XTM Inc.

CSE: PAID, OTCQB: XTMIF, FSE: 7XT
www.XTMINC.com

Annual Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of XTM Inc. (the "Company" or "XTM") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the consolidated financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED 26th day of April, 2022

XTM INC.

Per:	*(signed) “Marilyn Schaffer”*	Per:	*(signed) “Paul Dowdall”*
	Name: Marilyn Schaffer		Name: Paul Dowdall
	Title: Chief Executive Officer		Title: Chief Financial Officer

Independent Auditor's Report

To the Shareholders of XTM Inc.:

Opinion

We have audited the consolidated financial statements of XTM Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Blair Michael Mabee.

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants

April 26, 2022

Licensed Public Accountants

Table of Contents

XTM Inc.

ANNUAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		December 31, 2021		December 31, 2020
Assets				
Current				
Cash (note 6)	**$**	**8,383,429**	$	285,853
Cash - restricted (note 18)		**25,977,434**		6,153,784
Receivables (note 15)		**868,858**		107,123
Sales taxes receivable		**-**		75,323
Prepaid expenses (note 7)		**113,863**		151,491
Due from related parties (note 12)		**333,854**		302,254
		35,677,438		7,075,828
Property and equipment (note 8)		**271,260**		125,753
Intangible assets (note 9)		**130,429**		225,420
Goodwill (note 5)		**920,000**		920,000
Total Assets	**$**	**36,999,127**	$	8,347,001
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**830,423**	$	634,159
Client deposits (note 18)		**25,977,434**		6,153,784
Sales tax payable		**12,610**		-
Due to related party (note 12)		**299,533**		126,283
Current portion of lease liabilities (note 10)		**90,070**		72,427
Government loan (note 19)		**60,000**		57,059
Loan payable (note 13)		**-**		460,047
		27,270,070		7,503,759
Long term portion of lease liabilities (note 10)		**86,868**		
Total Liabilities		**27,356,938**		7,503,759
Shareholders' Equity				
Share capital (note 11)		**17,366,594**		6,187,367
Contributed surplus (note 11)		**238,204**		341,861
Warrant reserve (note 11)		**3,262,537**		783,285
Accumulated deficit		**(11,225,146)**		(6,469,271)
		9,642,189		843,242
Total Liabilities and Shareholders' Equity	**$**	**36,999,127**	$	8,347,001

Commitments and contingencies (note 14)
Subsequent events (note 21)

APPROVED BY THE BOARD OF DIRECTORS: *"Marilyn Schaffer"* **Director** *"Cameron Chell"* **Director**

XTM Inc.
ANNUAL CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	For the twelve months ended	
	December 31, 2021	December 31, 2020
Revenue		
Gross revenue	**$ 2,387,514**	$ 975,008
Commissions and agent fees	**(6,867)**	(121,839)
Net revenue (note 20)	**2,380,647**	853,169
Cost of sales	**1,625,490**	770,662
Gross profit	**755,157**	82,507
Expenses		
Salaries and employee benefits (note 11)	**2,122,460**	1,104,332
Professional fees	**916,367**	402,114
Stock-based compensation (note 11)	**530,703**	972,809
Consulting	**546,100**	189,781
Marketing and promotion	**404,095**	664,854
Office and general	**385,156**	197,075
Depreciation and amortization (notes 7, 8)	**216,154**	167,846
Regulatory and listing fee	**161,535**	47,821
Bank charges, interest and accretion (note 13)	**159,141**	229,369
Travel, Meals and entertainment	**68,780**	37,594
Bad Debt and ECL (note 15)	**37,448**	2,507
	5,547,939	4,016,102
Loss from operations	**(4,792,782)**	(3,933,595)
Other income	**36,907**	336,178
Loss before income taxes	**(4,755,875)**	(3,597,417)
Income taxes	**-**	-
Net loss and comprehensive loss	**$ (4,755,875)**	$ (3,597,417)
Net loss per share - Basic and diluted	**$ (0.03)**	$ (0.04)
Weighted average number of shares outstanding - Basic and diluted	**141,723,786**	98,930,730

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

XTM Inc.
ANNUAL CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital					
	Number of Common Shares	Amount	Warrant Reserve	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
Balance, January 1, 2020	82,489,218	$ 3,079,603	$ 491,778	$ 100,631	$ (2,871,854)	$ 1,396,104
Subscription receipts (note 11)	3,825,000	595,945	-	-	-	-
Issue of shares (note 11)	7,324,011	1,135,543	-	-	-	1,135,543
Share issuance costs (note 11)	-	(66,098)	-	-	-	(66,098)
Warrants issued (note 11)	-	(401,702)	401,702	-	-	-
Finders' warrants issued (note 11)	-	(6,064)	6,064	-	-	-
Exercise of warrants (note 11)	7,244,667	788,611	(116,259)	-	-	672,352
Exercise of stock options (note 11)	4,275,000	373,303	-	(59,442)	-	313,861
Conversion feature (note 11)	-	-	-	16,089	-	16,089
Restricted stock units issued (note 11)	3,285,001	465,506	-	-	-	465,506
Stock-based compensation (note 11)	1,740,000	222,720	-	284,583	-	507,303
Additional common shares	6,627,398	-	-	-	-	-
Net loss for the year	-	-	-	-	(3,597,417)	(3,597,417)
Balance, December 31, 2020	**116,810,295**	**$ 6,187,367**	**$ 783,285**	**$ 341,861**	**$ (6,469,271)**	**$ 843,243**
Balance, January 1, 2021	116,810,295	$ 6,187,367	$ 783,285	$ 341,861	$ (6,469,271)	$ 843,243
Issue of shares (note 11)	31,652,419	10,142,063	-	-	-	10,142,063
Share issuance costs (note 11)	-	(1,176,976)	304,116	-	-	(872,860)
Warrants issued (note 11)	-	(2,803,913)	2,803,913	-	-	-
Warrants expired (note 11)	-	142,433	(142,523)			(90)
Exercise of warrants (note 11)	18,582,351	3,728,796	(486,254)	-	-	3,242,542
Exercise of stock options (note 11)	2,855,000	492,882	-	(140,132)	-	352,750
Expiration of stock options (note 11)	-	6,182	-	(6,182)	-	-
Loan conversion (note 11)	2,941,176	500,000	-	(35,959)	-	464,041
Stock-based compensation (note 11)	-	-	-	78,616	-	78,616
Restricted stock units issued (note 11)	369,686	147,760	-	-		147,760
Common shares cancelled (note 11)	(5,377,500)	-	-	-		-
Net loss for the year	-	-	-	-	(4,755,875)	(4,755,875)
Balance, December 31, 2021	**167,833,427**	**$ 17,366,594**	**$ 3,262,537**	**$ 238,204**	**$ (11,225,146)**	**$ 9,642,189**

XTM Inc.
ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the year ended December 31, 2021		2020
OPERATING ACTIVITIES				
Net loss	**$**	**(4,755,875)**	$	(3,597,417)
Items not affecting cash:				
Accretion of debt and debt discount of loan payable (note 13)		**3,994**		70,253
Amortization of intangible assets (note 9)		**103,991**		70,000
Depreciation of property and equipment (note 8)		**112,163**		97,846
Expected credit loss (note 15)		**17,853**		2,507
Government loan (note 19)		**2,941**		
Interest on lease liabilities (note 10)		**4,039**		10,584
Stock-based compensation (note 11)		**530,703**		972,809
		(3,980,191)		(2,373,418)
Changes in non-cash working capital:				
Accounts payable and accrued liabilities		**251,264**		(134,326)
Cash - restricted		**(19,823,650)**		(3,575,431)
Client deposits		**19,823,650**		3,575,431
Prepaid expenses		**37,628**		36,867
Sales taxes		**87,933**		(20,536)
Trade receivables		**(779,588)**		11,981
		(402,763)		(106,014)
Cash flows used by operating activities		**(4,382,953)**		(2,479,432)
INVESTING ACTIVITIES				
Purchase of property and equipment (note 8)		**(71,771)**		(11,982)
Purchase of intangible assets (note 9)				(170,000)
Cash flows used by investing activities		**(71,771)**		(181,982)
FINANCING ACTIVITIES				
Advance (to) from related parties (note 12)		**(31,600)**		(98,600)
Advances to related party (note 12)		**173,250**		(145)
Advances to loan receivable (note 13)		**-**		150,000
Advances from loan payable (note 13)		**-**		250,000
Loan conversion (note 11)		**-**		60,000
Units to be issued		**-**		(68,057)
Repayment of lease liabilities (note 10)		**(85,428)**		595,945
Proceeds from share issuances (note 11)		**9,773,737**		1,135,543
Share issuance costs (note 11)		**(872,860)**		(66,098)
Net proceeds from warrants (note 11)		**3,242,452**		672,352
Proceeds from exercise of options (note 11)		**352,750**		313,861
Cash flows from financing activities		**12,552,301**		2,944,801
Foreign exchange affecting cash				
Increase (decrease) in cash		**8,097,576**		283,387
Cash, beginning of year		**285,853**		2,466
Cash, end of year (note 6)	**$**	**8,383,429**	$	285,853

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

1. NATURE OF OPERATIONS

XTM Inc. (the "Company") was incorporated under the Ontario Business Corporations Act on December 1, 2005. The Company's main business is as a fintech innovator disseminating earned wages and gratuities access to service workers in the hospitality and personal care space. XTM is the originator of the Today™ Solution, a bespoke solution specifically designed for restaurateurs and personal care services operators and their staff. It is comprised of a free mobile app and a Visa or Mastercard debit card with free banking features. Currently the solution is used by thousands of restaurants, salons and staff across Canada and now entering the United States. The address of the Company's registered office is 67 Mowat Avenue, Suite 437, Toronto, Ontario, M6K 3E3, Canada.

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". The QB US listing supports broader investor interest as the business rapidly expands into the US market.

During the years ended December 31, 2021 and 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. 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. During the year ended December 31, 2020 and the year ended December 31, 2021, the Company received an aggregate of $331,620 as part of government assistance available during COVD-19 such as 10% Temporary Wage Subsidy and Canada Emergency Wage Subsidy programs. During the year ended December 31, 2020, the Company received the Canada Emergency Business Support loan of $60,000 (note 19). This loan is interest free if fully repaid on or before December 31, 2023. If the loan cannot be repaid by December 31, 2023, it will be converted into a 2-year term loan, charging an interest rate of 5% per annum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These audited annual consolidated financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of December 31, 2021. These audited annual consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS and IFRIC as issued by the IASB in effect as of December 31, 2020.

The accounting policies and methods of computation remain the same as presented in the audited annual consolidated financial statements for the year ended December 31, 2020.

There are no new IFRS and/or IFRIC pronouncements issued that are effective for the first time for this period that would be expected to have a material impact on the Company.

These annual consolidated financial statements have been approved by the Board of Directors on April 22, 2022.

Basis of presentation
These consolidated financial statements have been prepared on a historical cost basis.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the year.

Principles of consolidation
The consolidated financial statements include the accounts of the Company's wholly owned subsidiary XTM USA Inc. ("XTM USA"). Subsidiaries are all entities over which the Company has the power, is exposed, or has rights to variable returns from its involvement and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date of creation or acquisition by the Company. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Intercompany transactions, balances and unrealized gains or losses between subsidiaries are eliminated in the preparation of the consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the reporting Company using consistent accounting policies.

Foreign currency translation
(a) Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The Company's sole subsidiary, XTM USA Inc., is presented in US dollars on an unconsolidated basis, and translated to the Company's presentation currency for consolidated reporting.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss and comprehensive loss.

Property and Equipment
All items of property and equipment are stated at historical cost, less any accumulated depreciation and accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Depreciation is recognized in profit or loss on a basis that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Methods of depreciation are as follows:

	Rate	**Method**
Computer equipment	45%	Diminishing-balance
Furniture and fixtures	20%	Diminishing-balance
Servers and hardware	30%	Diminishing-balance
Leasehold improvements	n/a	Straight line over term of the lease
Telephone equipment	20%	Diminishing-balance
Right-of-use assets	n/a	Over term of lease in accordance with IFRS 16

Depreciation methods, useful lives, and residual values are reviewed at reporting period date and adjusted as appropriate.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Intangible assets
Software platform with finite useful lives is measured at acquisition cost. They are amortized on a straight-line basis over their useful life, which is 3.5 years for software platform, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

Provisions
A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Share capital
Share capital is presented at the value of the shares issued. Costs related to issuing shares are reported net of tax as a deduction of the proceeds from the issue.

Cash held in trust and customer deposits and client funds
Cash in trust and customer deposits are amounts held by the Company at various financial institutions for settlement of clients' funds payable. Client funds are amounts owing on behalf of clients for prepaid debit cards.

Impairment of non-financial assets
The Company assesses the carrying amount of non-financial assets including property and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs of disposal of the asset. The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset. Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset in an arm’s length transaction. This is often accomplished by using a discounted cash flow technique.

Impairment is assessed at the cash-generating unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs. The carrying amounts of assets of the corporate head office that have not been allocated to a CGU are compared to their recoverable amounts to determine if there is any impairment loss.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

Share based payments

The Company has stock option and restricted share unit ("RSU") plans that are described in Note 11. The granting of stock options and / or RSU's represents a benefit given to employees of the Company, which include others providing similar services, and non-employees and constitutes additional compensation to be borne by the Company.

Options issued to employees are valued at the date of the grant using the Black Scholes option pricing model and are included in the consolidated statements of loss and comprehensive loss over each tranche's vesting period and credited to the contributed surplus.

RSU's issued to employees are valued at the date of the grant and are included in the consolidated statements of loss and comprehensive loss over each tranche's vesting period and reclassified to share capital when settled.

Share based payments issued to non-employees are valued at the fair value of the goods and services received, unless they cannot be reliably measured, then the Black Scholes option pricing model is used. The expense is included in the consolidated statements of loss and comprehensive loss over each tranche's vesting period which represents the period over which the services have been received and credited to the contributed surplus.

Income (Loss) per share

Basic income (loss) per share amounts is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated using the treasury method, which assumes that all outstanding stock option grants and warrants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period. As at December 31, 2021 and 2020, all convertible instruments are anti-dilutive.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Revenue Recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized as follows:

1. Identify the contract with a customer,
2. Identify the performance obligations in the contract,
3. Determine the transaction price, which is the total consideration provided by the customer,
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values, and
5. Recognize revenue when the relevant criteria are met for each performance obligation.

The Company recognizes revenue at the time persuasive evidence of an agreement exists, price is fixed and determinable, the delivery has occurred, and collectability is reasonably assured. The Company's revenues are primarily generated from financial service fees charged to cardholders and merchants accepting the cards for payment. Revenue from financial services is generated from multiple sources including transaction fees, cardholder fees, load fees and interchange fees. These fees are recognized on the transaction date. Funds received from customers are held as restricted funds and the corresponding amount of funds available for use are recorded as a liability. Fees charged for card program, website and card design are recognized when services are performed or when the product is transferred to the customer. Based on the terms of service of the program, the Company is eligible to claim the funds on a card which has expired, and for which the holder has not requested a refund after a certain period. The Company reviews funds eligible to claimed monthly and recognizes 100% of the eligible funds in revenue as an immaterial number of expired cardholders request refunds, and individual balances are minimal.

Financial instruments

(a) Classification

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The primary measurement categories for financial instruments are measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit and loss (“FVTPL”).

The accounting policy and the classification and measurement bases of the financial instruments as disclosed in the consolidated financial statements are:

Financial Instrument	**Classification /Measurement**
Cash	Amortized cost
Cash held in trust and customer deposits	Amortized cost
Trade receivables	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Client funds	Amortized cost
Due to related party	Amortized cost
Government loan	Amortized cost
Loan payable	Amortized cost

(b) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

(c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Company recognizes in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

Compound financial instrument
Certain financial instruments comprise a liability and an equity component. The various components of these instruments are accounted for in equity and borrowings and other financial liabilities according to their classification. The component classified as borrowings and other financial liabilities is valued at issuance at the present value (taking into account the credit risk) of the future cash flows of an instrument with the same characteristics (maturity, cash flows) but without any option for conversion or redemption in shares. The component classified as equity is defined as the difference between the fair value of the instrument and the fair value of the financial liability component.

Government grants
Government grands are assistance from the government in the form of transfer of resources for past or future compliance with certain conditions relating to the operating activities of the Company. The Company recognizing government grants when there is a reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The government grants are recorded as “Other income”.

Leases
IFRS 16 requires operating leases to be recognized on the statement of financial position as a right-of-use asset and as a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is then to be allocated between the lease liability and finance cost, with the finance cost charged to comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is to be depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are to be initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is to be used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. After initial measurement, the liability would be reduced for payments made and increased for interest and remeasured to reflect any reassessment or modifications, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is to be reflected in the right-of-use asset, or comprehensive loss if the right-of-use asset is already reduced to zero. The right of use asset is recorded at the amount of the lease liability adjusted by the amount of any previously recognized prepaid or accrued lease payments related to that lease. Payments associated with short-term leases (12 months or less) and leases of low-value assets (less than USD $5,000) can continue to be recognized on a straight-line basis as an expense in comprehensive loss. In some cases, the fair value of the underlying asset or the initial direct costs of the lessor may not be available to the lessee in which case a lessee will default to using its incremental borrowing rate. This borrowing rate must reflect comparable characteristics to the lease (similar term, with a similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment). Instead of requiring a lessee to determine the incremental borrowing rate for every single lease, IFRS 16 allows a lessee to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. When measuring lease liabilities, the Company adopted the following practical expedients: the adoption of the portfolio methodology discounting lease payments using an incremental borrowing rate of 13%, and inclusion of non-lease components which consists of ancillary costs that are directly related to the lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Going concern
The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The assessment of going concern involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Useful life of tangible and intangible assets
The depreciation and amortization methods applied are reviewed at year end. If there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate. Considering the future development plans and estimation of benefits derivable from tangible and intangible assets, management has assessed no changes in useful lives during the current year.

Impairment
Management assesses impairment of non-financial assets such as goodwill, intangible assets and property and equipment. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") based on expected future cash flows. The Company has applied judgment in its assessment of the appropriateness of the determination of CGU's.

Goodwill is subject to impairment testing on an annual basis. The Company performed its annual assessment of goodwill impairment as at December 31st, 2021. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. In addition, at each reporting period, the Company reviews whether there are any indicators that the recoverable amount of intangible assets and property and equipment may be less than their carrying amount.

Goodwill, intangible assets and property and equipment were reviewed for impairment by determining the recoverable amount of each CGU or groups of CGUs to which the goodwill, intangible assets or property and equipment relate. Management estimated the recoverable amount of the CGUs based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates.

Allowances for expected credit losses
The Company is exposed to credit risk associated with its trade receivables. Management reviews the trade receivables at each reporting date in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs. The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

Share-based payments
The fair value of all share-based payments granted are determined using the Black-Scholes option pricing model which incorporates assumptions regarding risk-free interest rates, dividend yield, expected volatility, estimated forfeitures, and the expected life of the options.

4. BASIS OF CONSOLIDATION

SUBSIDIARIES AND INVESTMENTS WITH CONTROLLING INTERESTS

Subsidiaries are those entities which the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect these returns through its power over the investee. The Company consolidates entities that meet the definition of control. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Company.

Investments, when applicable, held by non-controlling shareholders in the Company's equities and results are respectively presented in the "non-controlling interests" item of the consolidated statements of financial position and of the consolidated statement of loss and comprehensive loss. The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated statements of loss and comprehensive loss from the effective date of acquisition or until to the effective date of disposal, as appropriate.

Subsidiaries and investments included within these consolidated financial statements include:

Name of Subsidiary and / or Investment	Place of Incorporation	Ownership Interest	Functional Currency	Status
XTM Inc.	Ontario, Canada	100%	CAD	Active
XTM USA Inc.	Delaware, United States	100%	USD	Active

The Company segments its operations by revenue stream (note 21) and therefore does not provide a breakout by geography as the operations of XTM USA Inc. were determined to be immaterial as at December 31, 2021.

5. GOODWILL

The Company has determined that it has one CGU. The Company completed its annual goodwill and intangible assets impairment testing on December 31, 2021 and determined that the intangible assets and goodwill amounts were not impaired based on a discounted cash flow model utilizing an estimate revenue growth range of 10% to 420% through 2026 (2020 – 2% - 220%), long-term growth rate of 2.0% (2020 – 2.0%) and an after tax weighted average cost of capital of 29.90% (2020 – 29.9%).

The cash flow projections used in estimating the recoverable amounts are generally consistent with results achieved historically adjusted for anticipated growth. The Company believes that any reasonably possible change in key assumptions on which the recoverable amounts were based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

6. CASH AND EQUIVALENTS

Cash and equivalents are comprised of bank balances at major Canadian financial institutions. Transaction costs are expensed when incurred. As at December 31, 2021, the Company held the totals below in cash, and is not currently utilizing money market instruments (December 31, 2020; $nil).

	As at December 31, 2021	As at December 31, 2020
Cash consists of:		
CAD Operating account	**$8,324,943**	$370,007
CAD Funds in transit	**(170,363)**	(91,581)
USD Operating account	**114,699**	7,427
USD Funds in transit	**114,151**	0
	$8,383,429	$285,853

7. PREPAID EXPENSES

The Company's prepaid expenses are comprised of the following amounts:

	As at December 31, 2021	As at December 31, 2020
Prepaid expenses consist of:		
Prepaid Insurance	**$9,258**	$6,115
Debit Cards	**$23,054**	**-**
Prepaid Consulting Services	**81,551**	145,376
	$113,863	$151,491

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8. PROPERTY AND EQUIPMENT

A continuity of the property and equipment, including finance leases for the years ended December 31, 2021 and 2020, is as follows:

Cost	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Right-of-use asset	Leasehold Improve-ments	Telephone Equipment	Total
Balance as at January 1, 2020	**$31,997**	**$69,687.00**	**$25,000**	**$195,895**	**$91,303**	**$8,707**	**$422,589**
Additions	*$11,494*	*$488*	*$0*	*$0*	*$0*	*$0*	***$11,982***
Balance as at December 31, 2020	$43,491	$70,175	$25,000	$195,895	$91,303	$8,707	**$434,571**
Additions	*$45,380*	*$19,812*	*$0*	*$192,477*	*$0*	*$0*	***$257,669***
Balance as at December 31, 2021	**$88,871**	**$89,987**	**$25,000**	**$388,372**	**$91,303**	**$8,707**	**$692,240**
Accumulated Depreciation							
Balance as at January 1, 2020	($23,761)	($44,169)	($10,125)	($67,243)	($58,082)	($7,592)	**($210,972)**
Depreciation	($4,059)	($4,771)	($3,985)	($67,520)	($17,302)	($207)	**($97,844)**
Balance as at December 31, 2020	($27,820)	($48,940)	($14,110)	($134,763)	($75,384)	($7,799)	**($308,816)**
Depreciation	($17,262)	($6,229)	($3,266)	($69,306)	($15,919)	($182)	**($112,163)**
Balance as at December 31, 2021	**($45,082)**	**($55,168)**	**($17,377)**	**($204,069)**	**($91,304)**	**($7,981)**	**($420,980)**
Carrying Amount							
Balance as at December 31, 2020	$15,671	$21,234	$10,890	$61,132	$15,919	$908	**$125,753**
Balance as at December 31, 2021	**$43,789**	**$34,818**	**$7,623**	**$184,303**	**$0**	**$727**	**$271,260**

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9. INTANGIBLE ASSETS

A continuity of the intangible assets for the years ended December 31, 2021 and 2020, is as follows:

	Software Platform
Cost	$
Balance as at January 1, 2020	245,000
Additions	170,000
Balance as at December 31, 2020	$415,000
Additions	$9,000
Balance as at December 31, 2021	$424,000
Accumulated Amortization	
Balance as at January 1, 2020	(119,580)
Amortization	(70,000)
Balance as at December 31, 2020	($189,580)
Amortization	(103,991)
Balance as at December 31, 2021	**($293,571)**
Carrying Amount	
Balance as at December 31, 2020	$225,420
Balance as at December 31, 2021	**$130,429**

On July 11, 2021 the Company purchased intellectual property pertaining to software the Company is utilizing as part of its Today platform to be launched in Q2 2022 (note 11 vii).

10. LEASE LIABILITIES

A continuity of the Company's lease liabilities, which consist of an office lease and vehicle lease, is as follows:

Balance, January 1, 2020	129,901
Repayment of lease liability	(68,081)
Interest expense on lease liability	10,607
Balance, December 31, 2020	$72,427
Additions	$185,899
Repayment of lease liability	(85,428)
Interest expense on lease liability	4,039
Balance, December 31, 2021	**$176,937**
Lease liabilities due within one year	90,070
Lease liabilities – long term	86,868
Total lease liabilities	$176,937

The Company extended its lease at its head office in Canada for a period of 2 years commencing December 1, 2021. Total annual payments inclusive of taxes are $135,232.50, and the Company applied a discount rate of 13% to determine the asset value noted above.

The Company makes variable lease payments for property tax, insurance, parking, and maintenance on the office lease. During the year ended December 31, 2021, the Company recorded an expense of $10,096 for the variable lease payments (December 31, 2020 = $27,313).

11. CAPITAL STOCK

Share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares.

Shares issued and outstanding	Number of common shares	$
Shares issued and outstanding as at January 1, 2020	**82,489,218**	**3,079,603**
Shares issued in private placements (i)	7,324,011	1,135,543
Share issuance costs, including broker warrants (i)	-	(72,162)
Allocation to warrants (i) (ii)	-	(401,702)
Shares issued for subscription receipts (ii)	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	3,285,001	465,506
Additional common shares (iii)	6,627,398	-
Shares issued and outstanding as at December 31, 2020	**116,810,295**	**6,187,367**
Shares issued in private placements (v)(ix)	31,652,419	**10,142,063**
Share issuance costs, including broker warrants (v)	-	**(1,176,976)**
Allocation to warrants (v)	-	**(2,803,913)**
Shares issued for the exercise of warrants	18,582,351	**3,728,796**
Warrants expired	-	**142,433**
Options expired	-	**6,182**
Shares issued for the exercise of stock options	2,855,000	**492,882**
Shares issued for loan conversion (vi)	2,941,176	**500,000**
Restricted share units issued	369,686	**147,760**
Common shares cancelled (iii)	(5,377,500)	-
Shares issued and outstanding as at December 31, 2021	**167,833,427**	**17,366,594**

Year ended December 31, 2020

(i) On January 24, 2020, the Company issued 810,000 units at $0.17 per unit for gross proceeds of $137,700. Each unit consists 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 unit consists 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 unit consists 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 unit consists 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 unit consists 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.

(ii) 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 consolidated statements 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.

(iii) 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.

Year ended December 31, 2021

(iv) On January 1, 2021, the Company issued 2,000,000 unrestricted shares to its Chief Executive Officer which vested immediately upon their grant. The shares issued had a fair value of $300,000 based on the prior 15 day volume weighted average closing price per common share. The expense is recorded in stock-based compensation on the consolidated statement of loss and comprehensive loss.

(v) 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.

(vi) 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. In September 2019, 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 (note 14); the full allotment of warrants were executed in March 2021.

(vii) On July 7, 2021, the Company issued 25,000 shares for the purchase of intellectual property pertaining to software the Company is utilizing as part of its tip pooling software to be launched in Q2 2022.

(viii) On July 26, 2021, the Company settled a claim raised by one of its suppliers totaling $55,000 by issuing 137,500 units at a share price of $0.40.

(ix) On October 4, 2021, the Company issued 21,523,256 units at $0.40 per unit for gross proceeds of $8,609,302. Each unit consists of one common share and one common shares purchase warrant exercisable for a period of three years at $0.65 per common share. The Company issued 1,721,860 finder warrants entitling the holder to acquire one additional common share of the Company at a price of $0.65 per share for a period of three years. The fair value of warrants was $2,420,460 and finder warrants of $304,116 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.538%, expected life of 3 years and stock price volatility of 89% with zero dividend yield.

During the year ended December 31, 2021, the Company incurred share issuance costs of $872,860.

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 consolidated statements 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 consolidated statements of loss and comprehensive loss.

On May 20, 2021, the Company granted 150,000 RSUs to a Board director, of which 6,250 vest monthly until September 2021, after which all remaining RSUs shall vest on September 24, 2021. The RSUs issued had a grant date fair value of $54,000 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

On June 11, 2021, the Company issued 319,686 RSUs to its Chief Financial Officer, an executive of the Company, and a consultant. The RSUs issued to the Chief Financial Officer vest over a 12-month period, whereas the RSU's issued to the Company executive and consultant vested immediately upon their grant. The RSUs issued had a grant date fair value of $75,510 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

On July 7, 2021, the Company granted a board member 350,000 RSU's, 50,000 of which vested upon grant with the remaining vesting in tranches of 100,000 on August 31, 2021, September 30, 2021, December 31, 2021.

On August 31, 2021, the Company cancelled 150,000 RSU's previously granted to the Company's Chief Financial Officer on June 11, 2021.

On August 31, 2021, the Company cancelled 300,000 of 350,000 RSU's previously granted to a board member.

Escrow shares

As at December 31, 2021, 3,915,250 (December 31, 2020 – 4,521,150) 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.

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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.

	Number of Options	Weighted Average Exercise Price
Balance outstanding, January 1, 2020	**5,905,000**	**$0.09**
Granted	5,000,000	$0.17
Exercised	(4,275,000)	$0.09
Balance outstanding, December 31, 2020	**6,630,000**	**$0.15**
Granted		
Expired	(400,000)	$0.20
Exercised	(2,855,000)	$0.12
Balance outstanding, December 31, 2021	**3,375,000**	**$0.17**

On May 20, 2020, the Company issued 5,000,000 stock options to directors, management, employees, and consultants. The options have an exercise price of $0.17 and expiry of two years. The options vest 25% on grant date and an additional 25% each 6 months after grant date.

On November 1, 2020, the Company extended 1,000,000 stock options to March 1, 2021 and 180,000 stock options to March 31, 2021. The Company recorded an incremental fair value of $8,400 to stock-based compensation for the year ended December 31, 2020.

During the year ended December 31, 2021, 2,855,000 stock options were exercised and 400,000 expired.

The Company did not issue any additional stock options during the year ended December 31, 2021.

During the year ended December 31, 2021, the Company recorded $530,703 in stock-based compensation (December 31, 2020; $972,809) related to stock options issued.

The fair value of stock options was determined using the Black Scholes model with the following assumptions:

	December 31, 2021	December 31, 2020
Share price	n/a	$0.16
Exercise price	n/a	$0.17
Term	n/a	2 years
Dividend rate	n/a	0%
Risk-free rate	n/a	1.72%
Volatility	n/a	89%
Forfeiture rate	n/a	0%

Details of options outstanding as at December 31, 2021:

Expiry Date	Number of Options Granted	Exercise Price ($)	Number of Options Exercisable
May 15, 2022	50,000	0.10	50,000
May 20, 2022	5,000,000	0.17	3,325,000

The weighted average life of the options outstanding at December 31, 2021 is 0.38 years and weighted average exercise price of $0.17 per stock option.

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
Issued October 4, 2021	21,523,256	0.65
Exercised	(18,018,351)	0.17
Expired	(5,804,118)	0.14
Balance December 31, 2021	34,328,912	**0.36**

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

Expiry Date	**Number of Warrants**	**Exercise Price ($)**
24-Jan-22	360,000	0.23
04-Feb-22	640,000	0.23
14-Feb-22	225,000	0.23
09-Jun-22	147,059	0.23
26-Oct-22	1,666,799	0.30
29-Dec-22	2,666,800	0.30
26-Feb-23	7,099,998	0.30
27-Sept-23	21,523,256	0.65

The weighted average life of the warrants outstanding and exercisable at December 31, 2021 is 1.45 years.

Finder Warrants

Summary of the finder warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance December 31, 2020	**430,808**	**0.15**
Exercised	(186,000)	0.10
Balance March 31, 2021	**244,808**	**0.21**
Exercised	(72,000)	0.10
Balance June 30, 2021	**172,808**	**0.20**
Issued	274,941	0.22
Exercised	(153,000)	0.22
Balance September 30, 2021	**294,749**	**0.21**
Issued	1,865,860	0.62
Exercised	(153,000)	0.22
Balance December 31, 2021	**2,007,609**	**0.59**

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

Expiry Date	Number of Warrants	Exercise Price ($)
24-Jan-22	177,741	0.17
04-Feb-22	24,000	0.17
26-Oct-22	34,004	0.30
29-Dec-22	50,004	0.30
27-Sept-23	1,210,836	0.65
23-Nov-23	511,024	0.65

The weighted average life of the finder's warrants outstanding at December 31, 2021 is 1.82 years.

12. RELATED PARTY BALANCES AND TRANSACTION

(i) **Key management personnel:**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive and non-executive members of the Company's Board of Directors, its CEO, and its CFO.

Remuneration attributed to key management personnel can be summarized as follows:

	December 31, 2021	For the year ended December 31, 2020
	$	$
Management salaries, bonuses, and other benefits	479,512	242,000
Share-based payments - Management	300,000	171,128
Share-based payments - Directors	81,750	-
Other renumeration - Directors	35,295	-
Total	**896,557**	**413,128**

(ii) **Due to / from related parties:**

At December 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 December 31, 2021, the Company has a balance payable of $63,533 (December 31, 2020 - $126,283) to a related party controlled by a director of the Company.

At December 31, 2021, the Company has recorded accrued but unpaid salary of $136,000 (December 31, 2020 - $nil) pertaining to the CEO of the Company.

At December 31, 2021, the Company had a balance payable of $100,000 (December 31, 2020 - $nil) owing to the CEO 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.

13. 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 be $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 be $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 (note 12).

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 warrants were executed in full in March 2021.

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%

As at	December 31, 2021	December 31 2020
	$	**$**
Opening balance	**460,047**	152,942
Advances	**-**	250,000
Conversion feature	**35,959**	(16,089)
Accretion expense	**3,994**	73,194
Loan Conversion	**(500,000)**	
Ending balance	**-**	460,047

On June 22, 2021, the Company entered into a loan agreement with an arm's length party in the amount of $2,000,000 with no interest bearing and no specified terms of repayment. On July 2, 2021, management deemed that the loan amount was not required by the Company at the time, and the loan was repaid in full (see note 16c).

14. 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash, trade receivables, government loans, due from related parties, accounts payable and accrued liabilities, and due to related party approximate their carrying values due to the relatively short-term nature of these financial instruments. The carrying value of the loan payable and government loan 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.

(a) 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 December 31, 2021, the Company had the following balances denominated in US dollars: Cash of $180,509 (December 31, 2020 - $5,833), accounts receivable of $200,000 (December 31, 2020 - $nil), and accounts payable and accrued liabilities of $91,474 (December 31, 2020 - $113,263) yielding net assets of $289,035. As at December 31, 2021, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate $36,644 increase or decrease, respectively, in net loss and comprehensive loss.

(iii) Other price risks
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.

(b) 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's maximum exposure to credit risk for its trade receivables is summarized as follows:

	December 31, 2021	December 31, 2020
	$	$
Trade receivables aging:		
0-30 days	**299,238**	93,884
31-90 days	**344,654**	6,428
Greater than 90 days	**104,568**	10,811
	748,459	111,123
Provision for expected credit losses	**(17,853)**	(4,000)
Net trade receivables	**730,607**	107,123
Other Receivables	**109,301**	-
Total Receivables	**839,908**	107,123

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.

(c) 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 December 31, 2021, the Company had a cash balance of $8,383,429 (December 31, 2020 - $285,853).

Maturity analysis of liabilities which are due in next twelve months can be summarized as follows:

	At December 31, 2021	At December 31, 2020
	$	$
Accounts payable and accrued liabilities	**830,423**	634,159
Due to related party	**299,533**	126,283
Loan Payable	**-**	460,047
Sales Tax Payable	**12,610**	-
Lease payments	**90,070**	72,427
Total	**1,232,636**	1,292,916

As at December 31, 2021, the Company had positive working capital of $8,407,368 (December 31, 2020 – negative working capital of $427,931). As at December 31, 2021, the Company has access to a line of credit of $60,000.

As at the July 2, 2021, the Company had paid back in full an outstanding short-term, non-interest bearing loan payable of $2,000,000 from an arm's length party as the loan was deemed unnecessary by management (refer to note 14).

16. MANAGEMENT OF CAPITAL

At December 31, 2021, the Company's capital consists of the shareholders' equity in the amount of $9,642,189 (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.

17. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 – 26.5%) to the effective tax rate as follows:

As at	December 31, 2021	December 31, 2020
	$	$
Net Income (Loss) before recovery of income taxes	(4,755,871)	(3,597,417)
Expected income tax (recovery) expense	(1,260,310)	(953,320)
Share based compensation and other non-deductible expenses	105,260	259,160
Share issuance cost booked directly to equity	(321,430)	(14,860)
Change in tax benefits not recognized	1,476,480	(709,020)
Income taxes	**0**	**0**
The Company's income tax (recovery) is allocated as follows:		
Current tax (recovery) expense	0	0
Deferred tax (recovery) expense	0	0
	0	0

Deferred Tax

As at	December 31, 2021	December 31, 2020
	$	$
Deferred tax assets		
Lease Liability	46,890	16,200
Share issuance costs	0	10,530
Operating tax losses carried forward	1,950	
Total deferred tax assets	48,840	26,730
Deferred tax liabilities		
Right-of-use assets	(48,840)	(16,200)
Loan payable		(10,530)
Total deferred tax liabilities	**(48,840)**	**(26,730)**
Net deferred tax liability	0	0

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

As at	December 31, 2021	December 31, 2020
	$	**$**
Property and equipment	138,290	95,440
Intangible assets	293,570	189,580
Lease liabilities	-	16,920
Government loan	20,000	17,060
Share issuance cost	1,115,600	214,100
Reserves	17,850	-
Non-capital losses carried forward	9,757,010	5,236,480
Charitable donations carry forward	750	-
Income taxes	**11,343,079**	**5,769,580**

The Canadian non-capital loss carry-forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2025. The remaining deductible differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

Year	$
2038	808,850
2039	1,925,960
2040	2,504,670
2041	4,517,530
	9,757,010

18. RESTRICTED CASH AND CLIENT DEPOSITS

Acting as a paying agent, the Company had $25,977,434 in restricted cash on deposit and a corresponding liability for client deposits as at December 31, 2021 (December 31, 2020 - $6,153,784) which represents amounts received from clients to load on prepaid cards. Restricted cash is segregated in separate bank accounts, controlled by the Company, from which the Company earns interest. The Company cannot utilize the client deposits outside the scope of the client contracts.

19. GOVERNMENT LOAN

On April 21, 2020, the Company received a $40,000 Canada Emergency Business Account ("CEBA") loan from the Government of Canada. On December 16, 2020, the Company received an additional $20,000 CEBA loan. Both loans are unsecured and interest-free until December 31, 2023, at which time the remaining balance will convert to a 2-year term loan at an interest rate of 5% per annum. If the balance of the loans is repaid on or before December 31, 2023, there will be a loan forgiveness of up to 33% or $20,000. On initial recognition, the loans were recorded at fair value using a discount rate of 10%, the discount of $4,558 has been recognized as other income – government assistance in the consolidated statements of loss and comprehensive loss. The Company has since determined it does not qualify for loan forgiveness as this only applies to Canadian Controlled Private Corporations (CCPC's) and therefore has recorded Other Expense of $2,941 to correct the balance previously recorded in 2020.

As at	December 31, 2021 $	December 31, 2020 $
Opening balance	57,059	-
Advances	-	60,000
Discount for interest free period – government assistance	-	(4,558)
Interest accretion	(2,941)	1,617
Ending balance	60,000	57,059

20. REVENUES

The Company generates revenue through three distinct streams:

1) Card holder transactions consisting of merchant transactions resulting in interchange revenue, and fee revenue for ATM withdrawals and electronic fund transfers.
2) Program Management which consists of one-time and recurring fees charged to clients for bespoke program support and platform licensing, recurring fixed fees not tied to client transactions, and development support fees.
3) Procurement and fulfillment of Today debit cards to the clients for use by card holders.

Revenues for the year's ended December 31, 2021, and 2020 are as follows:

		For the year ended
	December 31, 2021	December 31, 2020
Transaction Revenue	1,127,900	459,116
Program Management	642,676	94,422
Card revenue	610,072	299,631
Net Revenue	$2,380,647	$853,169

21. SUBSEQUENT EVENTS

The Company had no material subsequent events occur after the reporting period, but prior to the finalization of the audited annual consolidated financial statements.