset managers and residential property owners representing thousands of rental doors, in a market of several million tenants that need help with their cash management.
- Hank is actively exploring Proof-of-Concept partnerships with industry-leading banks, payment processors and property management companies within the rental market.

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- There are over 20 million multi-tenant apartments (“Doors”) in the US and over 2 million in Canada, with approximately 1 million addressable through proof of concepts under discussion.
- The revenue model would include licensing and transaction fees along with the potential to earn overnight interest on average daily deposits as they accumulate.

### Revenue Model

The revenue model for each product is different and may include transaction fees, licensing fees, setup fees, subscription fees and other customary BaaS-related fees. Product revenue models are set based on ‘value provided’ to the Enterprise or Client and take into account usage or event driven fees. Altogether the components of revenue and related product billings are tied to the same goal of low acquisition cost and maximizing recurring revenue over a long period of time.

### Outlook

Over the past year, the Company has been focused on driving organic growth through new Enterprise Partner agreements given the size and value of the overall opportunity and scalable Client acquisition model. The Company will continue to innovate with new features that help clients and the enterprises that serve them to better manage and monitor their respective financial goals and performance. New products and features are expected to increase retention and profitability of Client and Enterprise Partner relationships.

Further, the Company is at the final steps of consummating a transformational acquisition that will allow Hank to match its consumers with brands providing consumers with offers to better their financial situation in a timely manner. The Company expects to close this transaction and develop a stronger product offering to its consumers over the coming year.

### Priorities over the next twelve months:

The Company continues to negotiate with numerous organizations and is expected to launch several enterprise deals over the coming months with initial focus on the Education channel given the success it is experiencing in building a strong sales pipeline. Enterprise deals typically have long sales cycles but can be highly lucrative given the scale of the opportunities. The Company cannot predict the timing of announcements and launches given the nature and size of the deals being negotiated, and the resources required for integration.

*Management is focused on the following specific priorities over the next twelve months:*

1. *Grow the Education channel by signing new Enterprise Partner agreements with schools in the US and accelerating their onboarding to Hank’s platform.*

The Company is targeting to sign additional schools over the next 18-24 months, with investment consistent with the recurring revenue opportunity. This growth would have meaningful impact on cash margin growth and earnings.

### ***2. Continued growth of the Auto channel.***

The Company expects to continue healthy performance and has identified new tools for this market that have significant impact on growth, and as always, is taking a measured approach to risk reward before investing in new tools.

### ***3. Become cash flow and EBITDA positive.***

The Company is prioritizing positive cash flow and EBITDA from operations and is focused on growth of high margin revenue while managing a relatively low operating cost model, relative to the growth opportunities available. The Company is only planning to incur new product development and marketing costs where return on investment is expected in the short term.

### ***4. Invest in Proof-of-Concept opportunities for strategic new channels.***

The Company has designed new experiences that modernize payments in new markets including rent and tenant management as well as for financial advisors and advisory Enterprises or companies. The Company continues to invest in these customizations as proof-of-concept (“POC”) agreements are signed and where strategic investments are made into Hank by partners, providing a clear path to a more predictable return on R&D and marketing spend. The Company will continue to build and deploy transformational technology to modernize payment experiences for existing and new clients.

### ***5. Launch and Expand Canadian Licensing Partner products.***

The Company will continue to work on launching and expanding products and the required integrations with the Canadian License partner to acquire Users in Canada.

### ***6. Collect and Consolidate Financial Behaviour Data***

The Company will continue to collect meaningful financial performance data that will be monetizable in the coming years and support future strategic partnerships leveraging such data.

### ***7. Launch first Contract with Equity Builder***

The Company expects to launch its first material customer by the middle of 2025 and intends to support this account in adding enterprise and consumer accounts to their portfolio of paying users.

### ***8. Execute on Strategic Merger & Acquisition Opportunities***

The Company entered into a non-binding letter of intent to acquire a strategic technology company and is looking forward to consummating the transaction and further developing its offering to its consumers over the next twelve months.

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

The Company has strategic contracts with banks and payment partners based in the United States and will add Canadian partners contemporaneously with the launch of the Canadian License Agreement. These banks handle cash movement and processing as well as the Company's fee collections. All of this is managed by the Hank platform, including debits and payments, whereby the banks take instruction from Hank, and house the consumers' cash until instructions are provided to make payments. This ensures the Company is not responsible for Users' cash and the debits turn into deposits for the bank partner, attracting FDIC insurance for certain Hank Users in the USA. Hank shares fees with banks for this important service, and the banks benefit from growing daily deposits. These banking and payment relationships allow Hank to perform the services nationally. It also ensures that the Company's marketing and consumer disclosures are transparent and approved by the bank first.

## Highlights for Quarter Ended September 30, 2024

### Performance Highlights

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

	Quarter Ended (CAD)							
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	2,038,142	1,978,790	1,907,635	1,919,499	1,581,419	1,403,518	1,452,072	1,512,194
Quarterly Growth	3%	4%	-1%	21%	13%	-3%	-4%	
Cost of sales	168,264	202,438	171,238	174,086	171,236	171,128	163,823	164,632
Gross Profit	1,869,878	1,776,352	1,736,397	1,745,413	1,410,183	1,232,390	1,288,249	1,347,562
Quarterly Growth	5%	2%	-1%	24%	14%	-4%	-4%	
Operating expenses	2,069,017	2,016,338	2,024,520	1,891,634	1,917,980	1,913,268	1,607,028	1,739,785
<b>Adjusted loss from operations (1)</b>	<b>(199,139)</b>	<b>(239,986)</b>	<b>(288,123)</b>	<b>(146,221)</b>	<b>(507,797)</b>	<b>(680,878)</b>	<b>(318,779)</b>	<b>(392,223)</b>
<b>Adjustments:</b>								
Stock based compensation	(36,273)	(40,622)	(89,396)	(35,002)	(141,115)	116,400	(125,205)	(168,515)
Listing expense	0	0	0	0	0	0	0	0
Transaction costs	0	0	0	0	0	0	0	0
Amortization of Intangible Assets	(44,199)	(27,495)	(74,949)	(69,893)	(63,139)	(56,469)	(52,739)	(49,208)
Restructuring Costs	0	0	0	0	0	0	0	0
<b>Total Adjustments</b>	<b>(80,472)</b>	<b>(68,117)</b>	<b>(164,345)</b>	<b>(104,895)</b>	<b>(204,254)</b>	<b>59,931</b>	<b>(177,944)</b>	<b>(217,723)</b>
<b>Loss from operations</b>	<b>(279,611)</b>	<b>(308,103)</b>	<b>(452,468)</b>	<b>(251,116)</b>	<b>(712,051)</b>	<b>(620,947)</b>	<b>(496,723)</b>	<b>(609,946)</b>
<b>Net Income (Loss)</b>	<b>(502,182)</b>	<b>(494,012)</b>	<b>(572,662)</b>	<b>(285,549)</b>	<b>(782,574)</b>	<b>(1,389,753)</b>	<b>(529,273)</b>	<b>(733,957)</b>
<b>Comprehensive Income (Loss)</b>	<b>(430,626)</b>	<b>(543,746)</b>	<b>(687,946)</b>	<b>(180,370)</b>	<b>(876,182)</b>	<b>(1,299,929)</b>	<b>(526,970)</b>	<b>(686,564)</b>
<b>Cash Collected from Fees</b>	<b>1,548,671</b>	<b>1,420,450</b>	<b>1,091,396</b>	<b>1,220,089</b>	<b>1,241,804</b>	<b>1,220,889</b>	<b>1,167,852</b>	<b>1,338,425</b>
Quarterly Growth	9%	30%	-11%	-2%	2%	5%	-13%	

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

\*Cash flow for the Company is predictable and impacted by the number of 'debit' Fridays in any given quarter and payment terms offered to enterprise or licensing contracts. This can present an increase or decrease in cash flow in any given quarter but has no material effect on annual cash received relative to contracts. Historically, cash collected from program fee enrollment in Q3 has always been low due to payment schedule setting and number of days in a month but will be recovered in subsequent quarters.

Consistent with previous quarter, Hank continued to experience strong revenues for the quarter ending September 30, 2024. Over the year, the growth in revenue is primarily due to the Company beginning to recognize revenue from its Canadian licensing agreement starting in the first quarter of fiscal 2024. The licensing agreement has an initial term of three years with opportunity to both increase the revenue over time as well as renew and lengthen the term of the agreement. This agreement is expected to deliver minimum revenues of approximately \$500,000 per quarter through first quarter of fiscal 2028. Further, the Company has also experienced strong growth in auto dealer signups and modest contracts for educational processing products starting in the third quarter of fiscal 2024. As expected, onboarding and integration efforts delay revenue for a few months post launch, however once launched, with the recurring nature of revenue the Company expects to record growing revenues in this channel over the coming quarters.

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The Company continues to focus on managing its operational costs while also investing in new initiatives with predictable returns. Overall, operating expenses slightly increased this quarter by 3% in comparison to the previous quarter and increased by 8% in comparison to the same quarter the previous year primarily due to the investment in sales and marketing related to the Hank EDU platform, the Equity Builder support team, compliance and banking as well as certain one time costs discussed below.

Revenue increased compared to previous quarter as a result of higher customer base and transaction volume from continued strong deals growth, with adjusted loss from operations decreased by 17%. Margins continued to remain strong at 92%.

Under IFRS, revenue amortizes auto enrollment fees over the expected life of the customer, whereas cash from said fees is usually received in the first twelve months. The combination of this with increasing processing fees quarterly plus new revenue categories coming online, leads to predictable growth in revenue and cash receipts. Cash collections from enrolments and bank processing are historically lower in the third quarter of every fiscal year due to shorter months and fewer processing days in February in particular reducing sweeps in that month and recovering sweeps in subsequent months thus achieving annual growth.

For the Quarter Ended (CAD)	September 2024 \$	September 2023 \$	Increase/ Decrease %
<b>Revenue</b>			
Bank Processing Fees	961,656	815,548	
Enrolment Fees	493,948	562,130	
Education	7,291	0	
Licensing	508,332	169,444	
Other Revenue	66,285	34,297	
<b>Total Revenue</b>	<b>2,038,142</b>	<b>1,581,419</b>	<b>28.9%</b>
Cost of Sales	(168,264)	(171,236)	(1.7%)
<b>Gross Profit</b>	<b>1,869,878</b>	<b>1,410,183</b>	<b>32.6%</b>
<b>Gross Profit %</b>	<b>92%</b>	<b>89%</b>	
Operating Expenses	(2,069,017)	(1,917,980)	7.9%
<b>Adjusted Income (Loss) from Operations (1)</b>	<b>(199,139)</b>	<b>(507,797)</b>	<b>60.8%</b>
<b>Adjustments</b>			
Stock based compensation	(36,273)	(141,115)	
Amortization of Intangible Assets	(44,199)	(63,139)	
	(80,472)	(204,254)	
<b>Loss from Operations</b>	<b>(279,611)</b>	<b>(712,051)</b>	
Cash From Operations for Quarter Ended	(520,265)	(393,913)	

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

In comparison to the previous quarter, revenue for the quarter ending September 30, 2024 increased by 28.9% primarily due to the revenue from licensing fees. The adjusted loss from operations and overall loss from operations reduced by approximately 60%.

For the quarter ended September 30, 2024, the Company experienced negative cash from operations of \$520,265 in comparison to \$393,913 for the quarter ended September 30, 2023. This is due to management and timing of working capital amounts where changes in working capital used \$440,013

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of cash in the current period in comparison to providing \$107,668 of cash inflow in the same period in 2023. This was primarily due to increases in accounts receivable, contract receivable and prepaid expenses of \$92,581, \$461,678 and \$67,581 respectively for the quarter ended September 30, 2024, in comparison to an increase in accounts receivable of \$44,751, a decrease in prepaid expenses of \$142,986 and no change in contract receivable. Contract receivable is growing due to the straight line recognition of revenue for the Canadian licensing contract, while the cash payments are increasing year over year during the contract term. Further, accounts payable increase by \$2,160 over the quarter ended September 30, 2024, in comparison to an increase by 169,882 during the quarter ending September 30, 2023.

### ***Number of Common Shares***

There were 73,148,651 common shares issued and outstanding as at September 30, 2024 and 132,720,376 common shares issued and outstanding at November 28, 2024, being the date of this report. As at September 30, 2024, the Company had outstanding stock options of 6,326,666 and outstanding RSUs of 6,103,334. There were 10,092,808 warrants issued and outstanding as at September 30, 2024.

### ***Capital and Liquidity***

#### ***Capital***

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

On December 16, 2022, the Company closed a non-brokered private placement of secured convertible debenture units of the Company for gross proceeds of \$700,000; Each Unit consists of one \$1,000 convertible debenture and 3,333 common share purchase warrants. The Debentures mature on and become payable on December 16, 2027 and bear interest at a fixed rate of 10% per annum, payable semi-annually. The Debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures. At any time before maturity, a holder of Debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.075 per share during the first year and \$0.10 per share thereafter the Conversion Price. The Company may force the conversion of the principal amount of the then outstanding Debentures at any time at the Conversion Price on not less than 5 days notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.35. Each Warrant entitles the holder

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to purchase one common share of the Company at an exercise price of \$0.10 per common share until December 16, 2024.

On April 21, 2023, the Company closed a non-brokered private placement of 1,096 secured convertible debenture units (the "Units") of the Company for gross proceeds of \$1,096,000 of which \$825,000 was received in cash and \$271,000 was issued in settlement of outstanding payables. The Company paid a cash finder's fee of \$18,550 and issued 185,500 finder's warrants in relation to the closing. Each Unit consists of one \$1,000 convertible debenture ("Debentures") and 3,333 common share purchase warrants ("Warrant"). The Debentures mature on and become payable on April 21, 2028 and bear interest at a fixed rate of 10% per annum, payable semi-annually. The Debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures. At any time before maturity, a holder of Debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.075 per share during the first year and \$0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Debentures at any time at the Conversion Price on not less than 5 days notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.35. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share until April 21, 2025.

On June 15, 2023, the Company closed a non-brokered private placement of 500 secured convertible debenture units (the "Units") of the Company for gross proceeds of \$500,000. Each Unit consists of one \$1,000 convertible debenture and 3,333 common share purchase warrants. The debentures mature on and become payable on June 15, 2028, and bear interest at a fixed rate of 10% per annum, payable semi-annually. The debentures are secured by the assets of the Company through a general security agreement and rank equally with all other Debentures. At any time before maturity, a holder of debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.085 per share during the first year and \$0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding debentures at any time at the Conversion Price on not less than 5 days notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.35. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share until June 15, 2025.

On January 30, 2024, the Company closed a non-brokered private placement of 484 secured convertible debenture units (the "Units") of the Company for gross proceeds of \$484,000. Each Unit consists of one \$1,000 convertible debenture and 6,667 common share purchase warrants. The investment was principally led by a strategic partner supporting Hank in developing its Doors channel and product. The debentures mature on and become payable on January 30, 2029, 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 \$0.30. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share until January 30, 2026.

## Management Discussion and Analysis – September 30, 2024

### Liquidity

Hank's ability to remain liquid over the long term may depend on its ability to obtain additional financing as well as growth in cash contributions from operations, that are trending favourably. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. Hank's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and to invest in areas that have reasonable near-term probability of generating cash flow or attracting investment.

### Results of Operations

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

	Three Month Period Ended		
	September 30, 2024	September 30, 2023	Change
	\$	\$	%
Total revenue	2,038,142	1,581,419	28.9%
Cost of sales	168,264	171,236	-1.7%
Operating expenses	2,069,017	1,917,980	7.9%
Adjusted loss from operations (1)	(199,139)	(507,797)	60.8%
<b>Adjustments:</b>			
Stock based compensation	36,273	141,115	-74.3%
Amortization of Intangible Assets	44,199	63,139	-30.0%
Total Adjustments	80,472	204,254	-60.6%
Loss from operations	(279,611)	(712,051)	60.7%
Other expenses (income)	222,571	70,523	215.6%
<b>Net loss</b>	<b>(502,182)</b>	<b>(782,574)</b>	<b>35.8%</b>
<b>Other comprehensive gain (loss)</b>			
Currency translation adjustment	71,556	(93,608)	176.4%
<b>Comprehensive loss</b>	<b>(430,626)</b>	<b>(876,182)</b>	<b>50.9%</b>
<b>Loss per share - basic and diluted</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>31.3%</b>
<b>Non-IFRS Measures</b>			
<b>Adjusted operating results:</b>			
Adjusted loss from operations (1)	(199,139)	(507,797)	60.8%

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

The Company recorded an adjusted loss from operations of \$199,139 for the quarter ended September 30, 2024, compared to adjusted loss from operations of \$507,797 for the quarter ended September 30, 2023. The Company recorded a loss from operations of \$279,611 for the quarter ended September 30, 2024, compared to a loss from operations of \$712,051 for the quarter ended September 30, 2023. Changes in each key category are further discussed below.

## Management Discussion and Analysis – September 30, 2024

### Revenue

	Three Month Period Ended		
	September 30,	September 30,	Change
	2024	2023	
	\$	\$	%
<b>Revenue</b>			
Bank processing fees	961,656	815,548	17.9%
Enrollment fees	493,948	562,130	-12.1%
Education	7,921	0	100.0%
Licensing	508,332	169,444	200.0%
Other revenue	66,285	34,297	93.3%
<b>Total revenue</b>	<b>2,038,142</b>	<b>1,581,419</b>	<b>28.9%</b>
<b>Cost of sales</b>	<b>168,264</b>	<b>171,236</b>	<b>-1.7%</b>
<b>Gross profit</b>	<b>1,869,878</b>	<b>1,410,183</b>	<b>32.6%</b>
	91.74%	89.17%	

Revenue increased by \$456,723 or 28.9% for the quarter ended September 30, 2024, in comparison to the quarter ended September 30, 2023. The increase was primarily due to the launch in September 2023 of a new licensing fee revenue stream, and the addition of new revenue streams from education. Further the Company experienced an 17.9% increase in bank processing fees (also defined as “Recurring User Processing Fees”) due to increasing customer base; a 12.1% decrease in enrollment fees due to changes in fees charged to external partners for new clients; and a 93.3% increase in other revenue due to lower-than-normal charges to related party in 2023. Enrolment fees are expected to increase over time as additional auto dealers are added directly to the Hank platform leading to Hank earning a larger share of such fees.

Enrollment fees are based on automotive channel revenue recognized from the Company’s contract liability which stems from setup and enrollment fees charged to new customers and are recognized over the expected life of the customer. The decrease in enrollment fees is the result of Company enacting changes to upfront enrollment fee it charges a key white label customer to support the channel’s customer accelerated customer acquisition endeavours, and the Company expects to make this up on the channel’s growing volume. This is offset by strong customers growth starting from the second quarter of fiscal 2024 with higher average enrollment fees charged, leading to increase in enrollment fees revenue recognized in the first half of fiscal 2025 going forward.

Recurring Bank Processing Fees are based on recurring monthly transaction or usage-based fees charged to Users in relation to use of the platform to manage cash collection, cash storage and payment remittance to payees. The increase in such fees is mainly due to an increase in number of users and usage fees charged to new Clients.

Technology licensing fees are based on revenue recognized from the Company’s technology licensing agreement which currently includes a base fee for the use of the Company’s software program as well as fees related to the maintenance of the software program. The Company entered into a national technology licensing agreement with a customer on March 27, 2023, and began recognizing revenue from the contract starting in the month of September 30, 2023. The cash flow under the payment terms of this contract will begin to increase materially in the back half of calendar 2024 assisting the Company in achieving positive cash flow.

## Management Discussion and Analysis – September 30, 2024

Other revenue is the result of a fee being charged to a related party channel in relation to support services and other assistance the Company provides for the channel to grow efficiently. The Company moderates these services based on origination volume from this channel and had a temporary reduction in 2023 due to lower number of services provided to the related party during that period.

Cost of sales relate mainly to bank processing fees. During the quarter ended September 30, 2024, the Company has entered a strategic partnership with a new banking service that offers more value and reduced cost. The decrease in cost of sales is mainly due to a decrease in transaction fees from new banking partner, offset by higher foreign exchange rate over the current period compared to the same period of the previous year, leading to lower translated expenses.

### Expenses

	Three Month Period Ended		
	September 30, 2024 \$	September 30, 2023 \$	Change %
<b>Operating Expenses</b>			
Salaries and wages	1,438,106	1,302,854	10.4%
Software and licensing fees	316,983	201,402	57.4%
Professional fees	75,421	39,531	90.8%
Office and general	193,942	327,380	-40.8%
Bad debts	39,272	40,597	-3.3%
Depreciation	5,293	6,216	-14.8%
Total Operating Expenses	2,069,017	1,917,980	7.9%
<b>Adjustments</b>			
Stock based compensation	36,273	141,115	-74.3%
Amortization	44,199	63,139	-30.0%
<b>Expenses</b>	<b>2,149,489</b>	<b>2,122,234</b>	<b>1.3%</b>

### Operating Expenses

Salaries and wages increased 10.4% for the quarter ended September 30, 2024, as compared to the quarter ended September 30, 2023. The comparative increase is largely related to strategic investment to support new research and development and sales initiatives in education sector consistent with recent quarters, enhanced compliance and regulatory processes, and costs related to expanding the auto sector growth and Equity Builder customization.

Software and licensing fees consist of costs for 3<sup>rd</sup> party non-core products including hosting services and data analytics tools. These fees incurred in the quarter ended September 30, 2024, were 57.4% higher than the prior quarter which is in line with new strategic investment in launching Enterprise Partners such as the Hank EDU platform and contracting of various sub-parties to fulfil certain aspects of work to support the overall EDU product suite. Cloud services are priced on a function of usage, and the more usage, the higher these costs will be. Overall, growth in revenue will drive growth in usage.

Professional fees increased by 90.8% mainly due to increase in legal fees in current period due to

## Management Discussion and Analysis – September 30, 2024

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costs related to the ongoing acquisition.

Office and general expenses decreased by 40.8% during the quarter ended September 30, 2024, compared to the quarter ended September 30, 2023. The decrease is primarily due to a decrease of \$157,655 in investor relations expenses and \$20,250 in director fees, offset by an increase of \$48,841 in general expenses mainly due to implementation fees related to the company's new banking partnership, administrative fees on a short term loan and costs related to an acquisition opportunity.

### **Adjustments**

The Company incurred \$36,273 in stock-based compensation expense during the quarter ended September 30, 2024, resulting from \$19,411 related to the vesting of stock options, and \$16,832 related to the vesting of restricted stock units. These costs were related to the vested portion of such employee incentives and the initial material expense is primarily one-time in nature. As other equity incentives vest, they will be expensed on a non-cash basis.

### **Other Expenses**

	Three Month Period Ended		
	September 30,	September 30,	Change
	2024	2023	
	\$	\$	%
<b>Other expenses (income)</b>			
Accretion expense	35,469	26,750	32.6%
Interest expense	292,645	57,871	405.7%
Interest (income)	(113,594)	0	-100.0%
Foreign exchange loss (gain)	8,051	(14,098)	157.1%
Provision for interest and penalties	0	0	0.0%
Gain on repurchase of debentures	0	0	0.0%
	<b>222,571</b>	70,523	215.6%

The Company has financed its operations partially by issuing non-brokered private placements of unsecured convertible debenture units of the Company. These convertible debentures are determined to be a compound instrument, comprising a liability, a conversion feature and warrants. The carrying value of the convertible debentures, net of the equity components, have been accreted using the effective interest rate method over the term of the debentures. As a result, the Company recorded \$35,469 in accretion expense for the quarter ended September 30, 2024. The Company also entered into several short-term loan agreements starting the second quarter of fiscal 2024. The increase in interest expense for the quarter ended September 30, 2024, is primarily due to interest from these short-term loan agreements and partly due to new issuance of convertible debentures to fund new initiatives. Further, as a result of the Company's new banking partnership, the Company receives interest income, monthly, on the balances it holds at the bank. For the quarter ending September 30, 2024, \$113,594 of interest was earned on such balances compared to nil for the previous quarter.

## Management Discussion and Analysis – September 30, 2024

### Financial Position

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

	September 30, 2024	June 30, 2024
	\$	\$
<b>ASSETS</b>		
Current		
Cash	279,035	719,582
Accounts receivable	825,831	732,980
Contract receivable	1,854,356	1,392,678
Prepaid expenses and deposits	401,975	334,394
<b>Total current assets</b>	<b>3,361,197</b>	<b>3,179,634</b>
Advances to related party	655,529	925,956
Restricted cash	189,013	191,645
Equipment	13,968	19,404
Intangible assets	678,986	687,619
<b>Total assets</b>	<b>4,898,693</b>	<b>5,004,258</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	5,368,109	5,365,949
Short-term loans	1,889,531	1,882,429
Contract liability - current portion	1,244,180	1,218,657
Convertible debentures	205,712	149,543
<b>Total current liabilities</b>	<b>8,707,532</b>	<b>8,616,578</b>
Convertible debentures	1,733,803	1,690,383
Contract liability	2,722,165	2,567,751
<b>Total liabilities</b>	<b>13,163,500</b>	<b>12,874,712</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital	8,438,709	8,438,709
Contributed surplus	8,878,469	8,842,196
Other comprehensive income	33,571	(37,985)
Deficit	(25,615,556)	(25,113,374)
<b>Total shareholders' deficiency</b>	<b>(8,264,807)</b>	<b>(7,870,454)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>4,898,693</b>	<b>5,004,258</b>

## Management Discussion and Analysis – September 30, 2024

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### ***Total Assets***

Total assets were \$4,898,693 as at September 30, 2024, a decrease of \$105,565 or 2% from June 30, 2024, largely due to an increase of \$554,529 in account receivable and contract receivable, an increase of \$67,581 in prepaid expenses, offset by a decrease of \$270,427 in advances to related party and \$440,537 in cash. The increase in accounts receivable is primarily due to the receivable related to the Canadian licensing agreement. As channel volume increases, the accounts receivable will temporarily increase and then reduce again as channels receive their cash flow from consumers.

### ***Current Assets***

Current Assets increased by 6% at September 30, 2024, as compared to June 30, 2024. The increase is primarily due to increases in account receivable and contract receivable.

### ***Advances to Related Party***

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

### ***Restricted cash***

Restricted cash relates to deposits in non-interest bearing reserve accounts with Hank's bank partner, that are established and controlled by participating banks to address any possible losses as a result of disputes, fraud, or embezzlement in the Company's operations.

### ***Equipment***

The decrease in equipment can mainly be attributed to depreciation expense in the amount of \$5,293 during the quarter ended September 30, 2024.

### ***Intangibles***

Intangible assets are assets acquired that lack physical substance and meet the specified criteria for recognition apart from goodwill. The Company's intangible assets consist of software platforms which includes costs associated with the development of the Company's internally generated proprietary software. The net decrease of \$8,633 to the intangible assets at September 30, 2024 as compared to June 30, 2024 is due to amortization recorded in the amount of \$44,199 for the period, offset by the capitalization of \$44,551 of development expenditures and an unrealized loss of \$8,985 from foreign exchange translation.

For the three-month period ended September 30, 2024, the Company expensed \$203,200 (September 30, 2023 - \$171,638), in relation to the research and maintenance of the Company's internally generated proprietary software. The amount consists of \$198,198 (September 30, 2023 - \$161,473), in salaries and wages and \$5,002 (September 30, 2023 - \$10,165), in consulting fees. The consulting fees are recorded in software and licensing fees and salaries and wages are recorded in salaries and wages on the statement of operations.

## Management Discussion and Analysis – September 30, 2024

### **Total liabilities**

Total liabilities were \$13,163,500 as at September 30, 2024, an increase of \$288,788 or 2% from June 30, 2024. The increase is attributable to a \$7,102 increase in short term loan, a \$2,160 increase in accounts payable, a \$99,589 increase in convertible debentures, and a \$179,937 increase in Contract Liability. After the quarter end, all outstanding convertible debentures have been converted to equity at the option of the lenders.

### **Accounts payable and other liabilities**

Accounts payable and accrued liabilities were \$5,368,109 as of September 30, 2024, an increase of \$2,160 from June 30, 2024. The increase in accounts payable and other liabilities is primarily due to working capital management and the timing of payments to vendors in relation to cash being received.

### **Convertible Debentures and Derivative Liability**

Transactions related to the Company's convertible debentures during the quarter ended September 30, 2024 and 2023 include the following:

	2024	2023
<b>Carrying amount of debt, June 30,</b>	<b>1,839,926</b>	<b>1,421,199</b>
Accretion	35,469	26,750
Accrued interest	64,120	57,871
Interest paid	-	(6,443)
<b>Carrying amount of debt, September 30,</b>	<b>1,939,515</b>	<b>1,499,377</b>

### **Convertible debentures are comprised of the following:**

	June 30, 2022 \$	December 16, 2022 \$	April 21, 2023 \$	June 15, 2023 \$	January 30, 2024 \$	Total \$
<b>Carrying amount of debt at June 30, 2023</b>	<b>18,716</b>	<b>434,994</b>	<b>656,683</b>	<b>310,806</b>	<b>-</b>	<b>1,421,199</b>
Proceeds from issuance of convertible debentures	-	-	-	-	484,000	484,000
Amounts classified as equity instruments	-	-	-	-	(154,098)	(154,098)
Debentures repurchased	-	-	(143,712)	-	-	(143,712)
Accreted interest	-	37,839	47,240	23,246	7,781	116,106
Interest expense	-	70,192	94,188	50,137	20,156	234,673
Interest settled	-	-	(7,953)	-	-	(7,953)
Interest paid	-	(35,288)	(49,796)	(25,205)	-	(110,289)
<b>Carrying amount of debt at June 30, 2024</b>	<b>18,716</b>	<b>507,737</b>	<b>596,650</b>	<b>358,984</b>	<b>357,839</b>	<b>1,839,926</b>
Accreted interest	-	11,006	12,711	6,719	5,033	35,469
Interest expense	-	17,643	21,676	12,602	12,199	64,120
<b>Carrying amount of debt at September 30, 2024</b>	<b>18,716</b>	<b>536,386</b>	<b>631,037</b>	<b>378,305</b>	<b>375,071</b>	<b>1,939,515</b>
Current carrying amount at September 30, 2024	18,716	52,547	64,560	37,534	32,355	205,712
Long term carrying amount at September 30, 2024	-	483,839	566,477	340,771	342,716	1,733,803

## Management Discussion and Analysis – September 30, 2024

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### *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.

### *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

## Management Discussion and Analysis – September 30, 2024

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\$0.35. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share until December 16, 2024.

The Units are determined to be a compound instrument, comprising a liability, a conversion feature and warrants. Both conversion feature and warrants met the fixed for fixed criteria and were therefore presented as equity instruments in accordance with IAS 32. The fair value of the debt component was determined by discounting the stream of future payments of interest and principal at a market interest rate of 23% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial fair value of the financial liability. The fair value of the liability was determined to be \$418,121. The residual value of \$281,879 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of \$244,298 and \$37,581, respectively. The carrying value of the Units, net of the equity components, have been accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

### *April 21, 2023 Convertible Debenture*

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

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

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

The Units are determined to be a compound instrument, comprising a liability, a conversion feature and warrants. Both conversion feature and warrants met the fixed for fixed criteria and were therefore presented as equity instruments in accordance with IAS 32. The fair value of the debt component was determined by discounting the stream of future payments of interest and 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

## Management Discussion and Analysis – September 30, 2024

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

### *June 15, 2023 Convertible Debenture*

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

At any time before maturity, a holder of debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares at a conversion price of \$0.085 per share during the first year and \$0.10 per share thereafter (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding debentures at any time at the Conversion Price on not less than 5 days notice if the volume weighted average trading price of the common shares on the TSX Venture Exchange for any 10 consecutive trading day period is equal to or greater than \$0.35. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share until June 15, 2025.

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.

### *January 30, 2024 Convertible Debenture*

On January 30, 2024, the Company closed a non-brokered private placement of 484 secured convertible debenture units (the "Units") of the Company for gross proceeds of \$484,000. Each Unit consists of one \$1,000 convertible debenture and 6,667 common share purchase warrants. The debentures mature on and become payable on January 30, 2029, 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 \$0.30. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per common share until January 30, 2026.

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

## Management Discussion and Analysis – September 30, 2024

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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 20% 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 \$329,902. The residual value of \$154,098 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of \$81,407 and \$72,691, 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 November 24, 2023, the Company entered into a settlement agreement with a debenture holder under which the Company repurchased 236 convertible debentures units and settled all related interest payable for \$34,058 (USD \$25,000). In accordance with IAS 32, the Company allocated the consideration price of the repurchase to the liability and equity components using the same method as used for allocating the initial transaction price. The fair value of the liability was determined to be \$13,098 using 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. The residual value of \$20,959 was allocated to the equity portion of the repurchase. As a result of the repurchase the Company recorded a gain of \$138,566 and cancelled the 786,588 common share purchase warrants included in the repurchased Units. As at September 30, 2024, the settlement amount of \$34,058 is included in accounts payable and accrued liabilities.

### ***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 \$3,966,345 at September 30, 2024 (June 30, 2024 - \$3,786,408). Details of the Company's contract liability is noted as follows:

	<b>September 30, 2024</b>	June 30, 2024
Opening balance	\$ 3,786,408	\$ 3,878,163
Revenue recognized from contract liability	<b>(493,948)</b>	(2,072,536)
Additions	<b>720,752</b>	1,870,649
Currency translation adjustment	<b>(46,867)</b>	110,132
Ending balance	<b>\$ 3,966,345</b>	\$ 3,786,408
Current portion	<b>\$ 1,244,180</b>	\$ 1,218,657
Long-term portion	<b>\$ 2,722,165</b>	\$ 2,567,751

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

### **SHORT TERM LOANS PAYABLE**

On December 29, 2023, the Company entered into loan agreements under which \$265,000 was advanced to the Company, \$115,000 of which was received from officers of the Company. The loans include an upfront discount of 12.5%, in lieu of interest, and the amount advanced to the Company represents 87.5% of the total principal amount of \$302,857, of which \$131,429 will be owed to officers of the Company. The loan was repayable in full by March 29, 2024, after which date an interest rate of 4% per month will apply, payable monthly. During the three-month period ended September 30, 2024, the Company recorded \$36,341 (September 30, 2023: \$nil) as interest expense related to these loans. At September 30, 2024, the Company owed \$376,323 (June 30, 2024: \$339,982) in principal and interest on these loans, of which \$163,311 (June 30, 2024: \$147,539) was owed to officers of the Company.

On February 28, 2024, the Company entered into a loan agreement under which \$55,000 was advanced to the Company. The loan is repayable in full on February 28, 2025. An interest rate of 10% per annum applies to the principal amount of the loan, the interest is due and payable at the maturity date of the loan. During the three-month period ended September 30, 2024, the Company recorded \$1,386 (September 30, 2023: \$nil) as interest expense related to this loan. At September 30, 2024, the Company owed \$58,240 (June 30, 2024: \$56,853) in principal and interest on these loans.

On February 29, 2024, the Company entered into a loan agreement under which \$67,500 was advanced to the Company. The loan is repayable in full on February 28, 2025. An interest rate of 10% per annum applies to the principal amount of the loan, the interest is due and payable at the maturity date of the loan. During the three-month period ended September 30, 2024, the Company recorded \$1,702 (September 30, 2023: \$nil) as interest expense related to this loan. At September 30, 2024, the Company owed \$71,458 (June 30, 2024: \$69,756) in principal and interest on these loans.

On March 12, 2024, the Company entered into a loan agreement under which \$175,000 was advanced to the Company. The loan was repayable in full on April 11, 2024. A structuring fee of \$5,250, equal to 3% of the principal amount, is due on the repayment date. An interest rate of 36% per annum applies to the principal amount of the loan for every month the loan is outstanding past the repayment date, the interest is due and payable on a monthly basis in arrears. During the three-month period ended September 30, 2024, the Company recorded \$14,890 (September 30, 2023: \$nil) as interest expense related to this loan. The Company repaid \$10,000 of this loan during the year ended June 30, 2024. At September 30, 2024, the Company owed \$198,598 (June 30, 2024: \$183,708) in principal and interest on these loans.

On March 28, 2024, the Company entered into a loan agreement under which \$45,000 was advanced to the Company. The loan is repayable in full on May 27, 2024. A structuring fee of \$1,350, equal to 3% of the principal amount, is due on the repayment date. An interest rate of 36% per annum applies to the principal amount of the loan for every month the loan is outstanding past the repayment date, the interest is due and payable monthly in arrears. During the three-month period ended September 30, 2024, the Company recorded \$4,050 (September 30, 2023: \$nil) as interest expense related to this loan. At September 30, 2024, the Company owed \$53,235 (June 30, 2024: \$49,185) in principal and interest on these loans.

On April 12, 2024, the Company entered into a loan agreement with a person related to a director, under which \$10,000 was advanced to the Company. The loan is repayable in full six months from the advance date. An interest rate of 24% per annum applies to the principal amount of the loan, the interest is due and payable monthly in arrears. During the three-month period ended September 30,

## Management Discussion and Analysis – September 30, 2024

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2024, the Company recorded \$600 (September 30, 2023: \$nil) as interest expense related to this loan. At September 30, 2024, the Company owed \$11,120 (June 30, 2024: \$10,520) in principal and interest on these loans.

On June 3, 2024, the Company entered into a loan agreement under which \$476,000 was advanced to the Company. The loan is repayable in full on June 3, 2025. An interest rate of 10% per annum applies to the principal amount of the loan, the interest is due and payable at the maturity date of the loan. During the three-month period ended September 30, 2024, the Company recorded \$11,998 (September 30, 2023: \$nil) as interest expense related to this loan. At September 30, 2024, the Company owed \$491,519 (June 30, 2024: \$479,521) in principal and interest on these loans.

On June 17, 2024 the Company entered into a secured loan agreement under which \$718,568 (USD \$525,000) was loaned to the Company. The Company paid an administrative agent fee of \$34,218 (USD \$25,000) on closing of the loan. The loan matures on December 30, 2024 and is repayable with 28 payments of \$36,955 (USD \$27,000) to be paid weekly. During the three-month period ended September 30, 2024, the Company made payments of \$510,262 (September 30, 2023 - \$nil) towards the secured loan and recorded \$157,554 (September 30, 2023 - \$nil) in interest expense. At September 30, 2024, the balance of the secured loan was \$329,038 (USD \$243,750) (June 30, 2024 - \$692,904 (USD \$506,250)).

On August 26, 2024, the Company entered into a secured loan agreement under which \$50,000 was advanced to the Company. The loan is repayable with monthly payments of \$5,000, plus interest beginning September 30, 2024. An interest rate of 12% per annum applies to the principal amount of the loan for every month the loan is outstanding past September 30, 2024. During the three-month period ended September 30, 2024, the Company recorded \$nil (September 30, 2023: \$nil) as interest expense related to this loan. At September 30, 2024, the Company owed \$50,000 (June 30, 2024: \$nil) in principal and interest on these loans.

On August 29, 2024, the Company entered into promissory notes totalling \$250,000. The promissory note is interest free and payable on the earlier of the following: i) the closing of the purchase of the common shares of the acquisition target by Hank Payments Corp. at which time the loan will consolidate into the closing transaction ii) 6 months from the advancement date iii) cancellation of the transaction with the target. On September 3, 2024, \$100,000 was advanced to the Company related this promissory note, and on September 9, 2024, the remaining \$150,000 was advanced to the Company related to this promissory note.

### **Equity**

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

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

### **Common shares**

The Company had no share-based transactions during the quarter ended September 30, 2024 and 2023.

### Stock-based compensation plan

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

During the three-month period ended September 30, 2024, the Company had the following stock option activity:

- On June 17, 2024, the Company issued 150,000 stock options to a director of the Company. The fair value of the options were valued at \$3,735 using the Black-Scholes model and the following assumptions: share price of \$0.050, expected life of 3 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.91%. The stock options vest in two equal tranches with the first tranche vesting on June 16, 2025 and the second tranche vesting on June 16, 2026. During the three-month period ended September 30, 2024, the Company expensed \$467 (September 30, 2023: \$nil) as stock based compensation relating to the vesting of these options.
- On January 29, 2024, the Company issued 95,000 stock options to employees of the Company. The fair value of the options were valued at \$5,964 using the Black-Scholes model and the following assumptions: share price of \$0.085, expected life of 5 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.56%. The stock options vest in three equal tranches with the first tranche vesting on the grant date, the second tranche vesting on January 30, 2025 and the last tranche vesting on January 30, 2026. During the three-month period ended September 30, 2024, the Company expensed \$746 (September 30, 2023: \$nil) as stock based compensation relating to the vesting of these options.
- On January 29, 2024, the Company issued 1,850,000 stock options to employees of the Company, including 1,750,000 options issued to officers of the Company. The fair value of the options were valued at \$140,909 using the Black-Scholes model and the following assumptions: share price of \$0.085, expected life of 10 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.41%. The stock options vest in three equal tranches with the first tranche vesting on the grant date, the second tranche vesting on January 30, 2025 and the last tranche vesting on January 30, 2026. During the three-month period ended September 30, 2024, the Company expensed \$17,614 (September 30, 2023: \$nil) as stock based compensation relating to the vesting of these options.
- On November 1, 2023, the Company issued 25,000 stock options to an employee of the Company. The fair value of the options were valued at \$470 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 4.57%. The stock options vest in three equal tranches with one third vesting on issuance, one third vesting on November 1, 2024 and the last third vesting on October 31, 2025. During the three-month period ended September 30, 2024, the Company expensed \$59 (September 30, 2023: \$nil) as stock based compensation relating to the vesting of these options.

## Management Discussion and Analysis – September 30, 2024

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During the three month period September 30, 2023, the Company had the following stock option activity:

- On September 6, 2023, the Company issued 50,000 stock options to a consultant of the Company. The fair value of the options were valued at \$2,267 using the Black-Scholes model and the following assumptions: share price of \$0.055, expected life of 8 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 4.66%. The stock options fully vested on the grant date. During the three month period ended September 30, 2024, the Company expensed \$nil (September 30, 2023: \$2,267) as stock based compensation relating to the vesting of these options.

On September 6, 2023, the Company issued 250,000 stock options to a consultant of the Company. The fair value of the options were valued at \$3,104 using the Black-Scholes model and the following assumptions: share price of \$0.055, expected life of 1 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 4.66%. The stock options vest in four equal tranches with one fourth vesting on issuance, one fourth vesting on December 6, 2023, one fourth vesting on March 6, 2024 and the last fourth vesting on September 5, 2024. During the three month period ended September 30, 2024, the Company expensed \$nil (September 30, 2023: \$1,138) as stock based compensation relating to the vesting of these options. On November 30, 2023, the contract with the consultant was terminated and the related 187,500 unvested options were cancelled. On September 6, 2024, the remaining 62,500 options expired.

- On May 26, 2023, the Company issued 50,000 stock options to employees of the Company. The fair value of the options were valued at \$1,950 using the Black-Scholes model and the following assumptions: share price of \$0.08, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 4.31%. The stock options vest in three equal tranches with one third vesting on issuance, one third vesting on May 26, 2024 and the last third vesting on May 25, 2025. During the three month period ended September 30, 2024, the Company expensed \$41 (September 30, 2023: \$162) as stock based compensation relating to the vesting of these options. On August 4, 2023, one of the employees was terminated and the related 16,667 unvested options were cancelled.
- On April 17, 2023, the Company issued 75,000 stock options to employees of the Company. The fair value of the options were valued at \$966 using the Black-Scholes model and the following assumptions: share price of \$0.04, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.95%. The stock options vest in three equal tranches with one third vesting on issuance, one third vesting on April 17, 2024 and the last third vesting on April 16, 2025. During the three month period ended September 30, 2024, the Company expensed \$40 (September 30, 2023: \$121) as stock based compensation relating to the vesting of these options.
- On December 1, 2022, the Company issued 100,000 stock options to an employee of the Company. The fair value of the options were valued at \$1,861 using the Black-Scholes model and the following assumptions: share price of \$0.05, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.75%. The options vest in three equal tranches with one third vesting on the grant date, one third vesting on December 1, 2023 and the last third vesting on November 22, 2024. During the three-month period ended September 30, 2024, the Company expensed \$78 (September 30, 2023: \$233) as stock-based compensation relating to the vesting of these options.

## Management Discussion and Analysis – September 30, 2024

- On November 29, 2022, the Company issued 200,000 stock options to Directors of the Company. The fair value of the options were valued at \$3,729 using the Black-Scholes model and the following assumptions: share price of \$0.05, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.10, and a risk-free interest rate of 3.92%. The options vest in three equal tranches with one third vesting on the grant date, one third vesting on November 29, 2023 and the last third vesting on November 22, 2024. During the three-month period ended September 30, 2024, the Company expensed \$155 (September 30, 2023: \$466) as stock-based compensation relating to the vesting of these options.
- On November 1, 2022, the Company issued 300,000 stock options to employees of the Company. The fair value of the options were valued at \$5,791 using the Black-Scholes model and the following assumptions: share price of \$0.06, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.15, and a risk-free interest rate of 3.92%. The options vest in three equal tranches with 100,000 vesting on the grant date, 100,000 vesting on November 1, 2023 and 100,000 vesting on November 1, 2024. During the three-month period ended September 30, 2024, the Company expensed \$241 (September 30, 2023: \$724) as stock-based compensation relating to the vesting of these options.
- On August 5, 2022, the Company issued 400,000 stock options to a consultant. The fair value of the options were valued at \$16,012 using the Black-Scholes model and the following assumptions: share price of \$0.11, expected life of 2 years, \$nil dividends, 100% volatility, exercise price of \$0.20, and a risk-free interest rate of 3.25%. The stock options vest in four equal tranches with one fourth vesting on November 5, 2022, one fourth vesting on February 5, 2023, one fourth vesting on May 5, 2023 and the last fourth vesting on August 5, 2023. During the three-month period ended September 30, 2024, the Company expensed \$nil (September 30, 2023: \$395) 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.

Stock option activity for the quarter ended September 30, 2024 and 2023 are as follows:

	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	6,489,166	\$ 0.37	4,473,333	\$ 0.45
Granted	-	-	300,000	\$ 0.10
Expired/Cancelled	(162,500)	\$ 0.10	(100,000)	\$ 0.85
<b>Outstanding, September 30,</b>	<b>6,326,666</b>	<b>\$ 0.35</b>	<b>4,673,333</b>	<b>\$ 0.42</b>
<b>Exercisable, September 30,</b>	<b>4,679,998</b>	<b>\$ 0.46</b>	<b>4,019,166</b>	<b>\$ 0.46</b>

## Management Discussion and Analysis – September 30, 2024

Details of the options outstanding and exercisable as at September 30, 2024 are as follows:

<b>Expiry Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested</b>	<b>Exercise Price</b>	<b>Remaining Contractual Life (in years)</b>
November 1, 2024	300,000	200,000	\$ 0.15	0.09
November 29, 2024	200,000	133,334	\$ 0.10	0.16
December 1, 2024	100,000	66,666	\$ 0.10	0.17
April 17, 2025	500,000	500,000	\$ 0.10	0.55
April 17, 2025	75,000	50,000	\$ 0.10	0.55
May 26, 2025	33,333	25,000	\$ 0.10	0.65
November 1, 2025	25,000	8,333	\$ 0.10	1.09
November 30, 2025	250,000	250,000	\$ 0.10	1.17
June 16, 2027	150,000	50,000	\$ 0.10	2.71
January 30, 2029	95,000	31,666	\$ 0.10	4.34
September 6, 2031	50,000	50,000	\$ 0.10	6.94
October 13, 2031	1,883,333	1,883,333	\$ 1.00	7.04
October 13, 2031	795,000	795,000	\$ 0.10	7.04
November 29, 2031	20,000	20,000	\$ 1.00	7.17
January 30, 2034	1,850,000	616,666	\$ 0.10	9.34
<b>Balance, September 30, 2024</b>	<b>6,326,666</b>	<b>4,679,998</b>		

### Restricted Stock Units

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

During the three-month ended September 30, 2024 the Company had the following RSU activity:

- On January 30, 2024, the Company granted 700,000 RSUs valued at \$59,500 to officers and directors of the Company. The RSUs vest on January 29, 2025. During the three-month period ended September 30, 2024, the Company expensed \$14,875, (September 30, 2023: \$nil) as stock-based compensation related to the vesting of these RSUs.
- On June 17, 2024, the Company granted 100,000 RSUs valued at \$5,000 to a director of the Company. The RSUs vest in two tranches with 50,000 vesting on June 17, 2025 and the remaining 50,000 vesting on June 17, 2026. During the three-month period ended September 30, 2024, the Company expensed \$938, (September 30, 2023: \$nil) as stock-based compensation related to the vesting of these RSUs.

## Management Discussion and Analysis – September 30, 2024

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During the three month period ended September 30, 2023 the Company had the following RSU activity :

- On September 6, 2023, the Company granted 250,000 RSUs valued at \$13,750 to a consultant of the Company. The RSUs vest on September 6, 2024. During the three-month period ended September 30, 2024, the Company expensed \$nil, (September 30, 2023: \$917) as stock-based compensation related to the vesting of these RSUs. On November 30, 2023, the contract with the consultant was terminated, as a result, the 250,000 RSUs were forfeited, and the Company reversed \$3,208 of previously recorded stock-based compensation.
- On November 1, 2022, the Company granted 250,000 RSUs valued at \$15,000 to an employee of the Company. The RSUs vest in three tranches with 83,333 vesting on the grant date, 83,333 vesting on November 1, 2023 and 83,334 vesting on November 1, 2024. During the three-month period ended September 30, 2024, the Company expensed \$625, (September 30, 2023: \$1,875) 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 three-month period ended September 30, 2024, the Company expensed \$174, (September 30, 2023: \$382) as stock-based compensation related to the vesting of these RSUs.
- On April 17, 2023, the Company granted 1,000,000 RSUs valued at \$40,000 to an officer of the Company. The RSUs vest on April 16, 2024. During the three-month period ended September 30, 2024, the Company expensed \$nil, (September 30, 2023: \$10,000) as stock-based compensation related to the vesting of these RSUs.
- On May 26, 2023, the Company granted 200,000 RSUs valued at \$16,000 to two directors of the Company. The RSUs vest on May 25, 2024. During the three-month period ended September 30, 2024, the Company expensed \$nil, (September 30, 2023: \$4,000) as stock-based compensation related to the vesting of these RSUs.
- On October 13, 2021, Hank issued 4,600,000 RSUs to certain employees and consultants valued at \$2,990,000. The RSUs include 3,500,000 RSUs valued at \$2,275,000 that were issued to Officers and Directors. The RSUs vest in three equal tranches with one third vesting on the transaction date, one third vesting on October 13, 2022 and the last third vesting on October 13, 2023. During the three-month period ended September 30, 2024, the Company expensed \$nil, (September 30, 2023: \$117,880) as stock-based compensation related to the vesting of these RSUs which includes \$nil (2023: \$94,792), in stock based compensation to 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.

## Management Discussion and Analysis – September 30, 2024

RSU activity for the periods ended September 30, 2024 and 2023 are as follows:

	Number of RSUs	
	2024	2023
Opening balance	6,103,334	5,495,084
Granted	-	250,000
<b>Outstanding, September 30,</b>	<b>6,103,334</b>	<b>5,745,084</b>
<b>Exercisable, September 30,</b>	<b>5,180,000</b>	<b>2,481,666</b>

Details of the RSUs vested and exercised are as follows:

Issuance Date	Number of RSUs Granted	Number of RSUs Vested	Number of RSUs Cancelled	Number of RSUs Exercised
October 13, 2021	4,600,000	4,400,000	200,083	616,583
October 13, 2021	500,000	166,667	500,000	-
November 1, 2021	750,000	150,000	600,000	150,000
November 12, 2021	20,000	13,333	-	-
December 13, 2021	25,000	25,000	25,000	-
November 1, 2022	250,000	166,667	-	-
December 1, 2022	50,000	16,667	-	-
April 17, 2023	1,000,000	1,000,000	-	-
May 26, 2023	200,000	200,000	-	-
September 6, 2023	250,000	-	250,000	-
January 30, 2024	700,000	-	-	-
June 17, 2024	100,000	-	-	-
<b>Balance, September 30, 2024</b>	<b>8,445,000</b>	<b>6,138,334</b>	<b>1,575,083</b>	<b>766,583</b>

During the three month period ended September 30, 2024 and 2023, the Company had no warrant activity.

	Number of Warrants	Expiry Date	Exercise Price
<b>Balance, June 30, 2023</b>	<b>15,581,443</b>		
Warrants granted	3,226,828	2026-01-30	\$ 0.10
Warrants expired	(3,042,500)		\$ 0.075
Warrants expired	(219,975)		\$ 1.00
Warrants expired	(2,666,400)		\$ 0.25
Warrants expired	(2,000,000)		\$ 0.47
Warrants cancelled	(786,588)		\$ 0.10
<b>Balance, June 30, 2024</b>	<b>10,092,808</b>		
<b>Balance, September 30, 2024</b>	<b>10,092,808</b>		

## Management Discussion and Analysis – September 30, 2024

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

The Company used cash from operating activities in the amount of \$520,265 (September 30, 2023 – \$393,913) for the quarter ended September 30, 2024. The increase in cash outflow from operating activities is primarily due to working capital changes in contract receivable, contract liability, prepaid expenses and deposits and account payable and accrued liabilities.

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

During the quarter ended September 30, 2024, the Company received \$225,876 (September 30, 2023 – cash outflow of \$49,091) in investing activities. Investing activities include development of the Company's software platform and purchases of equipment for new employees. Additionally, during the period the Company received \$270,427 (September 30, 2023 – \$94,475) from its largest SME wholesaler and related party.

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

During the quarter ended September 30, 2024, the Company paid \$510,262 (September 30, 2023 - nil) of short-term loan repayment. The Company received \$300,000 in short term loans.

### ***Related Party Transactions***

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control of common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. The following are related party transactions during the three-month periods ended September 30, 2024 and 2023, not disclosed elsewhere in these consolidated financial statements:

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

As part of the Agreement, when Hank and Marketing Corp. enter into agreements with customers, the gross fees paid or payable by the customer are collected by the Hank banking and technology platform and then shared by Hank and Marketing Corp. based on pre-set terms agreed upon between Hank and Marketing Corp. depending on the types of customer contracts entered into and what is considered market pricing for the services provided by each respective party. Hank provides similar services to other wholesalers of the Hank platform, for similar fee structures. The total amount collected by Hank from customers and remitted to Marketing Corp. for the three-month period ended September 30, 2024 amounted to \$1,400,259 (2023 - \$1,439,176).

## Management Discussion and Analysis – September 30, 2024

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- b) During the three-month period ended September 30, 2024, the Company charged fees in the amount of \$66,285 (2023 - \$34,297), to Marketing Corp. for sales support. The Company incurred costs in relation to these services in the amount of \$57,639, for the three-month period ended September 30, 2024 (2023 - \$29,823).
- c) Refer to Note 7 and Note 12 of the Financial Statements.

### Key Management Compensation

The remuneration of directors and other key management personnel of the Company during the quarter ended September 30, 2024 and 2023 were as follows:

- a) During the three-month period ended September 30, 2024, the Company expensed \$214,158 (2023 - \$219,582) in fees payable to officers of the Company, the expense was recorded in salaries and wages. As at September 30, 2024, the Company had amounts payable to officers of the Company in the amount of \$100,105 (June 30, 2024 - \$38,059).

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

- b) During the three-month period ended September 30, 2024, the Company expensed \$18,067 (2023 - \$109,258), in stock based compensation related to Officers and Directors of the Company.
- c) During the three-month period ended September 30, 2024, the Company expensed \$nil (2023 - \$20,250), in director's fees, the expense was recorded in office and general. As at September 30, 2024, the Company had amounts payable to directors of the Company in the amount of \$106,338 (June 30, 2024 - \$106,338).

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

## Management Discussion and Analysis – September 30, 2024

### Summary of Selected Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, as originally reported, the latest of which ended September 30, 2024. This information has been prepared on the same basis as the Company's unaudited condensed interim consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and the related notes to those statements.

	Quarter Ended (CAD)							
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	2,038,142	1,978,790	1,907,635	1,919,499	1,581,419	1,403,518	1,452,072	1,512,194
<i>Quarterly Growth</i>	3%	4%	-1%	21%	13%	-3%	-4%	
Cost of sales	168,264	202,438	171,238	174,086	171,236	171,128	163,823	164,632
Gross Profit	1,869,878	1,776,352	1,736,397	1,745,413	1,410,183	1,232,390	1,288,249	1,347,562
<i>Quarterly Growth</i>	5%	2%	-1%	24%	14%	-4%	-4%	
Operating expenses	2,069,017	2,016,338	2,024,520	1,891,634	1,917,980	1,913,268	1,607,028	1,739,785
<b>Adjusted loss from operations (1)</b>	<b>(199,139)</b>	<b>(239,986)</b>	<b>(288,123)</b>	<b>(146,221)</b>	<b>(507,797)</b>	<b>(680,878)</b>	<b>(318,779)</b>	<b>(392,223)</b>
<b>Adjustments:</b>								
Stock based compensation	(36,273)	(40,622)	(89,396)	(35,002)	(141,115)	116,400	(125,205)	(168,515)
Listing expense	0	0	0	0	0	0	0	0
Transaction costs	0	0	0	0	0	0	0	0
Amortization of Intangible Assets	(44,199)	(27,495)	(74,949)	(69,893)	(63,139)	(56,469)	(52,739)	(49,208)
Restructuring Costs	0	0	0	0	0	0	0	0
<b>Total Adjustments</b>	<b>(80,472)</b>	<b>(68,117)</b>	<b>(164,345)</b>	<b>(104,895)</b>	<b>(204,254)</b>	<b>59,931</b>	<b>(177,944)</b>	<b>(217,723)</b>
<b>Loss from operations</b>	<b>(279,611)</b>	<b>(308,103)</b>	<b>(452,468)</b>	<b>(251,116)</b>	<b>(712,051)</b>	<b>(620,947)</b>	<b>(496,723)</b>	<b>(609,946)</b>
<b>Net Income (Loss)</b>	<b>(502,182)</b>	<b>(494,012)</b>	<b>(572,662)</b>	<b>(285,549)</b>	<b>(782,574)</b>	<b>(1,389,753)</b>	<b>(529,273)</b>	<b>(733,957)</b>
<b>Comprehensive Income (Loss)</b>	<b>(430,626)</b>	<b>(543,746)</b>	<b>(687,946)</b>	<b>(180,370)</b>	<b>(876,182)</b>	<b>(1,299,929)</b>	<b>(526,970)</b>	<b>(686,564)</b>
<b>Cash Collected from Fees</b>	<b>1,548,671</b>	<b>1,420,450</b>	<b>1,091,396</b>	<b>1,220,089</b>	<b>1,241,804</b>	<b>1,220,889</b>	<b>1,167,852</b>	<b>1,338,425</b>
<i>Quarterly Growth</i>	9%	30%	-11%	-2%	2%	5%	-13%	

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

The Company incurred an adjusted loss from operations of \$199,139 in Q1, 2025 compared to an adjusted loss from operations of \$239,986 in the previous quarter. The decreased adjusted loss for the quarter is due to higher gross profit. The Company incurred a loss from operations of \$279,611 in Q1 2025 as compared to a loss from operations of \$308,103 in the previous quarter due to the increase in revenue and decrease in cost of sales given the improved banking pricing secured by the Company.

### ***Capital Management***

The Company includes equity comprised of issued share capital, deficit and cash in the definition of capital. As at September 30, 2024, the Company's shareholder's deficiency was \$8,264,807 (June 30, 2024 – \$7,870,454). 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 adjusts 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 quarter ended September 30, 2024 and quarter ended September 30, 2023.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2024, the Company may not be compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

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

The Company had no off-balance sheet arrangements as at September 30, 2024.

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

The Company's unaudited condensed interim statements of financial position as at September 30, 2024 and September 30, 2023, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the period ended September 30, 2024 and September 30, 2023, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to note 3 of the Company's unaudited condensed interim financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements and recent accounting pronouncements.

#### ***Financial Instruments***

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

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

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

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

### **Risk Management**

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these financial statements. The following analysis provides a measurement of risks as at September 30, 2024 and June 30, 2024.

#### ***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.

## Management Discussion and Analysis – September 30, 2024

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The lifetime expected credit loss as at September 30, 2024 and June 30, 2024 was determined as follows :

	<b>September 30, 2024</b>	<b>June 30, 2024</b>
Gross carrying amount	\$ 861,240	\$ 770,922
Expected credit loss rate	5%	5%
Lifetime expected credit loss	\$ 43,062	\$ 37,942
Net carrying amount	\$ 825,831	\$ 732,980

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Beginning balance	\$ 37,942	\$ 28,811
Write-offs	(33,222)	(38,795)
Net remeasurement of loss allowance	39,272	40,597
Currency translation adjustment	(930)	553
Ending balance	\$ 43,062	\$ 31,166

### Liquidity Risk

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

As at September 30, 2024, there is doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. As company approaches EBITDA positive, cash flow from operations and financings are expected to address liquidity risk as and when completed.

## Management Discussion and Analysis – September 30, 2024

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

	<b>September 30, 2024</b>		June 30, 2024	
Trade payables	\$	<b>958,985</b>	\$	847,812
Accrued liabilities		<b>1,127,162</b>		1,238,280
Payroll liabilities		<b>3,281,962</b>		3,279,857
	\$	<b>5,368,109</b>	\$	5,365,949

Accrued liabilities at September 30, 2024, include a provision for estimated penalties and interest related to payroll remittance liabilities in the amount of \$777,973 (June 30, 2024: \$785,312).

Short term contractual obligations as at September 30, 2024 are as follows:

	<b>Payments due by period</b>					
	<b>Total</b>	<b>Current</b>	<b>1-60 days</b>	<b>61-120 days</b>	<b>121-180 days</b>	<b>181-365 days</b>
	\$	\$	\$	\$	\$	\$
Accounts Payable and accrued liabilities	5,368,109	5,368,109	-	-	-	-
Short term loans	1,889,531	639,276	212,485	135,553	389,698	511,519

### Market Risk

#### (i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and there not currently subject to any significant interest rate risk.

#### (ii) Foreign Currency Risk

The Company operates in Canada and the United States. The functional currency of the Company is the Canadian dollar, and the functional currency of the Company's subsidiary is the United States dollar. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars. The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to loss for the year. As at September 30, 2024 and 2023, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

#### (iii) Price Risk

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. In addition, the Company does not

## Management Discussion and Analysis – September 30, 2024

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have any equity investment in other listed public companies, and therefore it is not subject to any significant stock market price risk.

### ***Litigation***

The Company may become party to litigation from time to time in the ordinary course of its business which could adversely affect its respective operations. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company ability to continue operating and the value of Company Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

### ***Regulatory Risks***

The company's banking relationships are consistent with regulatory approved processes followed by many payment companies. The company is subject to annual regulatory audits in the United States, through its banking partners, to ensure adherence to banking regulations. The company is also subject to review and selective audits by the Consumer Financial Protection Bureau ("CFPB") when consumer complaints arise in an abnormal quantity. The company adheres to each regulatory requirement and has passed the necessary audits in the past but there are no guarantees that future regulatory changes, if any, will not impact the business.

### ***Use and Protection of Intellectual Property***

Hank's success depends significantly upon its banking and technology platform and banking relationships in the United States. The Company generally relies on a combination of agreements and other contractual provisions to establish, maintain and protect their proprietary rights, all of which afford only limited protection. There can be no assurance that any pending or future patent or trademark applications will be granted; that any current or future patents or trademarks will not be challenged, invalidated or circumvented; or that the rights granted under such patents or trademarks will provide competitive advantages to the Company. There can be no assurance that other persons have not applied or will not apply for patent protection for products which utilize the same or similar processes as those used by Hank. The inability of the Company to adequately protect its proprietary rights could have a material adverse effect on the Company's business, results of operations and financial condition.

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are important aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use Hank's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights upon which the Company will depend at risk of being invalidated or interpreted narrowly and could put existing

## **Management Discussion and Analysis – September 30, 2024**

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intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

Other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses may not be available on terms acceptable to the Company, or at all. In addition, the Company may not be able to obtain or utilize on terms that are favourable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

### ***History of Losses***

Hank Payments has incurred operating losses in prior periods. The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, the Company expects to continue to increase its operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset its expected increases in costs and operating expenses, the Company may not be profitable.

### ***Management of Growth***

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require continued implementation and improvement of their operational and financial systems and for each to expand, train and manage their respective employee bases. The inability of the Company to deal with growth may have a material adverse effect on business, financial conditions, results of operations and prospects.

### ***Financial Reporting***

The accounting policies and estimates used by the Company determine how it reports its financial condition and results of operations; this may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results of operations and financial condition. The Company assesses the carrying value of assets at least annually. From an accounting perspective, the carrying value of Intangible Assets could be diminished in the future.

### ***Internal Control Over Financial Reporting***

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

## Non-IFRS Measures

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

### Adjusted Loss from Operations

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

### Reconciliation of Non-IFRS Measures to IFRS

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for the quarter ended September 30, 2024, and September 30, 2023:

	Three Month Period Ended		
	September 30, 2024	September 30, 2023	Change
	\$	\$	%
<b>Reported and adjusted measures:</b>			
Loss from operations	(279,611)	(712,051)	60.7%
<b>Adjustments:</b>			
Stock based compensation	36,273	141,115	-74.3%
Amortization of Intangible Assets	44,199	63,139	-30.00%
<b>Adjusted loss from operations</b>	<b>(199,139)</b>	<b>(507,797)</b>	<b>60.8%</b>

### **SUBSEQUENT EVENTS**

On November 1, 2024, the Company closed a non-brokered private placement of 744 convertible debenture units for gross proceeds of \$744,921. Each Unit consists of one \$1,000 secured convertible debenture and 10,000 common share purchase warrants. The Debentures mature on and become payable on November 1, 2029, and bear interest at a fixed rate of 10% per annum, payable in arrears semi-annually on December 31 and June 30 of each year.

On November 1, 2024, an aggregate principal amount of \$2,544,000, 10% secured convertible debentures and \$200,732 of related interest were converted into an aggregate of 54,894,641 common shares of the Company. The Company also issued 4,677,084 common shares pursuant to the redemption of previously granted and outstanding restricted share units of the Company.

On November 1, 2024, the Company cancelled 1,550,000 stock options previously issued as well as 191,667 restricted share units which had been forfeited by former employees.