EverydayPeople®
FINANCIAL

Everyday People Financial Corp.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

May 2, 2024

The effective date of this Management's Discussion and Analysis is, May 2, 2024, except as otherwise noted.

INTRODUCTION

Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Everyday People Financial Corp. ("EP Financial" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months and year ended December 31, 2023 and 15 months ended December 31, 2022. This MD&A has been prepared in compliance with National Instrument 51-102 – Continuous Disclosure Obligations requirements. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023 and December 31, 2022, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included in the MD&A. The MD&A was reviewed by the Audit Committee and subsequent approved and authorized for issue by the Board of Directors on May 2, 2024. The information contained herein is presented as of May 2, 2024, unless otherwise indicated.

The Company's audited consolidated financial statements and the financial information contained in the MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement the IFRS financial measures contained herein by providing further metrics to understand the Company's results of operations from the management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS financial measures, including adjusted earnings before interest, tax, depreciation and amortization, share-based compensation, Reverse Takeover ("RTO") cost, impairment losses and other expenses ("Adjusted EBITDA"), Pro-forma revenue, and Pro-forma net income (loss) and to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also use non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. See "selected quarterly financial information".

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "Forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are Forward-looking statements. Often, but not always, Forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The Forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

Forward-looking statements may include, but are not limited to, comments regarding:
• the Company's business performance presenting pro-forma revenue and pro-forma net income (loss);
• the Company's business strategy;
• the Company's strategy for protecting its intellectual property;
• the Company's ability to obtain necessary funding on favorable terms or at all;
• the Company's plan and ability to secure revenues;
• the risk of competitors entering the market;
• the Company's ability to hire and retain skilled staff;
• the impact of the adoption of new accounting standards; and
• the Company's risk pertaining to regulatory compliance.

Although the Company believes that the plans, intentions, and expectations reflected in these Forward-looking statements are reasonable, the Company cannot be certain that these plans, intentions, or expectations will be achieved. Actual results, performance, or achievements could differ materially from those contemplated, expressed or implied by the Forward-looking statements contained in this report. Disclosure of important factors that could cause actual results to differ materially from the Company's plans, intentions, or expectations is included in this report under the heading Risks and Uncertainties.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by Forward-looking statements. All Forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on Forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any Forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more Forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other Forward-looking statements, unless required by law.

CORPORATE OVERVIEW

EP Financial has its registered office at Suite 450, 11150 Jasper Avenue, Edmonton, Alberta, T5K 0C7. On August 31, 2022, the Company completed an RTO by way of a three-cornered amalgamation pursuant to which Everyday People Financial Inc. amalgamated with a subsidiary of Justify Capital Corp. ("Justify"). The amalgamation was completed pursuant to the terms and conditions of the Business Combination Agreement dated December 6, 2021. In connection with the amalgamation, Justify continued into Alberta, Canada and simultaneously changed its name effective August 30, 2022 from Justify Capital Corp. to Everyday People Financial Corp. ("Resulting Issuer"). The symbol for the common shares of the Resulting Issuer was changed from "JST" to "EPF" on the TSX Venture Exchange ("TSXV"). The symbol for the shares of the Resulting Issuer was EPFCF on the OTCQB Venture Market ("OTCQB").

Basis of consolidation

Please refer to the consolidated financial statements as at and for the 12 months ended December 31, 2023 and 15 months ended December 31, 2022 (the "consolidated financial statements") for details of the companies included.

THE BUSINESS

EP Financial is founded on the belief that everyone deserves a second chance to financially reestablish themselves with access to affordable credit products. We are changing the way people manage money by enhancing our client services with our own affordable and specialized financial products and literacy programs. We're helping everyday people rebuild their financial health for generational wealth. EP Financial has over 450 employees with operations first established in 2006 in the United Kingdom, Canada, and the United States of America.

The Company includes three main pillars of business: one pillar, Revenue Cycle Management ("RCM") operates under our Co-CEO, Graham Rankin, and two pillars, EP Financial Services and EP Homes operates under our Co-CEO, Barret Reykdal. We stand for creativity and entrepreneurship. Our combination of companies, products and services has been established to ensure we can fulfill consumers' financial needs and service them in a low-cost, effective manner.

EP Financial is comprised of the following business lines:

1. <u>Revenue Cycle Management Services</u>:

   Headquartered in the UK and Canada, and operating under the companies, BPO Collections Limited ("BPO"), Everyday People Financial Solutions Limited ("EPFS") (formerly Arvato), General Credit Services Inc. ("GCS"), and Groupe Solution Collect Solu Inc. ("Groupe Solution"). The combined businesses have been operating for more than 75 years on behalf of blue-chip clients across the United Kingdom and Canada in both public and private sectors. We are founded on the belief that everyone deserves a second chance to financially reestablish themselves in an affordable way. We are changing the way revenue cycle management agencies work by enhancing our client services with affordable financial products and literacy programs while achieving optimal receivables management for our clients.

   In 2008, we began the process of requiring our United Kingdom RCM customers to complete a vulnerability and affordability assessment which ensures that longer payment plans are established to fit within the customer's cash flow and other financial commitments. This resulted in long-term, solid relationships with our customers which have successfully benefited both our clients and the RCM customers. Our intentions are to establish the same operating practices in Canada. We are proud to lead the industry with our innovative and leading-edge technologies that provide effortless and seamless processes, ensuring we put our customers at the heart of our business.

2. Financial Services:

   Headquartered in Edmonton, Alberta Canada and Miami, Florida USA, EP Financial operates under four companies. EP Cards, a credit facilitator, and payment card program manager helping businesses manage bespoke payment card programs, credit reporting, card networks and issuing banks as well as offering our own card programs. EP Pay Later that partners with merchants and credit industry affiliates to provide affordable buy now, pay later payment plans that are backed by our robust RCM centers. Smart Everyday People, a partnership with SEB Administrative Services Inc., an Insurtech company focused on benefits administration technology and services and a wholly owned subsidiary of Cooperators Insurance. Together, we're leading the mission to help everyday people eliminate out-of-pocket health expenses through the Everyday HSA, an efficient and affordable health spending account procurement card that we believe can significantly contribute to the betterment of healthcare ecosystems across the globe. EP Supply Chain Solutions turns supply chains into high-performance value chains allowing for better cash flow and profitability, enhancing deliverables to their customers.

3. EP Homes:

   Headquartered in Edmonton, Alberta Canada, we are proudly making the opportunity for homeownership an achievable goal for people of all walks of life. We partner with homebuilders, mortgage brokers, lenders, land developers, realtors, financiers, and government agencies to help everyday people find their path to homeownership through our credit and homeownership facilitation programs that we tailor to meet the needs of each of our clients, and partners. The Bridge to Homeownership Program gives qualified homebuyers the best possible opportunity to acquire a home in a community they love and in a financially responsible way. Through a structured three-year lease and down payment accumulation plan, the Program addresses the key barriers to achieving homeownership, and helps our partners expand their market reach to grow a larger community of homebuyers.

BUSINESS AND OPERATIONS HIGHLIGHTS FOR THE 12 MONTHS ENDED DECEMBER 31, 2023 AND SUBSEQUENT EVENTS

- On February 14, 2023, the Company entered into a Financing Agreement for a Mezzanine Financing Facility (the "Mezzanine Debt") in the amount of $1.5 million. The Mezzanine Debt bears an interest rate of 12% with a 3% arrangement fee for the set-up of the facility per annum paid monthly and matures on February 28, 2025. The Mezzanine Debt is secured by a general security agreement providing security over all present and after acquired property of EP Homes, subordinate only to any general security agreement registered by the first mortgagee.

- On March 31, 2023, the Company's wholly-owned subsidiary, GCS acquired all of the issued and outstanding shares of Groupe Solution which provides accounts receivable management solutions and debt collection services in Quebec, Canada. The primary reason for the business acquisition was to leverage the customer base, relationships and collection services of Groupe Solution to provide EP Financial services. GCS acquired 100% of Groupe Solution shares in exchange for a total vested capital of $5,088,358, please refer to note 5 of the consolidated financial statements for further details.

  The Company funded the cash payment via advances under the credit arrangement with a Canadian bank for a $5.3 million to acquire Groupe Solution and pay the existing debt revolving reducing facility. The interest on the credit facility is payable at a two-year fixed rate of 6.46% per annum, with an amortization period of 85 months. The credit facility is secured by a general security agreement, which provides the lender security interest over all present and after-acquired personal property of the GCS and Groupe Solution. The credit facility is payable in full in seven years from the date of advance. GCS is required to make blended payments of $78,603 per month.

- On October 30, 2023, the Company successfully secured a listing on the OTCQB, a trading platform for emerging and growth-stage companies. Beginning October 30, 2023, the Company's common shares will trade under the ticker symbol "EPFCF" on the OTCQB, making it easier for U.S. and international investors to access and invest in the Company. The Company will continue to trade on the TSX Venture Exchange under the ticker symbol "EPF".

- On October 31, 2023, the Company's wholly-owned subsidiary, BPO acquired 100% of the issued and outstanding shares of Everyday People Financial Solutions Limited, previously known as Arvato Financial Solutions Limited and owned by Bertelsmann UK Limited. EPFS is a provider of accounts receivable management services in the United Kingdom. EPFS primarily focuses on providing financial and collection management services in regulated environments overseen by the UK's Financial Conduct Authority ("FCA"). EPFS caters to major creditors operating within the financial services, utilities, telecommunications, and debt purchase sectors. The primary reason for the business acquisition was to expand the Company's revenue cycle management division. Please refer to note 5 of the consolidated financial statements for further details.

- On January 19, 2024, the Company issued 1,170,000 common shares pursuant to the redemption of 1,170,000 Restricted Share Units ("RSUs"), of which, 1,040,000 RSUs were initially granted to directors on August 31, 2022, and an additional 130,000 RSUs were granted to certain contractors on November 29, 2022. As a result, the Company has 115,246,539 shares issued and outstanding.

- On January 22, 2024, TSXV granted conditional approval to the Company for the extension of the expiry dates of a total of 2,342,000 share purchase warrants (the "Warrants") issued on January 21, 2022. The expiry date of these Warrants has been extended to January 21, 2025, while retaining all other terms and conditions of the original Warrants. Each warrant remains exercisable at $1.25 per common share.

ACQUISITION HIGHLIGHTS

The integration of GCS, Groupe Solution, and EPFS is progressing well, and the Company's plan to add accretive acquisitions to the Company's RCM services segment will continue throughout 2024.

COMMITMENT TO PROFITABILITY BY SENIOR MANAGEMENT AND BOARD OF DIRECTORS

The senior executives and Board of Directors are committed to the Company in achieving profitability to build shareholder value, therefore, the Co-CEO and the Executive Chair of the Board had agreed to a quarterly compensation of $1.00 until the Company achieves net profit before tax, excluding acquisition costs, share-based compensation, and depreciation and amortization. Independent contractors in senior executive positions and the Board of Directors, except for BPO's president, CFO, and accounting executives, had agreed to terminate their existing agreements for cash compensation and committed to profit-driven compensation based on their respective businesses' profitability. Certain senior executives were advanced monthly loans, which are unsecured and due on demand, and will be disclosed in the related party note. Total management, Co-CEO and Executive Chair, and board fees, would have been $876,135, $693,000, and $434,680, respectively, for the 12 months ended December 31, 2023.

Non-IFRS Financial Measures

This MD&A refers to Pro-forma Revenue, Adjusted EBITDA and Pro-forma net income (loss) which are non-IFRS financial measures, are not standardized measures under IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

"Pro-forma Revenue" in respect of a period means revenue for that period plus the Company's estimate of the additional revenue that it would have recorded if it had acquired each of the businesses on the first day of that period, calculated in accordance with the methodology described in the reconciliation table in "Reconciliation of Non-IFRS Measures". Given the Company's acquisition strategy, Pro-forma Revenue is more reflective of our expected run-rate. The Company considers the entity year end and respective quarter based on pre-acquisition year end of the acquired company to calculate Pro-forma revenue. The most comparable IFRS measure to Pro-forma is Revenue, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures" table below "Selected Annual Information".

"Adjusted EBITDA" is used as a non-IFRS financial measure to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. "EBITDA" means earnings before finance and interest costs, provision for income tax and amortization and depreciation expenses. **"**Adjusted EBITDA**"** is calculated taking the net loss before tax and adding back the share-based compensation, acquisition costs, depreciation and amortization, impairment losses and other expenses. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. EP Financial's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. The most comparable IFRS measure to Adjusted EBITDA is net profit (loss) before tax, for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures" table below "Selected Annual Information".

"Pro-forma net income (loss)" in respect of a period means net income (loss) for that period plus the Company's estimate of the additional revenue that it would have recorded if it had acquired each of the businesses on the first day of that period, calculated in accordance with the methodology described in the reconciliation table in "Reconciliation of Non-IFRS Measures". Given the Company's acquisition strategy, Pro-forma net loss (income) is more reflective of the expected run-rate. The Company considers the entity year end and respective quarter based on pre-acquisition year end of the acquired company to calculate Pro-forma net income (loss). The most comparable IFRS measure to Pro-forma net income (loss) is net income (loss), for which a reconciliation is provided in "Reconciliation of Non-IFRS Measures" table below "Selected Annual Information".

OVERALL PERFORMANCE

Revenue for the three months ended December 31, 2023, was $9.7 million as compared to $4.8 million for the three months ended December 31, 2022, resulting in a total increase of 102% or $4.9 million, which was primarily due to:

- $4.9 million increase in RCM services revenue, primarily due to the acquisition of GCS, Groupe Solution, and EPFS, and the increase in number of contracts in BPO.

Revenue for the 12 months ended December 31, 2023, was $37.9 million as compared to $22.5 million for the 15 months ended December 31, 2022. Resulting in a total increase of 68% or $15.4 million, which was primarily due to:

- $14.4 million increase in RCM services revenue, primarily due to the acquisition of GCS, Groupe Solution and EPFS, and the increase in number of contracts in BPO.
- $1.5 million increase in EP Homes facilitation services revenue is related to 10 homes sold of which 3 homes were sold to the Company's Chief Financial Officer for the 12 months ended December 31, 2023, as compared to 9 homes sold for the 15 months ended December 31, 2022. The average sale per home was significantly higher for the 12 months ended December 31, 2023, as compared to the 15 months ended December 31, 2022, hence the significant increase in revenue.

Loss from operations for the three months ended December 31, 2023, was $5.3 million (three months ended December 31, 2022 - $2.1 million) and $6.2 million loss from operations (15 months ended December 31, 2022 - $8.7 million) for the 12 months ended December 31, 2023. For more information, see the Selected Annual Information section.

Cash flow activities for the 12 months ended December 31, 2023 and 15 months ended December 31, 2022 are as follows:

- Net cash used in operating activities for the 12 months ended December 31, 2023, was $5.4 million (December 31, 2022 - $8.9 million cash used).
- Net cash provided by investing activities for the 12 months ended December 31, 2023 was $0.4 million (December 31, 2022 - $6.1 million cash used).
- Net cash provided by financing activities for the 12 months ended December 31, 2023 was $5.7 million (December 31, 2022 - $14.6 million cash provided).

For further details of the cash flow activities, see the Cash Flow Summary section.

SELECTED ANNUAL INFORMATION

		Three months ended December 31, 2023	Three months ended December 31, 2022	12 months ended December 31, 2023	15 months ended December 31, 2022
		($)	($)	($)	($)
Revenue	[1]	**9,665,542**	**4,760,594**	**37,893,843**	**22,473,751**
Direct costs	[2]	3,971,869	2,161,181	14,890,232	9,727,706
Gross profit		**5,693,673**	**2,599,413**	**23,003,611**	**12,746,045**
Operating expenses					
Sales, general, and administrative expenses	[3]	7,968,992	2,769,259	21,647,382	12,722,225
Other operating expenses		1,432,595	626,189	4,576,597	2,772,756
Management, consulting, and professional fees	[4]	1,556,898	1,293,109	3,022,219	5,985,940
Total operating expenses		**10,958,485**	**4,688,558**	**29,246,198**	**21,480,921**
Profit (loss) from operations		**(5,264,812)**	**(2,089,145)**	**(6,242,587)**	**(8,734,876)**
Total other (expenses) income		**5,012,418**	**(24,192,706)**	**3,706,625**	**(36,226,655)**
Net loss before tax		**(252,394)**	**(26,281,851)**	**(2,535,962)**	**(44,961,531)**
Income tax recovery (expense)		377,425	(822,240)	582,834	(725,218)
Net income (loss) for the period		**125,091**	**(27,104,091)**	**(1,953,128)**	**(45,686,749)**
Comprehensive income (loss) for the period		**486,639**	**(25,900,184)**	**(1,477,151)**	**(46,517,032)**

Consolidated balance sheet information	[5]	**December 31, 2023**	**December 31, 2022**
Total assets		64,079,613	46,245,730
Total non-current financial liabilities		17,556,019	13,888,126
Deficit		(60,713,206)	(58,760,078)
Dividends declared		$nil	$nil
Basic and diluted earnings (loss) per share		(0.01)	(0.44)

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

Non-IFRS financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results under IFRS. There are various limitations related to the use of non-IFRS financial measures versus their nearest IFRS equivalents. Investors are encouraged to review the consolidated financial statements in its entirety and are cautioned not to put undue reliance on any non-IFRS financial measure and view it in conjunction with the most comparable IFRS financial measures. In evaluating these non-IFRS financial measures, please be aware that in the future we will continue to have adjustments similar to those adjusted in the presented period.

		Three months ended	Three months ended	12 months ended	15 months ended
		December 31, 2023 ($)	December 31, 2022 ($)	December 31, 2023 ($)	December 31, 2022 ($)
Adjusted EBITDA reconciliation					
Net loss before tax		**(252,394)**	**(26,281,851)**	**(2,535,962)**	**(44,961,531)**
Adjustments					
Interest included in direct costs		77,339	16,833	168,235	159,524
Depreciation and amortization		583,678	456,644	2,462,327	2,251,036
Acquisition costs	[a]	232,964	—	610,580	—
Share-based compensation		169,624	197,320	909,966	930,925
Finance costs		658,690	310,005	2,440,847	1,785,037
One-time expenses	[b]	1,662,596	24,328,999	1,662,596	37,245,765
Total adjustment to net income (loss) before tax		**3,384,891**	**25,309,801**	**8,254,551**	**42,372,287**
Adjusted EBITDA		**3,132,497**	**(972,050)**	**5,718,589**	**(2,589,244)**
Less: Finance costs		(658,690)	(310,005)	(2,440,847)	(1,785,037)
Adjusted EBTDA		**2,473,807**	**(1,282,055)**	**3,277,742**	**(4,374,281)**

Pro-forma revenue reconciliation		**Three months ended December 31, 2023 ($)**	**12 months ended December 31, 2023 ($)**
Company revenue		9,665,542	37,893,843
Adjustments			
Groupe Solution revenue	[c]	—	1,540,041
EPFS revenue	[d]	2,329,788	9,319,153
Pro-forma revenue		**11,995,330**	**48,753,037**

Pro-forma net income (loss) reconciliation		**Three months ended December 31, 2023 ($)**	**12 months ended December 31, 2023 ($)**
Company net loss before tax		(252,394)	(2,535,962)
Adjustments			
Groupe Solution net income	[c]	—	43,350
EPFS net income	[d]	160,273	641,091
Pro-forma net loss before tax		**(92,121)**	**(1,851,521)**

[a] Acquisition costs include the legal fees and professional fees related to acquisitions of Groupe Solution and EPFS.

[b] One-time expenses for the three months and 12 months ended December 31, 2023 include payment of contingent consideration to the Groupe Solution founders of $40,111, a loss on fair value for the contingent consideration of $241,257, impairment of $818,328 of which $688,328 related to EP Homes impairment of trade name and $130,000 related to Groupe Solution impairment of goodwill, and $562,900 for the reclass of management loans.

One-time expenses for the three months ended December 31, 2022 include, impairment loss of $22.3 million, $1.3 million related to write-down on the investments, and professional fees related to going public of $0.4 million and 15 months ended December 31, 2022 include, impairment loss of $29.3 million, listing expenses of $3.4 million, $1.3 million related to write-down on the investments, professional fees related to going public of $2.7 million, $0.7 million decrease due to payment of contingent consideration for the Climb acquisition in December 31, 2021, and marketing and software costs of $0.1 million.

[c] Groupe Solution revenue and net income represents revenue and net income (loss) for the 12 months ended December 31, 2023 from Groupe Solution's management prepared financial statements. If EP Financial would have acquired Groupe Solution on January 1, 2023, Groupe Solution would have contributed approximately $1,540,041 in revenue from continuing operations and approximately $43,350 in net profit before taxes, including shareholders' compensation of $54,198 for the 12 months ended December 31, 2023.

[d] EPFS revenue and net income represents revenue and net income for the three and 12 months ended December 31, 2023 is assumed using EPFS projections for fiscal year 2024, as EPFS historical performance is not a true reflection of their financial performance, which is also the reason for the acquisition. Based on the projections, if EP Financial would have acquired EPFS on January 1, 2023, for the three months ended December 31, 2023, EPFS would have contributed approximately $2,329,788 in revenue from continuing operations and approximately $160,273 in net income before taxes. For the 12 months ended December 31, 2023, EPFS would have contributed approximately $9,319,153 in revenue from continuing operations and approximately $641,091 in net income before taxes. The pro-forma revenue and pro-forma net income was calculated by dividing EPFS's 2024 forecasted revenue and net income by 12 to get the monthly revenue and net income, then multiplying by three and 12 for year-to-date results, respectively. These results were further multiplied by the FX rate of (CAD $1.6997 to GBP £1.00) to convert the results from GBP to CAD.

DISCUSSION ON RESULTS OF OPERATIONS

The Company has based the following discussion on its consolidated financial statements. Please read the discussion below along with these audited consolidated financial statements, as it is qualified in its entirety by reference to them.

[1] Revenue

	Three months ended December 31,	Three months ended December 31,	Three months ended		12 months ended December 31,	15 months ended December 31,	Period ended	
	2023 ($)	2022 ($)	Change ($)	Change (%)	2023 ($)	2022 ($)	Change ($)	Change (%)
EP Homes facilitation services	1,134,660	1,057,328	77,332	**7%**	5,879,115	4,396,738	1,482,377	**34%**
RCM services	8,480,746	3,584,724	4,896,022	**137%**	31,785,928	17,405,117	14,380,811	**83%**
Financial services	50,136	75,670	(25,534)	**(34%)**	228,800	372,543	(143,743)	**(39%)**
Contract revenue	—	42,872	(42,872)	**(100%)**	—	299,353	(299,353)	**(100%)**
Revenue	**9,665,542**	**4,760,594**	**4,904,948**	**103%**	**37,893,843**	**22,473,751**	**15,420,092**	**69%**

The increase in revenue of RCM services amounting to:

- $4,896,022 and $14,380,811 increase for the three months and 12 months ended December 31, 2023, respectively, is primarily due to the acquisition of GCS, Groupe Solution, and EPFS, and the increase in number of contracts in BPO.

The increase in revenue of EP Homes facilitation services segment amounting to:

- $1,482,377 increase for the 12 months ended December 31, 2023 is primarily due to 10 homes sold of which 3 homes were sold to the Company's Chief Financial Officer, as compared to 9 homes sold for the 15 months ended December 31, 2022. The average sale per home was significantly higher for the 12 months ended December 31, 2023, as compared to the 15 months ended December 31, 2022, hence the significant increase in revenue.

[2] Direct costs

	Three months ended December 31, 2023 ($)	Three months ended December 31, 2022 ($)	Three months ended Change ($)	12 months ended December 31, 2023 ($)	15 months ended December 31, 2022 ($)	Period ended Change ($)
EP Homes facilitation services	1,071,380	923,865	**147,515**	5,099,867	3,886,743	**1,213,124**
RCM services	2,784,082	1,125,697	**1,658,385**	9,344,406	5,495,565	**3,848,841**
Financial services	116,406	111,619	**4,787**	445,959	316,537	**129,422**
Contract revenue	—	—	**—**	—	28,861	**(28,861)**
Total	**3,971,869**	**2,161,181**	**1,810,687**	**14,890,232**	**9,727,706**	**5,162,526**
As a % of total revenue	**41%**	**45%**	—	**39%**	**43%**	—

The increase in direct costs of EP Homes facilitation services amounting to:

- $1,213,124 increase for the 12 months ended December 31, 2023 is primarily due to increase in cost of homes sold, as 10 homes were sold for the 12 months ended December 31, 2023 as compared to 9 homes sold for the 15 months ended December 31, 2022. The average cost per home sold was significantly higher for the 12 months ended December 31, 2023, as compared to the 15 months ended December 31, 2022, hence the significant increase in direct costs.

The increase in direct costs of RCM services amounting to:

- $1,658,385 and $3,848,841 increase for the three and 12 months ended December 31, 2023, respectively, are primarily related to the acquisitions of GCS, Groupe Solution, and EPFS and is aligned with the increase in BPO's revenue, as compared to the three months and 15 months ended December 31, 2022.

[3] Sales, general, and administrative expenses

	Three months ended December 31, 2023 ($)	Three months ended December 31, 2022 ($)	Three months ended Change ($)	12 months ended December 31, 2023 ($)	15 months ended December 31, 2022 ($)	Period ended Change ($)
Employee benefits expense	7,039,710	1,985,129	5,054,581	18,025,411	9,869,677	8,155,734
Depreciation and amortization	583,678	456,644	127,034	2,462,328	2,251,037	211,291
Acquisition costs	232,964	—	232,964	610,580	—	610,580
Loss allowances	90,041	13,257	76,784	109,206	25,647	83,559
Other expenses	22,599	314,230	(291,631)	439,857	575,864	(136,007)
Total	**7,968,992**	**2,769,260**	**5,199,732**	**21,647,382**	**12,722,225**	**8,925,157**
As a % of total revenue	82%	58%	—	57%	57%	—

The increase in employee benefit expenses amounting to:

- $5,054,581 increase for the three months ended December 31, 2023 is primarily due to the $1.0 million from the acquisition of GCS, $0.7 million from the acquisition of Groupe Solution, and $1.5 million from the acquisition of EPFS.
- $8,155,734 increase for the 12 months ended December 31, 2023 is primarily due to the $4.6 million from the acquisition of GCS, $2.3 million from the acquisition of Groupe Solution, and $1.5 million from the acquisition of EPFS, which is offset by $1.5 million decrease in financial services and BPO employees benefit expenses.

[4] Management fees, consulting fees, and professional fees

	Three months ended December 31,	Three months ended December 31,	Three months ended	12 months ended December 31,	15 months ended December 31,	Period ended
	2023 ($)	**2022 ($)**	**Change ($)**	**2023 ($)**	**2022 ($)**	**Change ($)**
Management and consulting fees	1,279,287	735,237	**544,050**	1,920,522	2,641,624	**(721,102)**
Professional fees	277,612	557,872	**(280,260)**	1,101,697	3,344,316	**(2,242,619)**
Total	**1,556,898**	**1,293,109**	**263,789**	**3,022,219**	**5,985,940**	**(2,963,721)**
As a % of total revenue	16%	27%	—	8%	27%	—

The decrease in management and consulting fees amounting to:

- $721,102 decrease for the 12 months ended December 31, 2023 is primarily due to the Executive Chairman of the Board and the Co-CEO decreased their compensation to $1, as well as, the reporting period for 2023 is shorter by 3 months.

The decrease in professional fees amounting to:

- $280,260 and $2,242,619 decrease for the three and 12 months ended December 31, 2023, respectively, are primarily due to the decrease in professional fees incurred related to the RTO.

[5] Consolidated balance sheet information

Total assets of $64.1 million primarily consist of $12.7 million in EP Homes inventory, $14.3 million in intangible assets, $13.3 million in customer funds, and $8.6 million goodwill accounted upon acquisition of BPO, GCS, Groupe Solution and EPFS.

The non-current financial liabilities are calculated as defined in the CPA Canada handbook, therefore, deferred tax liability is excluded from total long-term financial liabilities. The non-current financial liabilities as at December 31, 2023, primarily consist of lease liabilities of $1.8 million compared to $1.5 million as at December 31, 2022, $4.8 million of due to related parties as at December 31, 2023 as compared to $7.0 million as at December 31, 2022, and $9.6 million in credit facilities as at December 31, 2023 as compared to $5.0 million as at December 31, 2022.

Basic and diluted loss per share is calculated based on the weighted average number of the Company's issued and outstanding common shares. For the 12 months ended December 31, 2023, the loss per share was $0.01 compared to $0.44 for the 15 months ended December 31, 2022. The diluted loss per share does not include the effect of the Company's warrants and options as they are anti-dilutive.

Outstanding Securities

The Company's outstanding securities as of December 31, 2023 and December 31, 2022 are as follows:

Description of securities	Number of securities outstanding as at December 31, 2023	Number of securities outstanding as at December 31, 2022
Common shares	114,076,539	113,976,539
Warrants	2,617,380	4,083,397
Options	2,388,400	3,893,597
RSUs	3,011,000	3,307,000
Equity fully diluted	**122,093,319**	**125,260,533**

Financial Instruments

Please refer to the consolidated financial statements for details on measurement, carrying value, and fair value of financial instruments. For the 12 months ended December 31, 2023, the Company did not have any derivative financial instruments, and the Company did not engage in hedging activities.

SELECTED QUARTERLY RESULTS

The following table sets forth selected unaudited interim quarterly results for the last eight quarters.

In Q4 2023, the Company acquired EPFS on October 31, 2023, which resulted in a bargain purchase gain of $6.2 million. Additionally, the Company negotiated a discount on outstanding trade payables, which also resulted in a $1.1 million gain in other income.

	12/31/2023	09/30/2023	06/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
Revenue	9,665,542	9,434,434	10,794,034	7,999,834	4,760,594	4,910,352	4,783,687	4,534,173
Revenue Q/Q change %	2%	(13%)	35%	68%	(3%)	3%	6%	30%
Profit (loss) from operations	(5,264,812)	2,729	(59,589)	(920,916)	(2,089,145)	(1,866,145)	(1,378,121)	(1,262,149)
Net income (loss) for the period	125,091	(365,650)	(598,753)	(1,113,816)	(27,104,091)	(10,336,942)	(4,246,344)	(1,088,227)
Comprehensive income (loss) for the period	486,639	(569,504)	(586,138)	(808,148)	(25,900,184)	(10,954,848)	(4,983,396)	(1,779,307)
Earnings (loss) per share, basic and diluted	0.01	0.00	(0.01)	(0.01)	(0.23)	(0.10)	(0.05)	(0.02)

LIQUIDITY AND CAPITAL RESOURCES

NOTE: This section contains forward-looking information. By its nature, forward-looking information requires that certain assumptions be made and is subject to inherent risks and uncertainties. Please see "Forward-Looking Information" and "Risks and Uncertainties" for additional information on the factors that could cause results to vary.

The Company monitors the liquidity and capital resource for every reportable operating segment. RCM segment has been generating sufficient cash to support its current operations and planned growth. EP Financial has been working on a platform with a Schedule 1 Bank to launch its financial services and working capital for the financial services segment is primarily funded by the capital raised in past financing. EP Homes' facilitation services segment requires debt and equity financing to support the current operations and expected growth of this segment.

The Company cash balance was $1.5 million as at December 31, 2023 as compared to $1.2 million as at December 31, 2022.

Management and the board closely monitor the Company's operations and monthly revenue and expenses of the RCM services, financial services, and EP Homes facilitation services segments to ensure the Company has sufficient working capital to execute its strategic business plan. Appropriate adjustments to projections and to the monthly expenses are made when necessary. EP Financial currently has $14.9 million senior secured credit facilities with financial institutions to support existing inventory of EP Homes and is working with the institutions to further increase the existing facilities and/or placing new facilities to support the growth of the EP Homes segment, please refer to the section below entitled "Credit facilities" in *"items affecting liquidity"* of this MD&A for further information. There are no assurances that increased credit facilities or new credit facilities or working capital loan financing or expected profits will be available to the Company on acceptable terms, or at all.

Going Concern

The consolidated financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and can realize its assets and discharge its liabilities and commitments in the normal course of business as they come due. The Company has recurring net losses and a deficit. The Company incurred a net loss of $1,953,128 (December 31, 2022 - $45,686,749 net loss) for the 12 months ended December 31, 2023, including acquisition costs and depreciation and amortization expense, deficit of $60,713,206 as at December 31, 2023 (December 31, 2022 - $58,760,078) and cash used in operating activities of $5,400,717 for 12 months ended December 31, 2023 (December 31, 2022 – cash used in operating activities of $8,876,636). These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern and otherwise execute its business strategies.

For further details, refer to Note 2 of the Company's consolidated financial statements.

CASH FLOW SUMMARY

The following table provides a summary of cash inflows and outflows by activity for the 12 months ended December 31, 2023 and 15 months ended December 31, 2022:

Cash inflows and (outflows) by activity:		December 31, 2023	December 31, 2022
Change in operating activities prior to EP Homes inventory	[1]	(2,734,532)	(5,830,876)
Additions and disposals of EP Homes inventory	[2]	(2,900,096)	(1,645,168)
Additions and disposals of contract receivables	[3]	233,911	(1,400,592)
Cash used in operating activities		(5,400,717)	(8,876,636)
Cash provided (used) in investing activities	[4]	351,771	(6,114,242)
Cash provided by financing activities	[5]	5,699,884	14,608,132
Foreign exchange on cash held in foreign currency		(128,713)	(515,126)
Net cash (outflows) inflows		522,225	(897,872)
Cash and cash equivalents, beginning of period		1,445,043	2,342,915
Cash and cash equivalents, end of period		1,967,268	1,445,043
Less: Cash – restricted, end of period		(501,329)	(258,353)
Cash and cash equivalents, end of period		1,465,939	1,186,690

[1] Cash provided by (or used in) operating activities

Cash used in operating activities prior to EP Homes inventory and additions to contract receivables for the 12 months ended December 31, 2023 amounted to $2.7 million, as compared to $5.8 million cash used for the 15 months ended December 31, 2022. The cash used in operating activities decreased as the loss from operations decreased compared to the 15 months ended December 31, 2022.

[2] Cash provided by (or used in) purchasing or selling of EP Homes inventory

The primary reason for cash used for the 12 months ended December 31, 2023 of $2.9 million as compared to cash used of $1.6 million for the 15 months ended December 31, 2022 was due to the sale of 10 homes (December 31, 2022 – 9 homes) for $4.6 million (December 31, 2022 - $3.4 million) and the purchase of 17 homes (December 31, 2022 – 11 homes) amounting to $7.5 million (December 31, 2022 - $5.0 million) for the 12 months ended December 31, 2023.

[3] Cash provided by (or used in) additions and disposals of contract receivables

For the 12 months ended December 31, 2022, this represents the net amount paid to purchase security contracts. The primary reason for change in cashflow from contract receivable is due to no purchase of contract receivable for the 12 months ended December 31, 2023 as compared to 746 contracts purchased for the 15 months ended December 31 2022.

[4] Cash provided by (or used in) investing activities

Net cash provided by investing activities for the 12 months ended December 31, 2023 was $0.4 million (December 31, 2022 - $6.1 million cash used) is primarily due to the $3.4 million net cash paid for the acquisition of Groupe Solution which is offset by $3.9 million (£2.3 million GBP) cash received from the acquisition of EPFS.

[5] Cash provided by financing activities

Net cash provided by financing activities for the 12 months ended December 31, 2023 was $5.7 million (December 31, 2022 - $14.6 million cash provided), which primarily comprised of:

- $8.1 million in net proceeds (December 31, 2022 - $4.0 million net proceeds) from credit facilities.
- $Nil net proceeds (December 31, 2022 - $4.0 million proceeds) from unit issuance and committed capital.

- $1.8 million repayments (December 31, 2022 - $5.9 million proceeds) of promissory notes.
- $0.6 million repayments (December 31, 2022 - $0.3 million repayments) of lease liabilities.
- $Nil proceeds (December 31, 2022 - $1.1 million proceeds) of convertible debentures.

Items affecting liquidity

The following table provides a list of items that impact the Company's liquidity:

		December 31, 2023 $	December 31, 2022 $
Current assets			
Cash and cash equivalents		1,465,939	1,186,690
Customer funds	[1]	13,337,455	8,484,763
Cash – restricted		501,329	258,353
Trade receivables	[2]	6,214,242	2,343,122
Prepaid expenses		2,038,139	568,611
Current portion of loan receivables		—	80,160
Current portion of due from related parties		62,343	532,812
Current portion of EP homes inventory	[3]	5,343,981	3,506,800
Total current assets		**28,963,428**	**16,961,311**
Current liabilities			
Trade payables	[4]	9,724,189	5,362,622
Customer payables	[1]	13,337,455	8,484,763
Current portion of customer deposits		247,446	173,053
Current tax liability		244,483	182,122
Current portion of deferred revenue		179,945	235,513
Current portion of lease liabilities		760,336	287,293
Due to related parties		1,354,371	45,802
Current portion of promissory notes		96,060	—
Current portion of credit facilities	[5]	7,241,569	3,653,343
Total current liabilities		**33,185,854**	**18,424,511**
Net working capital	[6]	**(4,222,426)**	**(1,463,200)**

[1] Customer funds and customer payable

BPO, GCS, Groupe Solution, and EPFS collect payments on behalf of its customers. The funds belong to the clients and are not available for operating use by BPO, GCS, Groupe Solution, and EPFS. Customers are invoiced at various intervals and paid accordingly. The source of payments received are not always known and may include overpayments. The funds from overpayments remain in the bank account until they can be traced and applied to the correct account or refunded. Any overpayments older than 12 months are considered dormant and they are recognized as revenue. Everyday People Climb Credit Inc. ("Climb") collects loan payments from customers and reports payments to the credit bureau to increase credit rating of clients. The cash in customer funds is shown separately under current assets, which is offset by the corresponding customer payable under current liability.

[2] Trade receivables

Trade receivables primarily include the commission receivables from the clients related to RCM. BPO, GCS, Groupe Solution, and EPFS collect the funds on behalf of its clients and transfers the collected funds to the client per the agreed service agreement for certain clients, called gross clients. BPO, GCS, Groupe Solution, and EPFS generate the invoice for its collections and then the client pays commissions as per the agreed terms. The funds collected are received in the bank account for which BPO has signing authority, therefore, the risk of not collecting on the commissions are minimal. The Company reported $6.2 million of receivables as at December 31, 2023, as compared to $2.3 million as at December 31, 2022. The increase in trade receivables is in line with the increase in the RCM segment, from the acquisition of Groupe Solution and EPFS and aligned with the increase in BPO revenue.

[3] Current portion of EP Homes inventory

The current portion of the EP Homes inventory represents the number of homes expected to be executed in the next 12 months per the client agreement. There might be unforeseen situations where the client requests to further extend the agreed execution date, which results in changes in expected cash flow. Upon execution of the agreement, the

Company pays back the outstanding credit facilities and mezzanine debt associated with the home and remaining cash flow is used per the planned budget.

The Company reported 12 homes representing $5.3 million of the current portion of the EP Homes inventory as at December 31, 2023 as compared to 9 homes representing $3.5 million as at December 31, 2022, because the average book value per home is higher, as compared to the 15 months ended December 31, 2022.

[4] Trade payables

Trade payables includes, trade payables, accrued liabilities, and statutory dues of the RCM services segment, EP Homes segment, and financial services segment.

The Company reported $9.7 million of trade payables and accrued liabilities as at December 31, 2023 and $5.4 million as at December 31, 2022. Trade payables includes $6.7 million (December 31, 2022 – $1.9 million) from RCM services, $2.7 million (December 31, 2022 – $3.3 million) from financial services, and $0.2 million (December 31, 2022 – $0.2 million) from EP Homes segment.

The primary increase for the 12 months ended December 31, 2023 as compared to 15 months ended December 31, 2022 is primarily due to the acquisition of Groupe Solution on March 31, 2023 and the acquisition of EPFS on October 31, 2023, and the increase in outstanding payables for GCS and BPO.

[5] Credit facilities

The Company works with multiple credit facility providers to finance EP Homes inventory. It has incorporated SPVs specific to the credit facility provider to provide general security on the financed homes by the credit facilities provider. The interest rate for the credit facilities used for EP Homes inventory, range between prime plus 1% to 13.5% per annum. The term for certain facilities are from payable on demand without notice to 24 months. For further information about the terms of the credit facilities, please refer to note 13 of the consolidated financial statements as at December 31, 2023.

Any demand of the existing credit facilities with a short notice may create liquidity issues for the Company. However, since the date of the EP Homes acquisition and to the date of this MD&A, the Company has successfully executed on the EP Homes business model and believes that the Company is ready to now scale EP Homes business. Based on the success of executed EP Homes inventory, the Company believes that it can present the EP Homes model to various lenders and negotiate favorable terms for the Company. On March 31, 2022, one of the credit facility providers changed the term from on demand to an expiry of April 4, 2024. There are no assurances that increased credit facilities or new credit facilities will be available to the Company on acceptable terms, or at all.

The Company reported $7.2 million as the current portion of credit facilities as at December 31, 2023 as compared to $3.7 million as at December 31, 2022, and $9.6 million in long-term credit facilities as at December 31, 2023 as compared to $5.0 as at December 31, 2022. The current portion and long-term portion of credit facilities totaled $16.8 million as at December 31, 2023 as compared to $8.7 million as at December 31, 2022. The primary reason for the increase in the credit facilities is due to GCS obtaining an additional credit facility for the acquisition of Groupe Solution, 2 additional homes in EP Homes Inventory were financed, and $1.4 million of mezzanine funding related to the EP Homes inventory. The $2.8 million loan for EP Homes IV is currently in current portion of credit facilities.

[6] Net working capital

The net working capital is $(4.2) million as of December 31, 2023 and $(1.5) million as of December 31, 2022.

The current portion of the credit facilities includes $0.6 million out of the $5.3 million credit facility received by GCS to acquire Groupe Solution, and $2.7 million credit facility for the EP Homes IV inventory.

COMMITMENTS AND CONTINGENCIES

Other commitments

On August 8, 2018, the Company signed a letter of intent (the “LOI”) with Directcash Bank (“DC Bank”) for a 7-year term, where DC Bank agreed to provide card issuing, loan processing and adjudication system, and transaction processing services for a Visa credit card product marketed and funded by the Company. Per the LOI, DC Bank agrees to enable the Company to procure the distribution of cards for purposes of the Company’s card program and DC Bank will provide and operate a credit card platform to set up and charge fees for the credit cards.

On January 31, 2020, the Company entered into a processing agreement (the "DC Bank Processing Agreement") with DC Bank for a 7-year term maturing January 31, 2028. Pursuant to the terms of the DC Bank Processing Agreement, DC Bank has agreed to provide transaction processing services to the Company. The DC Bank Processing Agreement grants the Company a limited, non-transferable, non-exclusive, revocable license to access and use DC Bank's processor software solely for the purpose of utilizing the processing services. DC Bank owns all intellectual property, and the DC Bank Processing Agreement grants the Company a limited license to use the intellectual property. The DC Bank Processing Agreement does not transfer ownership of the intellectual property to the Company.

Effective January 31, 2021, the Company entered into a Bank Identification Number ("BIN") sponsorship agreement (the "DC Bank BIN Sponsorship Agreement") with DC Bank for an initial 7-year term maturing January 31, 2028. Pursuant to the DC Bank BIN Sponsorship Agreement, the Company is to provide DC Bank program management and marketing services with respect to each card program implemented by the Company in Canada pursuant to which cards issued by DC Bank will be sold by the Company or any EP Financial distributor. The Company is responsible to promote and market programs to prospective customers in Canada, and the Company will be responsible for any costs and expenses that it incurs in promoting and marketing the programs.

On August 24, 2022, the Company entered into an Issuer Trading Services Agreement with Generation IACP Inc. ("Generation IACP") with initial term of 6 months and shall be renewed for subsequent 6 month periods unless the Company provides written notice of termination to Generation IACP. Pursuant to the Issuer Trading Services Agreement, Generation IACP is to provide trading services with respect to the common shares of the Company, with the primary objective of contributing to market liquidity of the shares in Canada.

LEGAL PROCEEDINGS

The Company has no material legal proceedings.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

For the 12 months ended December 31, 2023 and 15 months ended December 31, 2022, the Company entered into several related party transactions in the normal course of business. These transactions have been recorded at the agreed upon amounts between the parties. The relationships with the related parties are as follows:

Related Party	Relationship
Smart Everyday People Inc. ("**SEP**")	Joint venture
Pure Icelandic Seafood Inc. ("**Pure Icelandic**")	Common shareholders
Bridge to Homeownership UK Ltd. ("**BTHO UK**")	Common shareholders
EAM Enterprises Inc.	Principal shareholder of the Company
Everyday Party People Ltd. ("**Everyday Party People**")	Common shareholders
Pollock Services Corp. ("**Pollock Services**")	Wholly owned by the director of the Board
General Billing Solutions Inc. ("**GBSI"**)	Common shareholders
1125855 Alberta Ltd. ("**112 AB Ltd.**")	Common shareholders
Telecom Technologies Inc. ("**Freestyle**")	Company owned by the President of GCS
Barret Reykdal	Co-CEO of the Company
Mayank Mahajan	CFO of the Company
Ghislain Rhéaume	President of Groupe Solution
André Pitoscia	President of Groupe Solution

a) Balances – Due from related parties are as follows:

As at December 31, 2023, $0.8 million was due from related parties (December 31, 2022 - $0.8 million). As at December 31, 2023, the due from related parties consist of $0.7 million for employees and management receivables, and $0.1 million related to SEP and BTHO UK (December 31, 2022 - $0.4 million for employees and management receivables, and $0.4 million related to SEP). For more details, please refer to Note 12 from the consolidated financial statements.

b) Balances – Due to related parties are as follows:

As at December 31, 2023, $4.8 million was due to related parties (December 31, 2022 - $7.0 million). The decrease of $2.0 million was primarily due to payments of the EAM promissory notes. For more details, please refer to Note 12 from the consolidated financial statements.

c) Transactions with related parties are as follows:

For the 12 months ended December 31, 2023, the impact on the consolidated statement of profit and comprehensive profit from related party transactions was $0.5 million (December 31, 2022 – $(0.2 million)). The increase of $0.7 million is primarily due to the sale of EP Homes inventory to the Company's Chief Financial Officer. For more details, please refer to Note 12 from the consolidated financial statements.

d) Key management personnel remuneration:

For the 12 months ended December 31, 2023, the key management remuneration was $1.7 million (December 31, 2022 - $1.6 million). The increase of $0.1 million is primarily due to the increase in management fees and salaries for the acquisitions of GCS, Groupe Solution, and EPFS. For more details, please refer to Note 12 from the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual outcomes could differ from these estimates. The Company's critical accounting estimates relates to estimate of purchase price of allocation, valuation of goodwill and judgement used to value EP Homes inventory, and estimate of the restricted share units. Refer to note 2 of the consolidated financial statements for detailed information of the accounting estimates and judgments.

ACCOUNTING POLICIES INCLUDING CHANGES IN ACCOUNTING POLICIES AND INITIAL ADOPTION

The consolidated financial statements as at and for the 12 months ended December 31, 2023 and 2022 of the Company have been prepared in accordance with IFRS as issued by IASB.

Please refer to note 3 of the consolidated financial statements for further information about the Company's significant accounting policies.

RISKS AND UNCERTAINTIES

Due to the nature of EP Financial's business, the legal and economic climate in which it operates and its present stage of development, EP Financial is subject to significant risks. EP Financial's future development and operating results may be very different from those expected as at the date of this MD&A. Additional risks and uncertainties not presently known to EP Financial or that EP Financial currently considers immaterial may also impair the business and operations of EP Financial and cause the trading price of EP Financial to decline. If any of the following or other risks occur, EP Financial's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of EP Financial could decline, and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Readers should carefully consider all such risks and other information elsewhere in this MD&A before making an investment in EP Financial and should not rely upon forward-looking statements as a prediction of future results. Risk factors relating to EP Financial include, but are not limited to, the factors set out below.

The acquisition of any of the securities of EP Financial is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of EP Financial should not constitute a major portion of an individual's investment portfolio and should only be made by person who can afford a total loss of their investment. Shareholders of EP Financial should carefully evaluate the following risk factors associated with EP Financial's securities, along with the risk factors described elsewhere in this MD&A. The risks presented below should not be considered to be exhaustive and may not be all of the risks that EP Financial may face:

[1] RISKS RELATED TO BUSINESS GROWTH THROUGH ACQUISITIONS

EP Financial operates in a rapidly evolving industry and, as such, EP Financial may in the future seek to expand its pipeline and capabilities by entering into collaborations, acquiring businesses, or in-licensing one or more product candidates. Collaborations, acquisitions, and in-licenses involve numerous risks, including, but not limited to, substantial cash expenditures, technology development risks, potentially dilutive issuances of equity securities, incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of deal negotiation, difficulties in assimilating the operations of the companies with EP Financial, entering markets in which EP Financial has limited or no direct experience, and potential loss of EP Financial’s key employees or key employees of the acquired or collaborating companies or businesses.

Potential issues associated with these acquisitions could include, among other things, EP Financial’s ability to realize the full extent of the benefits or cost savings that it expects to realize as a result of the completion of the acquisition within the anticipated time frame, or at all; the ability of EP Financial to gain the necessary consents, clearances and approvals in connection with the acquisition; the diversion of management's attention from base strategies and objectives; and, EP Financial’s ability to successfully combine its businesses with the business of the acquired company in a manner that permits cost savings to be realized. Areas which may challenge the success of integrating the businesses of acquired companies with EP Financial’s business include: retaining executives and key employees, conforming standards, controls, procedures and policies, business cultures and compensation structures among EP Financial and the acquired company, consolidating and streamlining corporate and administrative infrastructures, consolidating sales and marketing operations, retaining existing service providers and attracting new providers, identifying and eliminating redundant and underperforming operations and assets, coordinating geographically dispersed organizations, and managing tax costs or inefficiencies associated with integrating EP Financial’s operations following completion of the acquisitions. The process of integrating acquired companies and operations into EP Financial’s operations may result in unforeseen operating difficulties and may require significant financial resources and management's time and attention that would otherwise be available for the ongoing development or expansion of its existing operations. In addition, acquisitions outside of Canada increase EP Financial’s exposure to risks associated with foreign operations, including fluctuations in foreign exchange rates and compliance with foreign laws and regulations. If an acquisition is not successfully completed or integrated into EP Financial’s existing operations, its business, results of operations and financial condition could be materially adversely impacted.

EP Financial has limited experience in making acquisitions, entering collaborations and in-licensing product candidates and therefore cannot provide assurance that any acquisition, collaboration or in-license will result in short-term or long-term benefits to it. EP Financial may incorrectly judge the value of an acquired business or in-licensed product candidate. In addition, EP Financial’s future success would depend in part on its ability to manage the rapid growth associated with some of these acquisitions, collaborations and in-licenses. EP Financial cannot provide assurance that it would be able to successfully combine its business with that of acquired businesses, manage a collaboration or integrate in-licensed product candidates. Furthermore, the development or expansion of EP Financial’s business may require a substantial capital investment by EP Financial.

EP Financial’s ability to generate sufficient cash flow from operations to make scheduled payments on EP Financial’s debt obligations related to acquisitions will depend on its current and future financial performance, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond EP Financial’s control. In the future, EP Financial may fail to generate sufficient cash flow from the collection of non-performing accounts to meet EP Financial’s cash requirements. Further, EP Financial capital requirements may vary materially from those currently planned if, for example, EP Financial’s revenues do not reach expected levels, EP Financial has to incur unforeseen expenses, EP Financial invests in acquisitions or makes other investments that EP Financial believes will benefit its competitive position. If EP Financial does not generate sufficient cash flow from operations to satisfy its debt obligations, including interest payments and the payment of principal at maturity, EP Financial may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets or seeking to raise additional capital.

As a public company, EP Financial incurs significant legal, accounting and other expenses. EP Financial is subject to various securities laws and regulations, which impose various requirements on EP Financial, including the requirement to establish and maintain effective disclosure and financial controls and corporate governance practices. EP Financial’s management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these laws and regulations will increase EP Financial's legal and financial compliance costs and make some activities more time-consuming and costly.

[2] RISKS PERTAINING TO EP FINANCIAL'S POSITION AND NEED FOR ADDITIONAL CAPITAL

History of Losses

EP Financial has a history of net losses, EP Financial anticipates increasing expenses in the future, and EP Financial may not be able to achieve, maintain or increase profitability in the future.

EP Financial incurred a net loss of $1,953,128 for the 12 months ended December 31, 2023 and a net loss of $45,686,749 for the 15 months ended December 31 2022. EP Financial has incurred net losses in each year of the prior two years and anticipates increasing expenses in the future. EP Financial therefore may not be able to become profitable in the future unless it achieves the expected revenue from its current business including expected revenue from GCS, Groupe Solution and EPFS acquired on December 30, 2022, March 31, 2023, and October 31, 2023, respectively. EP Financial expects that its costs will increase over time and that its losses will continue as it expects to invest significant additional funds towards growing its business and operating as a public company. EP Financial has expanded and expects to continue to expend substantial financial and other resources on developing its platform, including expanding its platform offerings, developing or acquiring new platform features and services, expanding into new markets and geographies, and increasing its sales and marketing efforts. These efforts may be more costly than EP Financial expects and may not result in increased revenue or growth in EP Financial's business. Any failure to increase revenue sufficiently to keep pace with EP Financial's investments and other expenses could prevent EP Financial from maintaining or increasing profitability or positive cash flows on a consistent basis. If EP Financial is unable to successfully address these risks and challenges as it encounters them, EP Financial's business, financial condition and results of operations could be adversely affected.

If EP Financial is unable to generate adequate revenue growth and manage its expenses, EP Financial may continue to incur significant losses in the future and may not be able to achieve, maintain or increase profitability.

Additional Capital Requirements

To date, EP Financial has funded its operations predominantly through private placements of equity and debt in addition to revenue generated from its RCM services segments, EP Homes facilitation services and financial services. EP Financial expects to require substantial additional funding in the future to sufficiently finance its financial services, EP Homes facilitation services and RCM services operations and acquisitions of its current and/or any future products or services. For example, a house with an appraisal value of $400,000 requires $300,000 in senior secured lending and $40,000 in mezzanine debt financing. Currently, EP Financial has a $25,000,000 credit facility with two banks which is to be used for secured financing. EP Financial also entered into an exclusive agreement for mezzanine debt financing for homes. There is no guarantee that EP Financial will be able to raise additional capital to fund the growth of EP Homes. Additional capital may be required for the financial services segment to issue and purchase new products, services and technology in order to grow the financial services segment. While RCM services is currently profitable, there is no guarantee that it will remain profitable and it may need additional capital in the future. Further, changing circumstances, some of which may be beyond EP Financial's control, could cause EP Financial to consume capital significantly faster than EP Financial currently anticipates, and EP Financial may need to seek additional funds sooner than planned. EP Financial's future funding requirements, both short-term and long-term, will depend on many factors, including:

- the ability for EP Financial to generate revenue from RCM services, EP Homes and financial based activities;
- the costs involved in growing EP Financial's organization to the size needed to allow for the development and potential commercialization of EP Financial's current and any future products and services.
- the costs of developing sales and marketing capabilities to target all customers with poor credit;
- the costs of training employees who are supporting or will support EP Financial's business;
- generating and collecting data and intellectual property, and strengthening EP Financial's regional and national presence as a FinTech company;
- the costs of developing and testing digital technology solutions;

- selling and marketing activities undertaken in connection with the potential commercialization of EP Financial's current or any future products and services, and costs involved in the creation of an effective sales and marketing organization; and
- the costs of operating as a public company.

Until EP Financial can generate sufficient revenue to finance its working capital requirements, which EP Financial may never do, EP Financial expects to finance its future cash needs through a combination of equity and debt financings.

EP Financial cannot guarantee that future financing will be available in sufficient amounts, or on commercially reasonable terms, or at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of holders of EP Financial's Shares, the issuance of additional securities, whether equity or debt, by EP Financial, or the possibility of such issuance, may cause the market price of EP Financial's Shares to decline. The incurrence of indebtedness could result in increased fixed payment obligations and EP Financial may be required to agree to certain restrictive covenants, such as limitations on its ability to incur additional debt, and other operating restrictions that could adversely impact EP Financial's ability to conduct its business. EP Financial could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable and EP Financial may be required to relinquish rights or otherwise agree to terms unfavorable to EP Financial any of which may have a material adverse effect on EP Financial's business, operating results and prospects. Further, any additional fundraising efforts may divert EP Financial's management from its day-to-day activities, which may adversely affect EP Financial's ability to develop and commercialize its current or any future products and services.

In addition, heightened regulatory scrutiny could have a negative impact on EP Financial's ability to raise capital. EP Financial's business activities rely on developing laws and regulations in multiple jurisdictions. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding EP Financial's current or any future products and services may adversely affect EP Financial's business and operations, including without limitation, EP Financial's ability to raise additional capital.

Financial and Liquidity Risk

EP Financial expects to use leverage in executing its business strategy, which may adversely affect the return on its assets.

EP Financial may incur a substantial amount of debt in the future. As of December 31, 2023, EP Financial had total consolidated debt of $16.8 million and out of this $10.4 million secured by EP Homes inventory amounting to $12.7 million. EP Financial's management will consider a number of factors when evaluating its level of indebtedness and when making decisions regarding the incurrence of any new indebtedness, including the purchase price of assets to be acquired with debt financing, the estimated market value of its assets and the ability of particular assets and EP, as a whole, to generate cash flow to cover the expected debt service. Incurring a substantial amount of debt could have important consequences for EP Financial's business, including:

- making it more difficult for EP Financial to satisfy its obligations with respect to its debt, to its trade or other creditors;
- increasing EP Financial's vulnerability to adverse economic or industry conditions;
- limiting EP Financial's ability to obtain additional financing to fund capital expenditures and acquisitions, particularly when the availability of financing in the capital markets is constrained;
- requiring a substantial portion of EP Financial's cash flows from operations and reducing its ability to use its cash flows to fund working capital, capital expenditures, acquisitions and general corporate requirements;
- increasing the amount of interest expense because most of the credit facilities bear interest at floating rates, which, if interest rates increase, will result in higher interest expense;
- limiting EP Financial's flexibility in planning for, or reacting to, changes in EP Financial's business and the industry in which EP Financial operates; and
- placing EP Financial at a competitive disadvantage to less leveraged competitors.

EP Financial may not be able to generate sufficient cash flow to meet EP Financial's debt service obligations. EP Financial's ability to generate sufficient cash flow from operations to make scheduled payments on EP Financial's debt obligations will depend on its current and future financial performance, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond EP Financial's control. In the future, EP Financial may fail to generate sufficient cash flow from the collection of non-performing accounts to meet EP Financial's cash requirements. Further, EP Financial's capital requirements may vary materially from those currently planned if, for example, EP Financial's revenues do not reach expected levels, EP Financial has to incur unforeseen expenses, EP Financial invests in acquisitions or makes other investments that EP Financial believes will benefit its competitive position. If EP Financial does not generate sufficient cash flow from operations to satisfy its debt obligations, including interest payments and the payment of principal at maturity, EP Financial may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets or seeking to raise additional capital. EP Financial cannot provide assurance that any refinancing would be possible, that any assets could be sold, or, if sold, of the timeliness and amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of its various debt instruments then in effect. Furthermore, EP Financial's ability to refinance would depend upon the condition of the finance and credit markets. EP Financial's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms or on a timely basis, would materially affect EP Financial's business, financial condition or results of operations and may delay or prevent the expansion of its business. EP Financial's credit facilities contain financial and other restrictive covenants, including restrictions on how EP Financial operates its business. These restrictions may interfere with EP Financial's ability to engage in other necessary or desirable business activities, which could materially affect EP Financial's business, financial condition or results of operations. Failure to satisfy any one of these covenants could result in negative consequences, including the following:

- acceleration of outstanding indebtedness;
- exercise by EP Financial's lenders of rights with respect to the collateral pledged under certain of EP Financial's outstanding indebtedness; or
- EP Financial's inability to secure alternative financing on favorable terms, if at all.

[3] RISK PERTAINING TO EP FINANCIAL'S BUSINESS OPERATIONS AND INDUSTRY

Operational and Industry Risks

EP Financial's performance may be adversely affected by economic, political or inflationary conditions in any market in which EP Financial operates. These conditions could include regulatory developments, changes in global or domestic economic policy, legislative changes, the sovereign debt crises experienced in several European countries and the uncertainty regarding the European Union's future as a result of the UK's departure from the European Union. Deterioration in economic conditions, or a significant rise in inflation, could cause personal bankruptcy and insolvency filings to increase, and the ability of consumers to pay their debts could be adversely affected. This may in turn adversely impact EP Financial's business and financial results. If global credit market conditions and the stability of global banks deteriorate, the amount of consumer or commercial lending and financing could be reduced, thus reducing the volume of non-performing accounts available for purchase, which could adversely affect EP Financial's business, financial results and ability to succeed in international markets. Other factors associated with the economy that could influence EP Financial's performance include the financial stability of the lenders on EP Financial's bank loans and credit facilities and EP Financial's access to capital and credit. The financial turmoil that adversely affected the banking system and financial markets during the prior global recession beginning in 2007 resulted in the tightening of credit markets. While the banking system and financial markets recovered from the prior recession, a worsening of current conditions, including as a result of the COVID-19 pandemic, could have a negative impact on EP Financial's business, including the insolvency of lending institutions, notably the lenders providing EP Financial's bank loans and credit facilities, resulting in difficulty in or inability to obtain credit. These and other economic factors could have an adverse effect on EP Financial's financial condition and results of operations.

Operational Risk – RCM Services

EP Financial's RCM services business segment consists of collecting non-performing accounts that consumers or others have failed to pay. The credit originators have typically made numerous attempts to recover on their receivables, often using a combination of in-house recovery efforts and third-party collection agencies. These non-performing accounts are difficult to collect, and EP Financial may not collect a sufficient amount to cover its investment and the costs of running its business.

To operate profitably, EP Financial must continue to collect for a certain number of customers and service a sufficient number of non-performing accounts to generate revenue that exceeds its expenses. Costs such as salaries and other compensation expense constitute a significant portion of EP Financial's overhead and, in case of reduction of significant account, EP Financial may have to reduce the number of its collection personnel. These practices could lead to negative consequences including the following:

- low employee morale;
- fewer experienced employees;
- higher training costs;
- disruptions in EP Financial's operations;
- loss of efficiency; and
- excess costs associated with unused space in EP Financial's facilities.

Furthermore, heightened regulation of the credit card and consumer lending industry or changing credit origination strategies may result in decreased availability of credit to consumers, potentially leading to a future reduction in non-performing accounts. EP Financial cannot predict how its ability to identify non-performing accounts and the quality of those non-performing accounts would be affected if there were a shift in lending practices, whether caused by changes in the regulations or accounting practices applicable to credit originators, a sustained economic downturn or otherwise. If EP Financial is unable to maintain its business or adapt to changing market needs as well as its current or future competitors, EP Financial may experience reduced access to non-performing accounts and, therefore, reduced profitability.

EP Financial's RCM may decrease if certain types of insolvency proceedings and bankruptcy filings involving liquidations increase. Various economic trends and potential changes to existing legislation may contribute to an increase in the amount of personal bankruptcy and insolvency filings. Under certain of these filings, a debtor's assets may be sold to repay creditors, but because most of the receivables EP Financial collects through its RCM operations are unsecured, EP Financial typically would not be able to collect on those receivables. Although EP Financial's financial services business segment could benefit from an increase in personal bankruptcies and insolvencies, EP Financial cannot ensure that its RCMs operations business would not decline with an increase in personal insolvencies or bankruptcy filings or changes in related regulations or practices. If EP Financial's actual RCM experience with respect to a non-performing or insolvent bankrupt receivables portfolio is significantly lower than the total amount EP Financial projected EP Financial's financial condition and results of operations could be adversely impacted.

Interest Rate Risk

There is a risk that changes in interest rates will affect EP Financial's liquidity and financial position.

In the ordinary course of providing EP Homes facilitation services, EP Financial is exposed to interest rate risk on its credit facilities and secured debt, which may bear interest at floating rates. As a result, the required cash flows to service EP Financial's credit facility and secured debt will fluctuate as a result of changes in market rates. EP Financial does not currently hold any financial instruments that hedge or mitigate risks associated with changes in interest rates.

Achieving Publicly Announced Milestones

From time to time, EP Financial may announce the timing of certain events it expects to occur, such as the anticipated timing of results from operations. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as announcement of partnerships and relationships may ultimately vary from what is publicly disclosed. Any variation in the timing of previously announced milestones could have a material adverse effect on EP Financial's business plan, financial condition or operating results and the trading price of the EP Financial shares.

Unfavourable Publicity or Consumer Perception

EP Financial is exposed to reputational risk. Reputational risk is the risk that an activity by EP Financial or one of its representatives will impair EP Financial's image in the community or public confidence in EP Financial's business, which may result in legal action, additional regulatory oversight or have a negative impact on EP Financial's earnings or future prospects. Factors that can heighten reputational risk include breach of confidentiality or lack of privacy, lack of professionalism, inappropriate resolution of conflicts of interest, fraudulent or criminal activity, misrepresentation (or withholding) of information from shareholders, clients and employees, or any negative publicity regardless of the truth or accuracy of its contents. EP Financial manages reputational risk through the integration of reputational risk assessments in its transaction approval processes, strategy development decisions, and strategic and operational implementation and control processes. EP Financial's corporate governance practices, codes of conduct and risk management policies, procedures and training also assist in the management of reputational risk.

EP Financial's business depends in part on providing its cardholders with a service that they trust. EP Financial has contractual commitments to take commercially reasonable measures to prevent fraud, and EP Financial uses a combination of proprietary technology and third-party services to help it meet those commitments. EP Financial uses third-party technology, and its own proprietary technology, to detect suspected fraud using the EP Financial platform, fraud by employees or consultants of EP Financial, and other fraud which may affect the integrity of the EP Financial platform or its systems. If EP Financial fails to detect fraud, EP Financial may lose the trust of its cardholders which would harm EP Financial's reputation and could have a material adverse effect on EP Financial's business, prospects, financial condition and financial performance.

Market Competition

The payment technology and financial services industries are subject to the rapid development of service offerings, changing standards and evolving consumer demands, all of which affect EP Financial's ability to remain competitive. EP Financial expects competition to increase as the barriers to enter these industries are low. Mounting competition may force EP Financial to charge less for its products and services, or offer pricing models that are less attractive to it and decrease its margins.

EP Financial may be confronted by rapidly changing technology, evolving cardholder needs and the frequent introduction by its competitors of new and enhanced products and services. Some of EP Financial's existing and potential competitors are more established, have longer operating histories, benefit from greater name recognition, may have offerings and technology that EP Financial does not or which are more advanced and established than EP Financial's, and may have more financial, technical, sales and marketing resources than EP Financial does. In addition, some competitors, particularly those with a more diversified revenue base and a broader range of products and services, may have greater flexibility than EP Financial does to compete aggressively on the basis of price and other contract terms, or to compete with EP Financial by offering cardholders services that EP Financial may not provide. Some competitors are able or willing to agree to contract terms that expose them to risks that might be more appropriately allocated to clients. In order to compete effectively EP Financial might need to accommodate risks that could be difficult to manage or insure. In addition, as a result of product and service offerings introduced by EP Financial or its competitors, the industries will experience disruptions and changes in business models, which may result in the loss of clients. EP Financial's innovation efforts may lead EP Financial to introduce new products and services that compete with its existing services. New or stronger competitors may emerge through acquisitions and industry consolidation or through development of disruptive technologies. If EP Financial's offerings are not perceived as competitively differentiated, due to competition and growth in the industry or EP Financial's failure to develop adequately to meet market demands, EP Financial could lose clients or cardholders or be compelled to reduce prices, making it more difficult to grow the business profitably.

Natural Disasters

EP Financial's business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as terrorism.

EP Financial's systems and operations, including its offsite data centers which are managed by third-party service providers, are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on EP Financial's business, operating results and financial condition and its insurance coverage may be insufficient to compensate EP Financial for losses that may occur. Acts of terrorism, which may be targeted at metropolitan areas which have higher population density than rural areas, could cause disruptions in EP Financial's or its clients' businesses or the economy as a whole. EP Financial may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting any area in which it operates or its datacenters are located, and its business interruption insurance may be insufficient to compensate EP Financial for losses that may occur.

Reliance on Key Inputs

EP Financial's business is expected to be dependent on a number of key inputs and their related costs including software upgrades. Any significant interruption or negative change in the availability or economics related to change in technology could materially impact the business, financial condition and operating results of EP Financial. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of EP Financial.

Reliance on Key Executives

The loss of key members of EP Financial's executive team or other key personnel could harm EP Financial. Although EP Financial enters into employment or consulting agreements with members of its executive team, such employment or consulting agreements do not guarantee their retention. EP Financial also depends on its advisors, all of whom have outside commitments that may limit their availability to EP Financial. In addition, EP Financial believes that its future success will depend in large part upon its ability to attract and retain highly skilled personnel.

EP Financial faces significant competition for these types of personnel from other FinTech companies. EP Financial cannot predict its success in hiring or retaining the personnel it requires for continued growth. In addition, due to limited financial resources, EP Financial may not be able to successfully expand its operations due to challenges in recruiting and training qualified personnel. Expansion of personnel may result in significant diversion of management time and resources. The loss of the services of any of EP Financial's executive officers or other key personnel could potentially harm its business, operating results or financial condition.

Employee Misconduct

EP Financial is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with, among other things, KYC, AML, GDPR, RTA and PIPEDA. In particular, sales, marketing and business arrangements in the FinTech industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained from customers, which could result in regulatory sanctions and serious harm to EP Financial's reputation. If any such actions are instituted against EP Financial, and EP Financial is not successful in defending itself or asserting its rights, those actions could have a substantial impact on EP Financial's business and results of operations, including the imposition of substantial fines or other sanctions.

Liability Arising from Fraudulent or Illegal Activity

EP Financial is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on EP Financial's behalf or in its service that violate (i) various laws and regulations, (ii) laws that require the true, complete and accurate reporting of financial information or data, or (iii) the terms of EP Financial's agreements with third parties.

Such misconduct could expose EP Financial to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The precautions taken by EP Financial to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting EP Financial from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Such misconduct may result in legal action, significant fines or other sanctions and could result in loss of any regulatory license held by EP Financial at such time.

EP Financial may be subject to security breaches at its facilities or in respect of electronic document or data storage, which could lead to breaches of applicable privacy laws and associated sanctions or civil or criminal penalties. Failure to comply with health and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on EP Financial's operations. Events, including those beyond the control of EP Financial, which may risk breaches to various laws and regulations include, but are not limited to, non-performance by third-party contractors; breakdown or failure of equipment; failure of quality control processes; contractor or operator errors; and major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms. Such events risk damage to EP Financial's operations and may negatively affect demand for EP Financial's future products and services.

Conflicts of Interest

EP Financial may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. EP Financial's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to EP Financial. In some cases, EP Financial's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to EP Financial's business and affairs and that could adversely affect EP Financial's operations. These outside business interests could require significant time and attention of EP Financial's executive officers and directors.

In addition, EP Financial may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which EP Financial may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of EP Financial, and from time to time, these persons may be competing with EP Financial for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of EP Financial's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of EP Financial are required to act honestly, in good faith and in the best interests of EP Financial.

Operating Risk and Insurance Coverage

EP Financial plans to have adequate insurance to protect all its assets, operations and employees. While EP Financial may, in the future, obtain insurance coverage to address all material risks to which it is exposed and is adequate and customary in its proposed state of operations, such insurance will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which EP Financial is expected to be exposed. In addition, no assurance can be given that such insurance will be adequate to cover EP Financial's liabilities or will be generally available in the future, or, if available, that premiums will be commercially justifiable. If EP Financial were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if EP Financial were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Computer System Failures

EP Financial's current internal computer systems are managed by third-party vendors, and are at risk of failure and vulnerable to damage from, among other things, viruses, unauthorized access and natural disasters. Any system failure, accident or security breach may have material negative outcomes including delays and significant disruption of EP Financial's business operations as well as inappropriate disclosure of confidential or proprietary data. While EP Financial has not to date experienced a material system failure or security breach, rectifying any damages, disruptions or breaches may lead to EP Financial incurring additional financial costs.

Foreign Operations

In addition to its RCM business in the UK, EP Financial intends to offer EP Homes facilitation services in the UK. As a result, EP Financial may be subject to political, economic and other uncertainties, including, but not limited to, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which EP Financial's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

Additional implications that may have a material impact on EP Financial's ability to operate in other jurisdictions include:

- differences in the regulatory requirements for credit approvals;
- differing requirements for securing, maintaining or obtaining freedom to operate;
- challenges with compliance to different regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- differing reimbursement regimes and price controls in certain international markets; and
- differing labor relations that create challenges with staffing and managing international operations.

EP Financial's international operations may also be adversely affected by laws and policies of the UK affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its foreign operations, EP Financial may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in the UK or enforcing UK judgments in foreign jurisdictions.

RCM Services

EP Financial's international operations expose it to risks which could harm its business, results of operations and financial condition. A significant portion of EP Financial's current operations are conducted outside Canada. This could expose EP Financial to adverse economic, industry and political conditions that may have a negative impact on EP Financial's ability to manage its existing RCM service operations or pursue alternative strategic transactions, which could have a negative effect on EP Financial's business, results of operations and financial condition. The global nature of EP Financial's operations expands the risks and uncertainties described elsewhere in this section, including the following:

- changes in local political, economic, social and labor conditions in the markets in which EP Financial operates;
- foreign exchange controls on currency conversion and the transfer of funds that might prevent EP Financial from repatriating cash earned in countries outside Canada in a tax-efficient manner;
- currency exchange rate fluctuations, currency restructurings, inflation or deflation and EP Financial's ability to manage these fluctuations through a foreign exchange risk management program;
- different employee/employer relationships, laws and regulations, union recognition and the existence of employment tribunals and works councils;
- laws and regulations imposed by international governments, including those governing data security, sharing and transfer;
- potentially adverse tax consequences resulting from changes in tax laws in the jurisdictions in which EP Financial operates or challenges to EP Financial's interpretations and application of complex international tax laws;
- logistical, communications and other challenges caused by distance and cultural and language differences, each making it harder to do business in certain jurisdictions;
- volatility of global credit markets and the availability of consumer credit and financing in EP Financial's international markets;
- uncertainty as to the enforceability of contract rights under local laws;

- the potential of forced nationalization of certain industries, or the impact on creditors' rights, consumer disposable income levels, flexibility and availability of consumer credit and the ability to enforce and collect aged or charged-off debts stemming from international governmental actions, whether through austerity or stimulus measures or initiatives, intended to control or influence macroeconomic factors such as wages, unemployment, national output or consumption, inflation, investment, credit, finance, taxation or other economic drivers;
- the presence of varying levels of business corruption in international markets and the effect of various anti-corruption and other laws on EP Financial's international operations;
- the impact on EP Financial's day-to-day operations and EP Financial's ability to staff its international operations given changing labor conditions and long-term trends towards higher wages in developed and emerging international markets as well as the potential impact of union organizing efforts;
- potential damage to EP Financial's reputation due to non-compliance with international and local laws; and
- the complexity and necessity of using non-Canadian representatives, consultants and other third-party vendors.

Any one of these factors could adversely affect EP Financial's business, results of operations and financial condition.

Exchange Rate Fluctuations

Due to the international scope of EP Financial's current and future operations, EP Financial's assets, future earnings and cash flows may be influenced by movements in exchange rates of several currencies, particularly the British pound, the US dollar, and the Canadian dollar. EP Financial's reporting currency is denominated in Canadian dollars, EP Financial's functional currency is the Canadian dollar and the majority of EP Financial's operating expenses are paid in Canadian dollars. EP Financial may also regularly acquire services, consumables and materials in British pounds, US dollars, Canadian dollars and other currencies. Further, future revenue may be derived from abroad. As a result, EP Financial's business and the price of EP Financial's products may be affected by fluctuations in foreign exchange rates between the British pound and other currencies, which may also have a significant impact on EP Financial's results of operations and cash flows from period to period. Currently, EP Financial does not have any exchange rate hedging arrangements in place.

[4] RISKS RELATED TO TECHNOLOGY

Technology Implementation

EP Financial's technology development efforts may be inefficient or ineffective, which may impair its ability to attract and retain clients and cardholders.

Management believes that EP Financial's future success will depend in part upon EP Financial's ability to enhance its existing platform, to develop and introduce new services in a timely manner with features and pricing that meet changing client and market requirements, and to persuade cardholders to adopt same. New elements of EP Financial's platform must compete with established competitors and may require significant investment in research, development and marketing in order to gain traction amongst cardholders and potential cardholders. EP Financial schedules and prioritizes its development efforts according to a variety of factors including, but not limited to, EP Financial's perceptions of market trends, client and cardholder requirements, and resource availability. EP Financial faces intense competition in the marketplace and is confronted by rapidly changing technology, evolving industry standards and consumer needs, and the frequent introduction of new solutions by its competitors. EP Financial's solutions are complex and can require a significant investment of time and resources to develop. These activities can take longer than EP Financial's expectations. EP Financial may encounter unanticipated difficulties that require it to redirect or scale back its efforts and EP Financial may need to modify its plans in response to changing cardholder requirements, market demands, resource availability, regulatory requirements or other factors. If development of EP Financial's solutions becomes significantly more expensive due to changes in regulatory requirements or industry practices, or other unforeseen factors, EP Financial may be at a disadvantage compared to its larger or more established competitors that may have greater resources to devote to product development and implementation. If EP Financial does not manage its development efforts efficiently and effectively, it may fail to produce in a timely manner, or at all, solutions that respond appropriately to the needs of clients and cardholders, and EP Financial's competitors may develop offerings that more successfully anticipate market evolution and address market expectations. If EP Financial’s services are not responsive and competitive, clients may shift their business to competing products or platforms. Clients may also resist adopting EP Financial’s services for various reasons, including reluctance to disrupt existing relationships and business practices or to invest in necessary technological integration, or preference for competitors' offerings or self-developed capabilities.

Computer and Payment Network System Risks

EP Financial’s business is dependent on the efficient and uninterrupted operation of computer and payment network systems and data centers.

EP Financial’s ability to provide reliable service to cardholders and other network participants depends on the efficient and uninterrupted operation of its computer network systems and data centers, as well as the computer and payment networks of its third-party card issuers, payment processors and other financial services industry intermediaries. EP Financial’s business involves movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. EP Financial’s success depends upon the efficient and error-free handling of the money that is remitted to cardholders' accounts or the banks that issue its cards. EP Financial relies on the ability of its employees, systems and processes, and those of the banks that issue its cards, third-party payment processors and other financial services industry intermediaries to process and facilitate these transactions in an efficient, uninterrupted and error-free manner. In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper operation or any other event impacting EP Financial’s systems or processes, or those of its partners, or an improper action by EP Financial’s employees, agents or third-party partners, EP Financial could suffer financial loss, loss of cardholders, regulatory sanctions and damage to its reputation. The measures EP Financial has taken, including the implementation of disaster recovery plans and redundant computer systems, may not be successful in preventing network failures or avoiding losses, and EP Financial may experience other problems unrelated to system failures. EP Financial may also experience software defects, development delays, installation difficulties, or difficulty integrating third-party systems and software with its proprietary systems, any of which could harm EP Financial’s business and reputation and expose EP Financial to potential liability and increased operating expenses. Some of EP Financial’s contracts with its clients contain service level standards pertaining to the operation of its systems, and provide EP Financial’s clients with the right to terminate their contracts with it if its system downtime exceeds stated limits. If EP Financial faces system interruptions or failures, EP Financial’s business interruption insurance may not be adequate to cover the losses or damages that it incurs.

System Management Risks

If EP Financial does not manage its information technology systems and infrastructure effectively, (i) the quality of EP Financial’s platform, solutions and services and its relationships with its clients and cardholders may suffer, and/or (ii) EP Financial’s ability to perform essential administrative functions may be impaired. Either or both of these results could have an adverse impact on EP Financial’s business, financial condition and financial performance.

EP Financial relies heavily on information technology, or "IT", systems. EP Financial must expand, improve and automate these systems to maintain the quality of its platform and services going forward and, in particular, to avoid service interruptions, security breaches and slower system performance for its enterprise solutions. EP Financial also depends on IT systems to help manage essential functions such as revenue recognition, budgeting, forecasting, financial reporting, invoicing, collections and other administrative functions. Despite the use of IT systems, many of EP Financial’s processes remain manual in nature and thus EP Financial must also continue to manage its employees, operations, finances, research and development and capital investments efficiently. EP Financial’s productivity and the quality of its platform may be adversely affected if it does not quickly and effectively integrate and train new employees on its systems, processes and security protocols, or if it fails to appropriately coordinate across functional groups and offices. If EP Financial does not adapt to meet the evolving challenges of its business, and if EP Financial does not effectively and efficiently scale its operations to support its business, the quality of EP Financial’s platform may suffer, its IT systems and infrastructure may be more prone to security breaches and service interruptions, and relationships with its clients and cardholders may be harmed, which, in turn, could have an adverse impact on EP Financial’s financial condition and financial performance.

Risk of System Failure

Errors or failures in EP Financial’s software and systems could adversely affect EP Financial’s operating results and growth prospects, particularly with respect to EP Financial’s financial services segment.

EP Financial depends on the sustained and uninterrupted performance of its technology platforms. If EP Financial’s technology platforms cannot scale to meet demand, or if there are errors in the execution of any of the functions performed by EP Financial’s platforms, then its business could be harmed. Since EP Financial’s software is complex, undetected errors and failures may occur, especially when new versions or updates are made. Errors may also occur when integrating third-party software and systems with EP Financial’s existing software and systems. Despite testing, errors or bugs in software have in the past, and may in the future, not be found until the software is in a live operating environment. Errors or failures in EP Financial’s software could result in negative publicity, damage to EP Financial’s brand and reputation, loss of or delay in market acceptance of EP Financial’s platform, increased costs or loss of revenue, loss of competitive position or claims by cardholders for losses sustained by them. In the event of a system failure, EP Financial may be required to expend additional resources to help mitigate any problems that may result. Alleviating problems resulting from errors in EP Financial’s software could require significant expenditures of capital and other resources and could cause interruptions, delays or the cessation of EP Financial’s business, any of which would adversely impact EP Financial’s reputation as well as its financial position, financial performance and growth prospects.

Difficulty Protecting Proprietary Technology

EP Financial’s rights with respect to its intellectual property may be difficult to protect or to enforce. This could enable others to copy or use aspects of EP Financial’s platform without compensation, which could erode EP Financial’s competitive advantages and harm its business.

EP Financial’s success depends, in part, on its ability to protect proprietary methods and technologies that it develops under the intellectual property laws of Canada. EP Financial relies on trademark, copyright, trade secret and patent laws, confidentiality procedures and contractual provisions to protect its proprietary methods and technologies. Uncertainty may result from changes to intellectual property legislation enacted in Canada and the US, including Canada's Anti-Spam Legislation and the America Invents Act, and other national governments and from interpretations of the intellectual property laws of Canada and the US and other countries by applicable courts and agencies. Accordingly, despite EP Financial’s efforts, EP Financial may be unable to obtain adequate protection for its intellectual property, or to prevent third parties from infringing upon or misappropriating its intellectual property.

Unauthorized parties may attempt to copy aspects of EP Financial’s technology or obtain and use information that EP Financial regards as proprietary. EP Financial generally enters into confidentiality and/or license agreements with its employees, consultants and clients, and generally limit access to, and distribution of, its proprietary information. EP Financial cannot provide any assurances that any steps taken by it to protect its proprietary information will prevent misappropriation of its technology and proprietary information. Policing unauthorized use of EP Financial’s technology is difficult. The laws of some countries may not afford the same protections for EP Financial’s intellectual property rights as those of Canada and the US, and mechanisms for enforcing EP Financial’s rights with respect to intellectual property in such countries may be inadequate. From time to time, it may be necessary for EP Financial to take legal action to enforce its intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Such litigation could result in substantial costs and the diversion of limited resources and could negatively affect EP Financial’s business, financial condition and financial performance. If EP Financial is unable to protect its proprietary rights (including aspects of its platform), EP Financial may be at a competitive disadvantage to others who have not incurred the same level of expense, time and effort to create and protect their intellectual property.

Internet and Mobile Device Risks

EP Financial’s business could be adversely impacted by changes in the Internet and mobile device accessibility of cardholders.

EP Financial’s business depends on cardholders' access to its platform via a mobile device or personal computer and the Internet. EP Financial may operate in jurisdictions that provide limited Internet connectivity, particularly as it expands internationally. Internet access and access to a mobile device or personal computer are frequently provided by companies with significant market power that could take actions that degrade, disrupt or increase the cost of cardholders' ability to access EP Financial’s platform. In addition, the Internet infrastructure that EP Financial and cardholders rely on in any particular geographic area may be unable to support the demands placed upon it and could interfere with the speed and availability of EP Financial’s services. Any such failure in Internet or mobile device or computer accessibility, even for a short period of time, could adversely affect EP Financial’s results of operations.

Third-Party Intellectual Property Claims

EP Financial may be exposed to infringement or misappropriation claims by third parties, which, if determined against EP Financial, could subject EP Financial to significant liabilities and other costs.

EP Financial’s success may depend on its ability to use and develop new technologies, services and know-how without infringing the intellectual property rights of third parties. EP Financial has no assurance that third parties will not assert intellectual property claims against it. EP Financial is subject to additional risks that entities licensing intellectual property to it do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against EP Financial, EP Financial will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which EP Financial may become a party could subject it to significant liability to third parties, require EP Financial to seek licenses from third parties, require EP Financial to pay ongoing royalties or subject EP Financial to injunctions prohibiting the development and operation of its applications.

[5] RISKS PERTAINING TO REGULATORY COMPLIANCE

Regulatory Risks

Legislation or regulations may be introduced which have a negative effect on EP Financial’s business, operations or future prospects.

If local, state, provincial or federal legislative or regulatory changes are made in respect of financial services or technology companies, among other industries or sectors, EP Financial’s business may be adversely affected or it may be unable to carry on its business as currently conducted or contemplated. Amendments to or new legislation or regulations introduced in any of the jurisdictions in which EP Financial operates could subject EP Financial’s business to new restrictions or result in increased costs associated with complying with such legislation and regulations. EP Financial cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on its business.

EP Financial is regulated in the same way as a payday loan and cheque cashing company, and most jurisdictions where it operates have passed legislation and/or regulations to regulate the payday loan industry (including setting maximum fees and interest for payday loan operators) and rules and policies set out by the Financial Transactions and Reports Analysis Centre of Canada. Some of these regulations, rules and policies limit how payday loan operators may use prepaid cards to fund payday loans or cash advances. Most Canadian provinces have also set maximum regulated interest/fee levels. In some of those jurisdictions where maximum interest and fees have been set, some payday operators have complained that the maximum rates and charges set are too low.

Compliance with complex and evolving international and Canadian laws and regulations that apply to EP Financial’s international operations could increase EP Financial’s cost of doing business in international jurisdictions.

EP Financial’s operations are subject to licensing and regulation by governmental and regulatory bodies in the jurisdictions in which EP Financial operates. The laws and regulations of the international countries in which EP Financial operates, may limit EP Financial’s ability to collect on and enforce EP Financial’s rights with respect to non-performing accounts regardless of any act or omission on EP Financial’s part. Some laws and regulations applicable to credit issuers may preclude EP Financial from collecting on non-performing accounts EP Financial acquires if the credit issuer previously failed to comply with applicable laws in generating or servicing those receivables. Collection laws and regulations also directly apply to EP Financial's business. Such laws and regulations are extensive and subject to change. A variety of state, federal and international laws and regulations govern the collection, use, retention, transmission, sharing and security of consumer data. Consumer protection and privacy protection laws, changes in the ways that existing rules or laws are interpreted or enforced and any procedures that may be implemented as a result of regulatory consent orders may adversely affect EP Financial's ability to collect on non-performing accounts and adversely affect EP Financial's business. EP Financial's failure to comply with laws or regulations applicable to EP Financial could limit EP Financial's ability to collect on receivables, which could reduce EP Financial's profitability and adversely affect EP Financial's business.

Failure to comply with government regulation of the collections industry could result in penalties, fines, litigation, damage to EP Financial's reputation or the suspension or termination of EP Financial's ability to conduct EP Financial's business. The collections industry throughout the markets in which EP Financial's RCM services segment operates is governed by various laws and regulations, many of which require EP Financial to be a licensed debt collector. The collection services industry is also at times investigated by regulators and offices of state attorneys general, and subpoenas and other requests or demands for information may be issued by governmental authorities who are investigating debt collection activities. These investigations may result in enforcement actions, fines and penalties, or the assertion of private claims and lawsuits. If any such investigations result in findings that EP Financial or EP Financial's vendors have failed to comply with applicable laws and regulations, EP Financial could be subject to penalties, litigation losses and expenses, damage to EP Financial's reputation, or the suspension or termination of, or required modification to, EP Financial's ability to conduct collections, which would adversely affect EP Financial's business, results of operations and financial condition.

Regulations and statutes applicable to the collection service industry further provide that, in some cases, consumers cannot be held liable for, or their liability may be limited with respect to, charges to their debit or credit card accounts that resulted from unauthorized use of their credit. These laws, among others, may limit EP Financial's ability to recover amounts owing with respect to the receivables, whether or not EP Financial committed any wrongful act or omission in connection with the account.

If EP Financial fails to comply with any applicable laws and regulations discussed above, such failure could result in penalties, litigation losses and expenses, damage to EP Financial's reputation, or otherwise impact EP Financial's ability to conduct collections efforts, which could adversely affect EP Financial's business, results of operations and financial condition.

Compliance and Risk Management Risks

EP Financial's compliance and risk management programs may not be effective and may result in outcomes that could materially and adversely affect EP Financial's reputation, financial condition and operating results, among other things.

EP Financial is subject to anti-money laundering laws such as the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) and its regulations, and the US Bank Secrecy Act. EP Financial's ability to comply with applicable laws and regulations is largely dependent on the establishment and maintenance of compliance, review and reporting systems, as well as the ability to attract and retain qualified compliance and other risk management personnel. In the event that EP Financial enters into new markets, it may become subject to laws and regulations which differ from those of its current markets and which may conflict with other laws and regulations to which it is subject. EP Financial cannot provide any assurance that its compliance policies and procedures will be effective or that EP Financial will always be successful in monitoring or evaluating applicable risks. In the case of alleged non-compliance with applicable laws or regulations, EP Financial could be subject to investigations and legal or regulatory proceedings that may result in substantial penalties or claims against it. Any such claims may materially and adversely affect EP Financial's reputation, financial condition and the value of any investment in EP Financial.

Personal Data Collection Risk

Measures EP Financial takes to protect its cardholders' personal information may be inadequate and there is a risk of a data breach or the loss or theft of such personal information.

Legislation and regulation of digital businesses, including privacy and data protection regimes, could create unexpected additional costs, subject EP Financial to enforcement actions for compliance failures, or cause EP Financial to change its technology solution or business model, which may have an adverse effect on the demand for EP Financial's platform.

Many local, provincial/state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of data collected from and about consumers and devices, and the regulatory framework for privacy issues is evolving worldwide. Various Canadian, US, Mexican and foreign governments, consumer agencies, self-regulatory bodies and public advocacy groups have called for new regulation directed at the collection and retention of personal information, and EP Financial expects to see an increase in legislation and regulation related to the collection and use of such data. Such legislation or regulation could affect the costs of doing business.

PIPEDA and substantially similar provincial privacy laws in Canada considers information collected and retained by EP Financial, including name, date of birth, social insurance number, address and other information collected from its cardholders, as protected personal information. EP Financial is also subject to US privacy laws including the US Gramm-Leach-Bliley Act and various state privacy laws. In the ordinary course of EP Financial's business, EP Financial collects, stores and uses certain personal information of its cardholders that may be subject to regulation under privacy law regimes in the jurisdictions in which EP Financial operates if, in the aggregate, the information would allow EP Financial to identify a person. While EP Financial takes measures to protect the security of information that it collects, uses and discloses in the operation of its business, if EP Financial experiences a data breach it may face claims by cardholders whose personal information is disclosed without authorization, which claims may have a material adverse effect on EP Financial's business and financial condition. EP Financial may also be subject to various regulatory proceedings and additional oversight as a result of any loss or disclosure of personal information. Evolving and changing definitions of personal information within Canada, the US and internationally, especially relating to classification of machine or device identifiers, geo-location data and other information, have caused EP Financial, in the past and may cause EP Financial in the future, to change business practices or limit or restrict EP Financial's ability to operate or expand its business. Data protection and privacy-related laws and regulations are evolving and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. The measures EP Financial takes to protect the personal information that it collects, uses and discloses in its operations may be inadequate to protect such information and the loss thereof may have a material adverse effect on EP Financial's business, operations and future prospects.

Further, many governments are restricting the storage of information about individuals beyond their national borders. Such restrictions could, depending upon their scope, limit EP Financial's ability to utilize technology infrastructure consolidation, redundancy and load-balancing techniques resulting in increased infrastructure costs, decreased operational efficiencies and performance, and potentially a greater risk of system failure.

EP Financial strives to comply with all applicable laws and regulations relating to privacy and data collection, processing, use and disclosure. These laws and regulations are continually evolving, are not always clear and may pose inconsistent requirements across the jurisdictions in which EP Financial conducts business. The measures EP Financial takes to protect the security of the information it collects, uses and discloses in the operation of its business may not always be effective. If EP Financial fails to protect personal data or other data relating to consumers or comply with applicable laws and regulations or industry standards applicable thereto, EP Financial could become subject to enforcement actions, including fines, imprisonment of its officers, and public censure, claims for damages by consumers and other affected individuals, damage to EP Financial's reputation and loss of goodwill. Perceived concerns relating to EP Financial's collection, use, disclosure and retention of data, including the security measures applicable to the data EP Financial collects, whether or not valid, may harm EP Financial's reputation and inhibit adoption or use of EP Financial's services by current and potential clients and cardholders. EP Financial is aware of ongoing lawsuits filed against, or regulatory investigations into, companies in the payments industry concerning various alleged violations of consumer protection, data protection and computer crime laws, asserting various privacy-related theories. Any such proceedings brought against EP Financial could hurt its reputation, force it to expend significant resources in defense or settlement of these proceedings, divert management attention, increase its costs of doing business, adversely affect the demand for its services, and ultimately result in the imposition of monetary liability or restrictions on EP Financial's ability to conduct its business.

The regulation of data privacy globally could have an adverse effect on EP Financial's business, results of operations and financial condition by increasing EP Financial's compliance costs. The regulation of data privacy, including interpretations and determinations by regulatory authorities in the countries in which EP Financial operates, continues to evolve. It is not possible to predict the effect of such rigorous data protection regulations over time. For example, GDPR impacts EP Financial's collection service segment operations and requires EP Financial to adapt its business practices accordingly. Financial penalties for non-compliance with the GDPR can be significant. Data privacy regulations could result in increased costs of conducting business to maintain compliance with such regulations. Although EP Financial has taken significant steps to protect the security of its data and the personal data of its customers, EP Financial may be required to expend significant resources to comply with regulations if third parties improperly obtain and use such data.

Anti-Money Laundering

Money laundering and terrorist financing are receiving significant attention as nations attempt to deal with the harmful legal, economic and social consequences of illegal activities.

Governments, law enforcement agencies and regulators around the world employ a variety of means, including establishing regulatory requirements applicable to financial institutions, to curtail the ability of criminal and terrorist elements to profit from, or finance, their activities. It is widely recognized that financial institutions are uniquely positioned and possess the necessary infrastructure to assist in the fight against money laundering, terrorist financing and criminal activity through prevention, detection and the exchange of information. Money laundering, terrorist financing and economic sanctions violations represent regulatory, legal, financial and reputational risk to EP Financial. EP Financial is subject to a number of expanding and constantly evolving AML/anti-terrorist financing laws, regulations and economic sanctions internationally. EP Financial is committed to sustaining secure financial systems in the countries in which it maintains operations by taking the necessary action, using a risk-based approach. EP Financial's AML program includes policies and internal controls for secured cards with respect to client identification and due diligence, transaction monitoring, investigating and reporting of suspicious activity, and evaluation of new services to prevent or detect activities that may pose AML risk to EP Financial.

Market Standard Compliance

Changes in market standards applicable to EP Financial's platform could require it to incur substantial additional development costs.

Market forces, competitors' initiatives, regulatory changes and authorities, industry organizations, seller integration revisions and security protocols are causing the emergence of technological, industry and regulatory demands and standards that are or could be applicable to EP Financial's platform and services. EP Financial expects compliance with these standards to become increasingly important to clients and cardholders, and conforming to these standards is expected to consume a substantial and increasing portion of EP Financial's development resources. If EP Financial's platform is not consistent with emerging standards, its market position and sales could be impaired. If EP Financial makes the wrong decisions about compliance with these standards, or are late in conforming or fail to do so, EP Financial's services will be at a disadvantage in the market to the offerings of its competitors who have complied.

Compliance with Payment Network Rules

Changes in rules or standards set by payment networks, or changes in debit network fees or services, could adversely affect EP Financial's business, financial position and results of operations.

EP Financial is subject to association rules that could subject it to a variety of fines or penalties that may be levied by EP Financial's financial institution partners, card associations or networks for acts or omissions by EP Financial or businesses that work with EP Financial, including card processors, such as MasterCard PTS. The termination of the card association registrations held by EP Financial or any changes in card association or other debit network rules or standards, including the interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit EP Financial's ability to provide its services could have an adverse effect on EP Financial's business, operating results and financial condition. In addition, from time to time, card associations may increase the fees that they charge, which could increase EP Financial's operating expenses, reduce EP Financial's profit margins and may adversely affect EP Financial's business, results of operations and financial condition.

KYC Compliance Risks

EP Financial relies on third-party services to comply with KYC requirements and if such providers fail to provide accurate information or EP Financial does not maintain business relationships with them, EP Financial's business, financial condition and results of operations could be adversely affected.

EP Financial seeks to implement and maintain AML, KYC and other policies and procedures that are consistent with applicable Canadian and US laws and regulations and with financial services industry best practices. Nonetheless, EP Financial may not be able to prevent illegal activity from occurring on or through its platforms, including the unauthorized use of a validly opened account.

Failure to meet applicable AML/KYC legal and regulatory requirements could result in regulatory fines, sanctions or restrictions, which in each case could materially and adversely affect EP Financial's reputation and financial condition.

Furthermore, EP Financial will use and rely on third-party service providers to complete key aspects of AML/KYC screenings. Although EP Financial will perform due diligence on such providers, there can be no assurance that in all events such providers will detect all potential illegal activity or comply with all aspects of applicable law and regulation. If such a provider were to fail to perform to agreed standards or maintain full compliance, it could have a material and adverse effect on EP Financial's business and operations.

[6] RISKS PERTAINING TO EP FINANCIAL SHARES

Volatile Market Price for the EP Financial Shares

The securities market in Canada has recently experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the EP Financial shares will be subject to market trends generally, notwithstanding any potential success of the EP Financial. The value of the EP Financial shares will be affected by such volatility.

The volatility of the EP Financial shares may affect the ability of holders to sell the EP Financial shares at an advantageous price or at all. Market price fluctuations in the EP Financial shares may be adversely affected by a variety of factors relating to the EP Financial's business, including fluctuations in the EP Financial's operating and financial results, such results failing to meet the expectations of securities analysts or investors and downward revisions in securities analysts' estimates in connection therewith, sales of additional EP Financial shares, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the EP Financial or its competitors, along with a variety of additional factors. In addition, the market price for securities on stock markets, including the TSXV, is subject to significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may materially adversely affect the market price of EP Financial shares.

Tax Issues

There may be income tax consequences in relation to the EP Financial shares, which will vary according to the circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

No Dividends

EP Financial's policy is to retain earnings to finance the development and enhancement of its products and services and to otherwise reinvest in EP Financial. Therefore, EP Financial does not anticipate paying cash dividends on the EP Financial shares in the foreseeable future. EP Financial's dividend policy will be reviewed from time to time by the EP Financial Board in the context of its earnings, financial condition and other relevant factors. Until the time that EP Financial does pay dividends, which it might never do, its shareholders will not be able to receive a return on their EP Financial shares unless they sell them.

FURTHER INFORMATION

Additional information relating to the Company is also available on the SEDAR+ website www.sedarplus.com.