XTM Inc.

Management's Discussion & Analysis
For the three months ended March 31, 2021 and 2020

May 25, 2021

Introduction

The following Management's Discussion & Analysis ("MD&A") of XTM Inc. (the "Company" or "XTM") for the three months ended March 31, 2021 and 2020 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's audited annual financial statements for the years ended December 31, 2020 and unaudited interim financial statements for the three months ended March 31, 2021, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited interim financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Accordingly, information contained herein is presented as March 31, 2021, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Forward-Looking Statements

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Corporate Overview

The Company is a Toronto-based Fintech company in the Neo banking space providing mobile cloud based banking solutions and card issuing solutions for payouts including tips and wages also facilitating earned wage access (EWA). XTM's technology solutions, multiple Point of Sale (POS) software integrations, proprietary processing platform and partnership with Mastercard and Visa are driving financial inclusion and empowerment to millions of next-generation workers around the globe by providing instant access to their earnings at the end of their shifts or as earned. Founded in 2014, the Company is now undertaking a full United States rollout of its instant payment and mobile banking solutions to some of North America's largest service worker employers.

The head office, principal address and registered office of the Company is located at 67 Mowat Avenue, Suite 437, Toronto, Ontario, Canada, M6K 3E3 and the head United States office is located at 801 Brickel Ave Suite 902 Miami, FL. 33410

On March 10, 2020, the common shares of the Company were listed on the Canadian Securities Exchange under the trading symbol PAID.

On April 29, 2020, the common shares of the Company were listed on the Frankfurt Stock Exchange (Deutsche Boerse AG) under the symbol "7XT".

On March 5, 2021, XTM's shares started trading on the OTCQB Venture Market, a US trading platform that is operated by OTC Markets Group in New York. The Company's symbol is 'XTMIF".

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

There is significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our ability to raise further financing. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments or quantify the impact this pandemic may have on the financial results and condition of the Company in future periods. The spread of COVID-19 posed challenges to the Company's business.

Results of Operations

Selected financial information for the three month periods ended March 31, 2021 and 2020

	2021	**2020**
Gross revenue	$256,881	$217,458
Commissions and agent fees	(2,802)	(49,416)
Net revenue	254,079	168,042
Cost of sales [(1)]	180,862	153,579
Gross Profit	73,217	14,463
Net Income (Loss)	(887,394)	(588,102)
Basic and Diluted loss per share	$ (0.01)	$ (0.01)

[(1)] See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"

Revenue
During the period ended March 31, 2021 the Company's gross revenue increased by $39,423 or 18.13% compared to gross revenue during the three months ended March 31, 2020. While the impacts of COVID-19 have remained consistent, the company has been successful in expanding its user base, creating an increase in revenue despite no material change in the business environment.

During the three month period ended March 31, 2021, the Company paid commissions and agent fees of $2,802 compared to $49,416 in the three month period ended March 31, 2020. As a result, the net revenue increased by $86,037 or 51.20% in the period ended March 31, 2021 compared to the period ended March 31, 2020 (2021-$254,079 2020-$168,042).

Gross profit (loss)
During the three month period ended March 31, 2021, the Company's gross profit was $73,271 compared to the gross profit of $14,463 in the three month period ended March 31, 2019. In the comparative period, the addition of new features and functionality with the Today Mastercard and the Today mobile wallet resulted in the Company incurring higher banking fees, setup fees, development fees and monthly minimums. In Q1 2021, these costs have normalized, and the Company anticipates costs of sales to be largely scalable with revenue as expected with normal course of business operations.

While the management controls and monitors costs, the processor charges to support business growth and increase in customer support expenses to service the Company's larger customer base were still significant.

Net loss

For the three months ended March 31, 2021, the Company had the net loss of $887,394 compared to a net loss of $588,102 for the period ended March 31, 2020.

The overall increase in the operating expenses from $602,565 in the period ended March 31, 2020 to $963,611 in the period ended March 31, 2021 was mainly due to increased staffing costs and marketing and promotion costs to accommodate the Company's rapid expansion to the US market. Regulatory fees were incurred in conjunction with the Company's listing on the OTC market in March 2021. Consistent with costs of sales, the Company anticipates these costs to normalize in future periods.

Business acquisition and goodwill

On April 15, 2018, the Company completed the asset acquisition of the Prepaid Card Business ("Prepaid Business") previously operated by Zoompass Holdings, Inc. The Company issued purchase price consideration consisting of 42,000,000 common shares with a fair value of $1,130,000 based on the fair value of common shares issued in the most recent private placement prior to the close of the asset acquisition. The adjustment to the prior period consideration was made to account for the allocation between common shares and common share purchase warrants issued in the private placement. The Company did not assume any of the bank accounts, trade receivables or accounts payable and accrued liabilities of the Prepaid Business. The Company acquired the trust assets and liabilities.

The purchase price was allocated as follows:

	As previously reported ($)	**Adjustment ($)**	**Restated ($)**
Purchase price:			
Common shares	2,100,000	(970,000)	1,130,000
Less: Fair value of net assets acquired			
Cash held in trust and customer deposits	-	2,371,181	2,371,181
Client funds	-	(2,371,181)	(2,371,181)
Less: Fair value of intangible assets			
Servers and hardware	25,000	-	25,000
Software platform	1,800,000	(1,615,000)	185,000
Goodwill	-	920,000	920,000

The Company has assessed goodwill calculated as at December 31, 2020 and determined there is no impairment necessary as at March 31, 2021. The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth.

Amortization and depreciation

As a result of the final purchase price and asset allocation, the amortization of intangible assets and depreciation of property and equipment was $42,776 in the three month period ended March 31, 2021 and $42,090 in the period ended March 31, 2020.

Share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at March 31, 2021, the Company 139,697,467 common shares issued and outstanding (December 31, 2020 – 116,810,295).

	Number of common shares	$
Shares issued and outstanding :		
Shares issued and outstanding as at January 1, 2020	**82,489,218**	**3,079,603**
Shares issued in private placements	7,324,011	1,135,543
Share issuance costs, including broker warrants	-	(72,162)
Allocation to warrants	-	(401,702)
Shares issued for subscription receipts	3,825,000	595,945
Shares issued for the exercise of warrants	7,244,667	788,611
Shares issued for the exercise of stock options	4,275,000	373,303
Shares issued for stock-based compensation	1,740,000	222,720
Shares issued for restricted stock units	3,825,001	465,506
Additional common shares	6,627,398	-
Shares issued and outstanding as at December 31, 2020	**116,810,295**	**6,187,367**
Shares issued in private placements	7,966,663	1,194,999
Share issuance costs, including broker warrants	-	(74,350)
Allocation to warrants	-	(383,453)
Shares issued for exercise of warrants	11,274,333	1,937,082
Shares issued for exercise of stock options	705,000	68,525
Shares issued for loan conversion	2,941,176	500,000
Shares issued and outstanding as at March 31, 2021	**139,697,467**	**9,430,171**

Year ended December 31, 2020

On January 24, 2020, the Company issued 810,000 units at $0.17 per unit for gross proceeds of $137,700. Each units consist of one common share and one common shares purchase warrant exercisable for a period of two years at $0.23 per common share. The Company issued 64,800 finder warrants entitling the holder to acquire one additional common share of the Company at a price of $0.17 per share for a period of two years. The fair value of warrants was $33,915 and finder warrants of $3,356 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.498%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

On February 4, 2020, the Company issued 890,000 units at $0.17 per unit for gross proceeds of $151,300. Each units consist of one common share and one common shares purchase warrant exercisable for a period of two years at $0.23 per common share. The Company issued 24,000 finder warrants entitling the holder to acquire one additional common share of the Company at a price of $0.17 per share for a period of two years. The fair value of warrants was $37,257 and finders warrants of $1,242 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.484%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

On June 9, 2020, the Company issued 147,059 units at $0.17 per unit for gross proceeds of $25,000. Each units consist of one common share and one common shares purchase warrant exercisable for a period of two years at $0.23 per common share. The fair value of the warrants was $7,644 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.279%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

On October 26, 2020, the Company issued 2,810,152 units at $0.15 per unit for gross proceeds of $421,523. Each units consist of one common share and one common shares purchase warrant exercisable for a period of two years at $0.30 per common share. The Company issued 84,008 finder warrants entitling the holder to acquire one additional common share of the Company at a price of $0.30 per share for a period of two years. The fair value of warrants was $89,528 and finders warrants of $1,238 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.206%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

On December 29, 2020, the Company issued 2,666,800 units at $0.15 per unit for gross proceeds of $400,020. Each units consist of one common share and one common shares purchase warrant exercisable for a period of two years at $0.30 per common share. The Company issued 84,008 finder warrants entitling the holder to acquire one additional common share of the Company at a price of $0.30 per share for a period of two years. The fair value of warrants was $87,035 and finders warrants of $2,102 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.208%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

During the year ended December 31, 2020, the Company incurred cash share issuance costs of $66,098.

Subscription receipts

As at December 31, 2019, 3,825,000 subscription receipts were issued and outstanding pursuant to the subscription receipt private placements on September 19, 2019, September 30, 2019 and November 29, 2019 for gross proceeds of $650,250. The Company incurred issue costs of $54,305. As at December 31, 2019, the net proceeds have been presented as subscription receipt funds on the statement of financial position. Each subscription receipt was sold at a price of $0.17 per subscription receipt and entitled the holder to receive, immediately upon the receipt of conditional approval of the CSE to list and trade the common shares on the CSE on or before February 14, 2020, without any further action by the holder, one common share and one warrant. Each warrant will be exercisable to acquire one common share at a price of $0.23 for 24 months from the date of issuance.

On February 14, 2020, the Ontario Securities Commission cleared the Company to file its final Prospectus and become a reporting issuer in the provinces of Ontario, British Columbia and Alberta. The Company also received conditional approval from the Canadian Securities Exchange (the 'CSE') for the listing of its common shares on the CSE subject to the completion of customary requirements of the CSE, including the receipt of all required documentation. Concurrent with the listing, all 3,825,000 Subscription receipts were converted to 3,825,000 common shares and 3,825,000 warrants. The net subscription receipt funds of $595,945 were released to the Company. The Company recorded $160,120 as fair value of the warrants issued using the Black-Scholes option pricing model assuming risk-free interest rate of 1.484%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

Additional common shares of 6,627,398 were issued in error in connection with the Company's listing on the CSE. In April 2021, 5,377,500 of these common shares were returned to treasury and cancelled.

Three months ended March 31, 2021

On February 26, 2021, the Company closed non-brokered placement offering with strategic investors. The placement consisted of 7,966,663 units at a price of $0.15 per unit for gross proceeds of $1,194,999. Each unit consists of one common share and one warrant exercisable for one common share at a price of $0.30 for a period of 24 months after closing.

The fair value of warrants was $383,453 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.309%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

The Company incurred cash share issuance costs of $68,725.

Restricted stock units

On December 1, 2020, the Company adopted a restricted share unit ("RSU") plan (the "RSU Plan") pursuant to which the Company may grant options and RSUs to attract, motivate and retain directors, officers, employees and consultants, and to align the interests of plan participants with those of the Company's shareholders. The maximum number of RSUs issuable under the RSU Plan together with the number of stock options issuable under the Company's existing stock option plan (the "Stock Option Plan") may not exceed 20% of the number of issued and outstanding common shares of the Company as at the date of a grant under the RSU Plan or the Stock Option Plan.

On November 30, 2020, the Company granted 2,685,001 RSUs to one employee and five consultants of the Company under the RSU Plan, which RSUs vest immediately upon their grant. The RSU's issued had a grant date fair value of $377,233 based on the closing price per common share. The expense is recorded in stock-based compensation on the statement of loss and comprehensive loss.

On December 31, 2020, the Company issued 600,000 RSUs to its Chief Financial Officer and two Board directors which vested immediately upon their grant. The RSU's issued had a grant date fair value of $88,273 based on the closing price per common share. The expense is recorded in stock-based compensation on the statement of loss and comprehensive loss.

No RSUs were granted during the three months ended March 31, 2021.

Escrow shares

As at March 31, 2021, 4,090,125 (December 31, 2020 – 5,032,500) common shares were subject to escrow. Under the escrow agreement, 10% of the shares were released upon the listing of the Company's securities on the CSE, and 15% are to be released every 6 months thereafter, subject to acceleration provisions provided for in NP 46-201.

Stock options

The Board initially adopted a stock option plan on March 1, 2018 which was established to provide incentive to directors, officers, employees, and consultants. The plan provided for issuance of common shares upon exercise of options equal to a maximum of 20% of the issued and outstanding common shares from time to time. The plan was approved by the shareholders on March 1, 2018.

	Three Months Ended March 31, 2021		Year Ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding and exercisable, beginning of year/period:	6,630,000	$0.15	5,905,000	$0.09
Granted	-	-	5,000,000	0.17
Granted	(1,205,000)	0.06	(4,275,000)	0.09
Balance outstanding and exercisable, end of year/period	5,425,000	$0.17	6,630,000	$0.15

Details of options outstanding as at March 31, 2021:

Expiry Date	Number of Options	Exercise Price ($)	Number of Options Exercisable
May 15, 2022	50,000	0.10	50,000
July 8, 2021	400,000	0.20	400,000
May 20, 2022	4,975,000	0.17	2,500,000

The weighted average life of the options outstanding and exercisable at March 31,2021 is 1.07 years and weighted exercise price of $0.17 per stock option.

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Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Avg. Exercise Price ($)
Balance, January 1, 2020	**23,929,118**	**0.12**
Issued January 24, 2020	810,000	0.23
Issued February 4, 2020	890,000	0.23
Issued February 14, 2020	3,825,000	0.23
Issued June 9, 2020	147,059	0.23
Issued October 26, 2020	2,810,152	0.30
Issued December 29, 2020	2,666,800	0.30
Exercised	(6,416,667)	0.08
Balance December 31, 2020	**28,661,462**	**0.19**
Issued February 26, 2021	7,966,663	0.30
Exercised	(11,088,333)	0.14
Expired	(5,595,000)	0.13
Balance March 31, 2021	**19,944,792**	**0.27**

Warrants outstanding as at March 31, 2021 were as follows:

Expiry Date	Number of Warrants	Exercise Price ($)
April 30, 2021	785,000	0.13
December 27, 2021	44,118	0.23
January 24, 2022	810,000	0.23
February 4, 2022	890,000	0.23
February 14, 2022	3,825,000	0.23
June 9, 2022	147,059	0.23
October 26, 2022	2,810,152	0.30
December 29, 2022	2,666,800	0.30
February 26, 2023	7.966.663	0.30

The weighted average life of the warrants outstanding and exercisable at March 31, 2020 is 0.71 years.

Finder warrants

Summary of the finder warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, January 1, 2020	**1,086,000**	**0.09**
Issued January 24, 2020	64,800	0.17
Issued February 4, 2020	24,000	0.17
Issued October 26, 2020	34,004	0.30
Issued December 29, 2020	50,004	0.30
Exercised	(828,000)	0.11
Balance, December 31, 2020	**430,808**	**0.15**
Exercised	(186,000)	0.10
Balance March 31, 2021	**244,808**	**0.21**

Finder warrants outstanding as at March 31, 2021 were as follows:

Expiry Date	Number of Warrants	Exercise Price ($)
April 30, 2021	72,000	0.10
January 24, 2022	64,800	0.17
February 4, 2022	24,000	0.17
October 26, 2022	34,004	0.30
December 29, 2022	50,004	0.30

The weighted average life of the finder's warrants outstanding at March 31, 2021 is 0.91 years.

Loan payable

On September 17, 2019, the Company entered into a loan agreement for bridge financing up to a maximum amount of $1,000,000. Advances from the maximum amount shall be available in the form of draws from the credit facility. The initial advance of $250,000 was received on September 20, 2019. Each subsequent advance should be in the amount of at least $100,000. The credit facility is payable 18 months from the initial advance.

The lender had the option to convert all or any outstanding loan amount into common shares at a fixed price of $0.17 per common share up to maturity. The conversion feature on the initial advance of $250,000 was determined to $19,870, recorded to contributed surplus, using a debt discount rate of 20%.

During the year ended December 31, 2020, the Company received an additional $250,000 advance on the loan payable facility. The conversion feature on the additional advance of $250,000 was determined to $16,089, recorded to contributed surplus, using a debt discount rate of 20%.

On March 19, 2021, the loan payable with a face value of $500,000 was converted into 2,941,176 common shares at an exercise price of $0.17.

The Company also issued the lender 5,000,000 warrants to acquire one common share of the Company at an exercise price of $0.17 per common share for a period of two years. The warrants have a fair value of $101,542 using the Black Scholes model with the following assumptions: exercise price of $0.17, expected life of two years, volatility of 89% and risk free rate of 1.6%. The warrants have been treated as a debt issue costs and are amortized over the term of the loan.

The interest is calculated at the rate per annum as set out below:

Period:	Interest rate
to March 18, 2020	12%
March 19, 2020 to September 18, 2020	14%
September 19, 2020 to March 18, 2021	16%
As of March 19, 2021	18%

Commitments and contingencies

In the ordinary course of operating, the Company may from time to time be subject to various claims or possible claims. Management believes that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain, and management's view of these matters may change in the future.

Related party balances and transactions

Key management personnel remuneration comprises the Company's President and Chief Executive Officer and Chief Financial Officer.

For the three months ended March 31, 2021, the Company incurred related party expenses of $42,000 (three months ended March 31, 2020 - $49,000). These amounts related to salaries and employee benefits to the Company's Chief Executive Officer.

For the three months ended March 31, 2021, the Company incurred related party expenses of $19,250 (three months ended March 31, 2020 - $15,000). These expenses related to the payment of consulting fees to the Company's Chief Financial Officer.

At March 31, 2021, the Company has a balance receivable of $333,854 (December 31, 2020 - $302,254) from the entities controlled by a director of the Company.

At March 31, 2021, the Company has a balance payable of $106,033 (December 31, 2020 - $126,283) to a related party controlled by a director of the Company.

The amounts due from and to related parties in the normal course of business are unsecured, non-interest bearing and have no specific terms of repayment.

Cash held in trust and customer deposits and client funds

Acting as a paying agent, the Company had $8,174,919 in restricted funds on deposit and a corresponding liability for client deposits as at March 31, 2021 (December 31, 2020 - $6,153,784), which represents amounts received from customers to load on prepaid cards. Cash held in trust and customer deposits are segregated in separate bank accounts, controlled by the Company, from which the Company earns interest. The Company cannot utilize the cash held in trust and customer deposits outside the scope of the client contracts.

Off balance sheet arrangements
The Company does not have any off balance sheet arrangements

Risk factors
The fair value of cash, subscription receipt funds, trade receivables, loan receivable, due from related parties, accounts payable and accrued liabilities, and due from related party approximate their carrying values due to the relatively short-term nature of these financial instruments. The carrying value of the loan payable approximates its fair value as the interest rates are consistent with the current rates offered to the Company for loans with similar terms.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

Market risk
(i) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any financial instrument subject to floating interest rates; therefore, interest rate risk is considered low.

(ii) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at March 31, 2021, the Company had the following balances denominated in US dollars: Cash of $497,716 (December 31, 2020 - $5,833) and accounts payable and accrued liabilities of $58,220 (December 31, 2020 - $113,263). As at March 31, 2021, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate $55,594 increase or decrease, respectively, in net loss and comprehensive loss.

(iii) Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing with credit-worthy counterparties. The Company's exposure and credit ratings of counterparties is continuously monitored.

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward-looking factors, where appropriate.

All of the Company's cash are held with a major Canadian financial institution and thus the exposure to credit risk is considered insignificant. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to trade receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate cash reserves and loan facilities and by continuously monitoring forecast and actual cash flows. At March 31, 2021, the Company had a cash balance of $2,308,364 (December 31, 2020 – $285,853).

As at December 31, 2020, the Company had positive working capital of $2,054,818 (December 31, 2020 – negative working capital of $370,872). As at March 31, 2021, the Company has access to a line of credit of $60,000.

Internal controls over financial reporting and disclosure of controls and procedures

The Company's Chief Executive Officer and the Chief Financial Officer are responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in the Company's internal controls over financial reporting during the Company's most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Since the Company is in its infancy stage, it has not completed a full assessment of the adequacy of the controls but plans to have an assessment of its control environment completed by the second quarter of 2020.

Management of capital

At March 31, 2021, the Company's capital consists of the shareholders' equity in the amount of $3,238,286 (December 31, 2020 - $843,242).

The Company's capital management is designed to ensure that it has sufficient financial flexibility both in the short and long-term to support its financial obligations and the future development of the business.

The Company manages its capital with the following objectives:

a) Ensuring sufficient liquidity is available to support its financial obligations and to execute its operating strategic plans;
b) Maintaining financial capacity and flexibility through access to capital to support future development of the business;
c) Minimizing its cost of capital and considering current and future industry, market and economic risks and conditions; and
d) Utilizing short term funding sources to manage its working capital requirements and long term funding sources to match the long-term nature of the property, plant and equipment of the business.

Subsequent events
Additional common shares of 6,627,398 were issued in error in connection with the Company's listing on the CSE. In April 2021, 5,377,500 of these common shares were returned to treasury and cancelled (note 10).

Subsequent to March 31, 2021, the Company issued 2,435,353 common shares for warrants and options exercised for gross proceeds of $520,966.

Definitions – IFRS, Additional GAAP and NON-GAAP Measures

<u>IFRS Measures</u>
Cost of services
Cost of services consists of expenses related to servicing the customers instant pay and mobile banking solutions. These expenses include interchange and related network fees, ATM (Automated Teller Machine) fees, card set-up and printing costs and customer support expenses for resources directly associated with the cost of services.

Gross profit margin
Gross profit margin is revenue less cost of services.

Other operating expenses
Other operating expenses includes consultant & professional fees, legal expenses, travel & entertainment expenses, expected credit losses, marketing expenses, recruiting expenses, rent expense for office facilities, insurance, telecom expenses, office supplies and maintenance expenses.

Finance costs
Finance costs consist of interest charged on our long-term debt facility, amortization of deferred financing costs and accretion expense. The deferred financing costs are amortized using the effective interest method over the term of the loan.

<u>Additional GAAP Measures</u>
Loss from operations
Loss from operations exclude foreign exchange loss, income taxes, finance costs and change in fair value of derivative liability. We consider loss from operations to be representative of the activities that would normally be regarded as operating for the Company. We believe this measure provides relevant information that can be used to assess the performance of the Company and therefore, provides meaningful information to investors.