XTM Inc.

Financial Statements
For the years ended December 31, 2019 and 2018

Management's Responsibility for Financial Statements

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

The 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 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 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 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 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 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 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 financial statements together with other financial information of the Company for issuance to the shareholders. The financial statements have been audited by MNP LLP. Their report outlines the scope of their examination and opinion on the financial statements.

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 17th day of June 2020

XTM INC.

Per: *(signed) "Marilyn Schaffer"*
Name: Marilyn Schaffer
Title: Chief Executive Officer

Per: *(signed) "Olga Balanovskaya"*
Name: Olga Balanovskaya
Title: Chief Financial Officer

Independent Auditor's Report

To the Shareholders of XTM Inc.:

Opinion

We have audited the financial statements of XTM Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 20 to the financial statements, which explains that certain comparative information for the year ended December 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the year ended December 31, 2018 excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those financial statements on August 30, 2019

As part of our audit of the financial statements for the year ended December 31, 2019, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 2018. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed 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.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

June 17, 2020 — Licensed Public Accountants

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XTM Inc.

STATEMENTS OF FINANCIAL POSITION

As at		December 31, 2019		December 31, 2018 Restated (Note 20)
Assets				
Current				
Cash (note 5)	**$**	**2,466**	$	368,937
Subscription receipt funds (note 10)		**595,945**		-
Cash held in trust and customer deposits (note 18)		**2,578,353**		2,801,010
Trade receivables		**121,611**		139,800
Sales taxes receivable		**54,787**		-
Prepaid expenses (note 6)		**188,358**		59,872
Loan receivable (note 11)		**150,000**		44,675
Due from related parties (note 12)		**203,654**		600,260
		3,895,174		4,014,554
Property and equipment (note 7)		**211,617**		67,240
Intangible assets (note 8)		**125,420**		195,420
Goodwill (note 4)		**920,000**		920,000
Total Assets	**$**	**5,152,211**	$	5,197,214
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**768,484**	$	127,384
Client funds (note 18)		**2,578,353**		2,801,010
Due to related party (note 12)		**126,428**		126,616
Current portion of lease liabilities (note 9)		**66,571**		-
Sales taxes payable		**-**		21,573
		3,539,836		3,076,583
Lease liabilities, net of current portion (note 9)		**63,330**		-
Loan payable (note 13)		**152,942**		-
Total Liabilities		**3,756,108**		3,076,583
Shareholders' Equity				
Share capital (note 10)		**3,079,603**		2,670,459
Contributed surplus (note 10)		**100,631**		72,317
Warrant reserve (note 10)		**491,778**		239,532
Subscription receipts (note 10)		**595,945**		-
Accumulated deficit		**(2,871,854)**		(861,677)
		1,396,103		2,120,631
Total Liabilities and Shareholders' Equity	**$**	**5,152,211**	$	5,197,214

Commitments and contingencies (note 14)
Subsequent events (note 19)

APPROVED BY THE BOARD OF DIRECTORS:	*"Marilyn Schaffer"*	*"Paul Haber"*
	Director	**Director**

The accompanying notes are an integral part of the financial statements.

XTM Inc.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	For the year ended December 31, 2019	2018 Restated (Note 20)
Revenue		
Gross prepaid card revenue	$ **1,051,786**	$ 723,594
Commissions and agent fees	(188,491)	(59,719)
Net revenue	**863,295**	663,875
Cost of sales	652,093	451,677
Gross profit	**211,202**	212,198
Expenses		
Salaries and employee benefits (note 12)	858,811	476,814
Professional fees	378,851	73,838
Depreciation and amortization (notes 7, 8)	170,120	73,885
Consulting (note 12)	306,422	107,585
Office and general	136,252	96,405
Bank charges, interest and accretion (note 13)	72,050	10,801
Marketing and promotion	55,758	31,338
Expected credit losses (note 15)	72,773	46,028
Rent	75,210	76,001
Travel	43,720	77,392
Insurance	16,138	9,615
Telephone	14,678	15,703
Meals and entertainment	12,152	13,736
Stock-based compensation (note 10)	8,444	72,317
	2,221,379	1,181,458
Loss from operations	**(2,010,177)**	(969,260)
Other income (expense)	-	(25)
Loss before income taxes	**(2,010,177)**	(969,285)
Income taxes (note 17)	-	299
Net loss and comprehensive loss	$ **(2,010,177)**	$ (969,584)
Net loss per share - Basic and diluted	$ **(0.02)**	$ (0.02)
Weighted average number of shares outstanding - Basic and diluted	**80,850,548**	50,275,075

The accompanying notes are an integral part of the financial statements.

XTM Inc.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2019 and 2018

	Share Capital						
	Number of Common Shares	Amount	Subscription Receipts	Warrant Reserve	Contributed Surplus	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Balance, January 1, 2018	100	$ 100	$ -	$ -	$ -	$ 107,907	$ 108,007
Issue of shares (note 10)	34,970,000	1,861,000	-	-	-	-	1,861,000
Common shares issued for business combination (note 4)	42,000,000	2,100,000	-	-	-	-	2,100,000
Share issuance costs (note 10)	-	(81,109)	-	-	-	-	(81,109)
Net loss for the year	-	-	-	-	-	(1,134,187)	(1,134,187)
Balance, December 31, 2018, as previously reported	**76,970,100**	**$ 3,879,991**	**$ -**	**$ -**	**$ -**	**$ (1,026,280)**	**$ 2,853,711**
Restatement to shares issued for business combination (note 20)	-	(970,000)	-	-	-	-	(970,000)
Restatement to stock-based compensation (note 20)	-	-	-	-	72,317	-	72,317
Restatement to warrants and broker warrants (note 20)	-	(239,532)	-	239,532	-	-	-
Restatement to net loss (note 20)	-	-	-	-	-	164,603	164,603
Balance, December 31, 2018, as restated	**76,970,100**	**$ 2,670,459**	**$ -**	**$ 239,532**	**$ 72,317**	**$ (861,677)**	**$ 2,120,631**
Issue of shares (note 10)	5,519,118	614,500	-	-	-	-	614,500
Share issuance costs (note 10)	-	(54,652)	-	-	-	-	(54,652)
Warrants issued (note 10)	-	(139,651)	-	139,651	-	-	-
Finders' warrants issued (note 10)	-	(11,053)	-	11,053	-	-	-
Subscription receipts (note 10)	-	-	595,945	-	-	-	595,945
Conversion feature (note 13)	-	-	-	-	19,870	-	19,870
Loan payable - warrants (note 13)	-	-	-	101,542	-	-	101,542
Stock-based compensation (note 10)	-	-	-	-	8,444	-	8,444
Net loss for the year	-	-	-	-	-	(2,010,177)	(2,010,177)
Balance, December 31, 2019	**82,489,218**	**$ 3,079,603**	**$ 595,945**	**$ 491,778**	**$ 100,631**	**$ (2,871,854)**	**$ 1,396,103**

The accompanying notes are an integral part of the financial statements.

XTM Inc.
STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2019	2018 Restated (Note 20)
OPERATING ACTIVITIES		
Net loss	$ **(2,010,177)**	$ (969,584)
Items not affecting cash:		
Common shares issued for services (note 10)	135,000	-
Stock-based compensation (note 10)	8,444	72,317
Accretion of debt and debt discount of loan payable (note 13)	24,354	-
Depreciation of property and equipment (note 7)	100,120	24,305
Amortization of intangible assets (note 8)	70,000	49,580
Interest on lease liabilities (note 9)	20,357	-
Expected credit loss (note 15)	72,773	46,028
	(1,579,129)	(777,354)
Changes in non-cash working capital:		
Trade receivables	(9,909)	(111,248)
Sales taxes	(76,360)	(4,044)
Prepaid expenses	(135,064)	(57,807)
Cash held in trust	222,657	-
Accounts payable and accrued liabilities	641,100	71,228
Client funds	(222,657)	-
	419,767	(101,871)
Cash flows used by operating activities	**(1,159,362)**	(879,225)
INVESTING ACTIVITIES		
Purchase of property and equipment (note 7)	(48,602)	(23,731)
Purchase of intangible assets (note 8)	-	(60,000)
Cash flows used by investing activities	**(48,602)**	(83,731)
FINANCING ACTIVITIES		
Advance from (to) related parties (note 12)	396,606	(510,086)
Advances to related party (note 12)	(188)	(33,841)
Advances to loan receivable (note 11)	(150,000)	-
Advances from loan payable (note 13)	250,000	-
Repayment of lease liabilities (note 9)	(79,773)	-
Proceeds from share issuances (note 10)	479,500	1,861,000
Share issuance costs (note 10)	(54,652)	(81,109)
Cash flows from financing activities	**841,493**	1,235,964
(Decrease) increase in cash	(366,471)	273,008
Cash, beginning of year	368,937	95,929
Cash, end of year	$ **2,466**	$ 368,937

The accompanying notes are an integral part of the 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 principal business activities include operating as a prepaid card program manager and network branded card issuer. The Company provides the necessary support systems including mobile and web applications and ancillary banking services. The address of the Company’s registered office is 67 Mowat Avenue, Suite 437, Toronto, Ontario, M6K 3E3, Canada.

On April 15, 2018, the Company completed the acquisition of the Prepaid Card Business (“Prepaid Business”) previously operated by Zoompass Holdings, Inc. (note 4).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board (“IFRS”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect as of December 31, 2019.

These financial statements have been approved by the Board of Directors on June 17, 2020.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

In the preparation of these 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 financial statements and the reported amounts of expenses during the year.

Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

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 statements of loss and comprehensive loss.

Reclassification of comparative amounts
The Company has reclassified certain comparative prior year balances in these financial statements where applicable, in order to conform to the presentation used in the current year (note 20). The changes do not affect the Company’s prior year’s net loss or comprehensive loss or net asset position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 are 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 held 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of loss and comprehensive loss.

Share based payments
The Company has a stock option plan that is described in Note 10. The granting of stock options 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.

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

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 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.

Share based payments issued to other entities for acquisition of properties are valued at the bid price on the date of the agreement and included in equity on that day, where the fair value of the goods and services received could not be reliably measured.

Income (Loss) per share
Basic income (loss) per share amounts are 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, 2019 and 2018, all convertible instruments are anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 in trust 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.

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”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial Instrument Classification	Measurement
Cash	Amortized cost
Subscription receipt funds	Amortized cost
Cash held in trust and customer deposits	Amortized cost
Trade receivables	Amortized cost
Loans receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Client funds	Amortized cost
Due to shareholders	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 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 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 statements of loss and comprehensive loss.

Business combinations

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits. A business consists of inputs and processes applied to those inputs that have the ability to create outputs that provide a return to the Company and its shareholders. A business need not include all of the inputs and processes that were used by the acquiree to produce outputs if the business can be integrated with the inputs and processes of the Company to continue to produce outputs. If the integrated set of activities and assets is in the research and development stage, and thus, may not have outputs, the Company considers other factors to determine whether the set of activities and assets is a business.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the fair value purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-controlling interest in an acquisition may be measured at either fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets.

Acquisition related costs are expensed during the period in which they are incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which is included in the carrying amount of the related instrument.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards
IFRS 16, Leases (“IFRS 16”) was adopted as of January 1, 2019. Until December 31, 2018, payments made under operating leases (net of any incentives received from the lessor) were required to be charged to profit or loss on a straight-line basis over the period of the lease under IAS 17, Leases. Effective for reporting periods beginning on or after January 1, 2019, IFRS 16 now 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. Subsequent to 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. IFRS 16 can be adopted on either a full retrospective basis or on a modified retrospective basis with the cumulative effect of applying the standard recognized as an adjustment to the opening accumulated deficit at the date of initial adoption.

The Company adopted IFRS 16 on a modified retrospective basis from January 1, 2019, with no restatement of comparatives, as permitted under the specific transitional provisions in the standard. Right-of-use asset of $195,895 and lease liability of $189,317 were recorded as of January 1, 2019, with no impact on accumulated deficit. The right-of-use asset includes prepaid rent of $6,578. When measuring lease liabilities, the Company discounted lease payments using an incremental borrowing rate of 13%.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 balance sheet 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:

Income taxes
Management is required to apply judgment in determining whether it is probable that deferred income tax assets will be realized. At December 31, 2019 and 2018, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable, and as such, has not recognized any deferred income tax assets in the statements of financial position. In addition, the measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Useful life of tangible and intangible assets

The depreciation and amortization methods applied is 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. 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, plant 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.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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. BUSINESS ACQUSITION AND GOODWILL

On April 15, 2018, the Company completed the 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 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 (note 14).

In accordance with IFRS 3 Business Combinations, the acquisition was accounted for using the purchase method. The purchase price was allocated as follows:

	As previously reported ($)	**Adjustment ($)**	**Restated (Note 20) ($)**
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 finalized its assessment of the purchase price allocation during the year ended December 31, 2019 and restated the fair value of common shares issued and fair values allocated to software platform and goodwill (note 20). The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth. The goodwill arising on this acquisition is deductible for tax purposes.

During the year ended December 31, 2018, the Prepaid Business had net revenue of $621,666 and generated a net loss of $882,355. If the acquisition had occurred on January 1, 2018, management estimates that net revenue would have been $712,166 and net loss for the year would have been $1,424,355. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2018.

The Company has determined that it has one CGU. The Company completed its annual goodwill and intangible assets impairment testing on December 31, 2019 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 214% through 2024, long-term growth rate of 2.0% and an after tax weighted average cost of capital of 22.0%.

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.

5. CASH

	As at December 31, 2019	As at December 31, 2018
Cash consists of:		
RBC - Operating account	**$ 44,047**	$ 351,513
RBC - USD account	**6,191**	139
Funds in transit	**(47,772)**	17,285
	$ 2,466	$ 368,937

6. PREPAID EXPENSES

	As at December 31, 2019	As at December 31, 2018
Prepaid expenses consist of:		
Prepaid insurance	**$ 3,358**	$ 3,294
Prepaid consulting services	**185,000**	50,000
Deposit	**-**	6,578
	$ 188,358	$ 59,872

7. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Right-of-use asset	Leasehold Improve-ments	Telephone Equipment	Total
Cost							
Balance as at January 1, 2018	$ 15,596	$ 50,879	$ -	$ -	$ 54,179	$ 8,707	$129,361
Additions (restated – note 20)	16,401	7,330	25,000	-	-	-	48,731
Balance as at December 31, 2018	31,997	58,209	25,000	-	54,179	8,707	178,092
Adoption of IFRS 16	-	-	-	195,895	-	-	195,895
Additions	-	11,478	-	-	37,124	-	48,602
Balance as at December 31, 2019	$ 31,997	$ 69,687	$ 25,000	$ 195,895	$ 91,303	$ 8,707	$ 422,589
Accumulated Depreciation							
Balance as at January 1, 2018	$ (11,479)	$ (35,405)	$ -	$ -	$ (32,698)	$ (6,965)	$ (86,547)
Depreciation (restated - note 20)	(5,543)	(3,828)	(3,750)	-	(10,836)	(348)	(24,305)
Balance as at December 31, 2018	(17,022)	(39,233)	(3,750)	-	(43,534)	(7,313)	(110,852)
Depreciation	(6,739)	(4,936)	(6,375)	(67,243)	(14,548)	(279)	(100,120)
Balance as at December 31, 2019	$ (23,761)	$ (44,169)	$ (10,125)	$ (67,243)	$ (58,082)	$ (7,592)	$ (210,972)
Carrying Amount							
Balance as at December 31, 2018 (restated – note 20)	$ 14,975	$ 18,976	$ 21,250	$ -	$ 10,645	$ 1,394	$ 67,240
Balance as at December 31, 2019	$ 8,236	$25,518	$ 14,875	$ 128,652	$ 33,221	$ 1,115	$ 211,617

8. INTANGIBLE ASSETS

	Software Platform
Cost	
Balance as at January 1, 2018	$ -
Acquisition (restated – note 20)	185,000
Additions	60,000
Balance as at December 31, 2018	245,000
Additions	-
Balance as at December 31, 2019	$ 245,000
Accumulated Amortization	
Balance as at January 1, 2018	$ -
Amortization (restated – note 20)	49,580
Balance as at December 31, 2018	49,580
Amortization	70,000
Balance as at December 31, 2019	$ 119,580
Carrying Amount	
Balance as at December 31, 2018 (restated – note 20)	$ 195,420
Balance as at December 31, 2019	$ 125,420

9. LEASES LIABILITIES

Lease liabilities related to an office lease and vehicle lease.

Balance, January 1, 2019	$	189,317
Repayment of lease liability		(79,773)
Interest expense on lease liability		20,357
Balance, December 31, 2019	$	129,901
Lease liabilities due within one year	$	66,571
Lease liabilities – long term		63,330
Total lease liabilities	$	129,901

The Company makes variable lease payments for property tax, insurance, and maintenance on the office lease. During the year ended December 31, 2019, the Company recorded an expense of $75,210 for the variable lease payments.

10. CAPITAL STOCK

Share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at December 31, 2019, the Company had 82,489,218 common shares issued and outstanding (2018 – 76,970,100).

	Number of common shares	$
Issued:		
Shares issued and outstanding as at January 1, 2018	100	100
Shares issued, net of issuance costs	34,970,000	1,540,359
Shares issued in business combination (note 4)	42,000,000	1,130,000
Shares issued and outstanding as at December 31, 2018	76,970,100	2,670,459
Shares issued, net of issuance costs	5,519,118	409,144
Shares issued and outstanding as at December 31, 2019	82,489,218	3,079,603

Year ended December 31, 2018

On February 28, 2018, the Company issued 5,000,000 common shares to the former owner. The Company also issued 160,000 common shares to employees and consultants.

During the year ended December 31, 2018, the Company closed several private placements and issued 29,810,000 common shares between $0.05 and $0.10 per common share for gross proceeds of $1,861,000. The Company issued 13,410,000 warrants with a fair value of $247,641 and 720,000 broker warrants with a fair value of $24,154. The Company incurred share issued costs of $81,109, of which $32,263 was allocated to the issuance of warrants. The warrants were valued using a Black Scholes model with the following assumptions; exercise price of $0.05 to $0.13, expected life of 2 years, volatility of 89% and risk free rate of 1.15% to 1.72%.

Year ended December 31, 2019

On February 28, 2019, the Company issued a total of 2,375,000 units at a price of $0.10 per unit raising gross proceeds of $237,500. The units consisted of one common share and one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share of the Company at a price of $0.13 per share for a period of two years from the date of closing.

The Company paid a finders' fee of $19,000 and a legal fee of $9,773 in cash and issued 104,400 warrants entitling the holder to acquire one additional common share of the Company at a price of $0.13 per share for a period of two years.

The Company recorded $59,827 as fair value of the warrants issued using the Black-Scholes option pricing model assuming risk-free interest rate of 1.75%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

On April 30, 2019, the Company issued a total of 2,250,000 units at a price of $0.10 per unit raising gross proceeds of $225,000. The units consisted of one common share and one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share of the Company at a price of $0.13 per share for a period of two years from the date of closing.

The Company paid a finders' fee of $18,000 and a legal fee of $10,000 in cash and issued 104,400 warrants entitling the holder to acquire one additional common share of the Company at a price of $0.13 per share for a period of two years.

10. CAPITAL STOCK - CONTINUED

The Company recorded $56,543 as fair value of the warrants issued using the Black-Scholes option pricing model assuming risk-free interest rate of 1.75%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

On December 27, 2019, the Company issued a total of 894,118 units at a price of $0.17 per unit raising gross proceeds of $152,000. The units consisted of one common share and one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share of the Company at a price of $0.23 per share for a period of two years from the date of closing.

The Company recorded $37,756 as fair value of the warrants issued using the Black-Scholes option pricing model assuming risk-free interest rate of 1.75%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

Subscription receipts

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. The net proceeds have been presented as subscription receipt funds on the statement of financial position and 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. The Company obtained conditional acceptance of the CSE on February 14, 2020 and the subscription receipts were converted at that time (note 19).

Escrow shares

As at December 31, 2019, 5,910,000 (December 31, 2018 – Nil) common shares and 950,000 options 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 10% of the issued and outstanding common shares from time to time. The plan was approved by the shareholders on March 1, 2018.

No changes were made to the stock option plan during the year ended December 31, 2019.

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance outstanding and exercisable, beginning of year	5,455,000	$0.08	-	-
Granted	50,000	0.10	2,000,000	$0.05
Granted	400,000	0.20	3,455,000	0.10
Balance outstanding and exercisable, end of year	5,905,000	$0.09	5,455,000	$0.08

10. CAPITAL STOCK - CONTINUED

During the year ended December 31, 2019, the Company recorded $8,444 in stock based compensation (2018 - $72,317) related to stock options issued.

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

	December 31, 2019	December 31, 2018
Share price	$0.07	$0.03 to $0.05
Exercise price	$0.10 to $0.20	$0.05 to $0.10
Term	2 to 3 years	2 years
Dividend rate	0%	0%
Risk-free rate	1.61% to 1.63%	1.15% to 1.72%
Volatility	89%	89%
Forfeiture rate	0%	0%

Details of options outstanding as at December 31, 2019:

Expiry Date	Number of Options	Exercise Price ($)
March 1, 2021	2,000,000	0.05
June 15, 2020	830,000	0.10
November 1, 2020	2,625,000	0.10
May 15, 2022	50,000	0.10
July 8, 2021	400,000	0.20

The weighted average life of the options outstanding and exercisable at December 31, 2019 is 0.62 years. (2018 – 1.53 years).

Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Avg. Exercise Price ($)
Balance, January 1, 2018	**-**	**-**
Issued March 22, 2018	6,000,000	0.05
Issued November 27, 2018	7,060,000	0.13
Issued December 4, 2018	50,000	0.13
Issued December 5, 2018	300,000	0.13
Balance, December 31, 2018	**13,410,000**	**0.09**
Issued February 28, 2019	2,375,000	0.13
Issued April 30, 2019	2,250,000	0.13
Issued September 18, 2019	5,000,000	0.17
Issued December 27, 2019	894,118	0.23
Balance December 31, 2019	**23,929,118**	**0.12**

10. CAPITAL STOCK - CONTINUED

Warrants outstanding as at December 31, 2019 were as follows:

Expiry Date	Number of Warrants	Exercise Price ($)
March 21, 2021	6,000,000	0.05
December 5, 2020	300,000	0.13
December4, 2020	50,000	0.13
November 27, 2020	7,060,000	0.13
February 28, 2021	2,375,000	0.13
April 30, 2021	2,250,000	0.13
September 18, 2021	5,000,000	0.17
December 27, 2021	894,118	0.23

The weighted average life of the warrants outstanding and exercisable at December 31, 2019 is 1.25 years (2018 – 2.05 years).

Finder Warrants

Summary of the finder warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, January 1, 2018	**-**	**-**
Issued November 30, 2018	176,000	0.05
Issued November 27, 2018	544,000	0.10
Balance, December 31, 2018	**720,000**	**0.09**
Issued February 28, 2019	186,000	0.10
Issued April 30, 2019	180,000	0.10
Balance December 31, 2019	**1,086,000**	**0.09**

Finder warrants outstanding as at December 31, 2019 were as follows:

Expiry Date	Number of Warrants	Exercise Price ($)
November 30, 2020	176,000	0.05
November 27, 2020	544,000	0.10
February 28, 2021	186,000	0.10
April 30, 2021	180,000	0.10

The weighted average life of the finder’s warrants outstanding at December 31, 2019 is 1.02 years (2018 – 1.92 years).

11. LOAN RECEIVABLE

On March 1, 2019, the Company entered into a loan agreement with Payfare Inc. in the amount of $150,000 with interest payable at 5% per annum and maturity date of December 31, 2019. On April 28, 2020, the Company entered into an amended loan agreement for the principal amount of $150,000 with interest of 14% per annum, payable quarterly with a maturity date of April 28, 2021.

During the year ended December 31, 2019, the Company recorded an expected credit loss of $44,675 (2018 - $nil) (note 15).

12. RELATED PARTY BALANCES AND TRANSACTIONS

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

During the year ended December 31, 2019, the Company incurred related party expenses of $186,200 (December 31, 2018 - $166,200). These amounts related to salaries and employee benefits to the Company's Chief Executive Officer.

During the year ended December 31, 2019, the Company incurred related party expenses of $35,000 (December 31, 2018 - $nil). These expenses related to the payment of consulting fees to the Company's Chief Financial Officer.

At December 31, 2019, the Company has a balance receivable of $203,654 (December 31, 2018 - $600,260) from the entities controlled by a director of the Company. During the year ended December 31, 2019, the Company received payments of $396,606 (2018 – advances of $510,086).

At December 31, 2019, the Company has a balance payable of $126,428 (December 31, 2018 - $126,616) to a related party. During the year ended December 31, 2019, the Company advanced $188 to the related party (2018 - $33,841),

The amounts due from and to related parties is 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 has 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%.

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 will be amortized over the term of the loan.

13. LOAN PAYABLE (CONTINUED)

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 2019**	December 31 2018
	$	$
Opening balance	-	-
Advances	250,000	-
Conversion feature – contributed surplus	(19,870)	-
Debt issue costs – warrant reserve	(101,542)	-
Accretion expense	24,354	-
Ending balance	**152,942**	-

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.

The future minimum lease payments for office space and vehicle rental as at December 31, 2019 are as follows:

	$
No later than one year	78,418
Greater than one year and less than two years	65,348
	143,766

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash, subscription receipt funds, trade receivables, loan receivable, 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 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(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, 2019, the Company had the following balances denominated in US dollars: Cash of $5,611 (2018 - $102) and accounts payable and accrued liabilities of $44,453 (2018 - $14,762). As at December 31, 2019, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate $5,045 (2018 - $1,960) 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.

(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, 2019 **$**	December 31, 2018 $
Trade receivables aging:		
0-30 days	93,336	88,437
31-90 days	33,925	17,367
Greater than 90 days	14,832	66,464
	142,093	172,268
Provision for expected credit losses	(20,482)	(32,468)
Net trade receivables	**121,611**	139,800

The movement in the provision for expected credit losses can be reconciled as follows for the year ended December 31, 2019:

	Trade receivables $	Loan receivable $	Total $
Opening expected credit losses	32,468	-	32,468
Increase in expected credit loss	28,098	44,675	72,773
Write off of opening expenses credit loss	(40,084)	-	(40,084)
Closing expected credit losses	**20,482**	**44,675**	**65,157**

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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – CONTINUED

(b) Credit risk (continued)

The provision matrix below shows the expected credit loss rate for each aging category of trade receivables as at December 31, 2019:

	Total	Not past due	Over 30 days past due	Over 60 days past due
Default rates		0.7%	14.7%	100.0%
Trade receivables	$142,093	$93,336	$33,925	$14,832
Expected credit loss provision	**$20,482**	**$650**	**$5,000**	**$14,832**

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, 2019, the Company had a cash balance of $2,466 (December 31, 2018 – $368,937).

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

	2019	2018
	$	$
Accounts payable and accrued liabilities	768,484	127,384
Due to related party	126,428	126,616
Lease payments	78,418	79,773
Total	**973,330**	**333,773**

As at December 31, 2019, the Company had positive working capital of $355,338 (December 31, 2018 - $957,971). As at December 31, 2019, the Company has access to a line of credit of $60,000 and $750,000 in additional financing available from the loan payable (note 13). Subsequent to December 31, 2019, the $595,945 in subscription receipt funds were released to the Company (notes 10, 19). Subsequent to year end, the Company received $314,000 from private placements and $282,540 in proceeds from the exercise of warrants (note 19).

16. MANAGEMENT OF CAPITAL

At December 31, 2019, the Company's capital consists of the shareholders' equity in the amount of $1,396,103 (December 31, 2018 - $2,120,631).

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% (2018 – 26.5%) to the effective tax rate as follows:

	December 31, 2019	December 31, 2018
Net loss before income taxes	$ (2,010,177)	$ (969,285)
Expected income tax recovery	$ (532,700)	$ (256,860)
Non-deductible expenses	5,590	20,980
Share issuance costs booked directly to equity	(26,540)	(21,490)
Change in tax benefits not recognized	553,650	257,669
Income taxes	$ -	$ 299

Deferred taxes

The following table summarizes the components of deferred tax:

	December 31, 2019	December 31, 2018
Deferred tax assets		
Lease liability	$ 34,090	$ -
Share issuance costs	25,720	-
Total deferred tax assets	59,810	-
Deferred tax liabilities		
Right-of-use assets	(34,090)	-
Loan payable	(25,720)	-
Total deferred tax liabilities	(59,810)	-
Net deferred income taxes	$ -	$ -

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:

	December 31, 2019	December 31, 2018
Property and equipment	$ 65,040	$ 32,160
Intangible assets	119,580	82,480
Lease liabilities	1,250	-
Share issuance costs	164,390	105,260
Non-capital losses carried forward	2,742,150	796,190
Balance at end of the year	$ 3,092,410	$ 1,016,090

17. INCOME TAXES (CONTINUED)

The Canadian non-capital loss carry-forwards expire as noted in the table below. Share issuance and financing costs will be fully amortized in 2023. 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 Company can utilize the benefits therefrom.

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

2038	$	796,190
2039		1,945,960
	$	2,742,150

18. CASH HELD IN TRUST AND CUSTOMER DEPOSITS AND CLIENT FUNDS

Acting as a paying agent, the Company had $2,578,353 in restricted funds on deposit and a corresponding liability for client deposits as at December 31, 2019 (December 31, 2018 - $2,801,010), 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.

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, 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.

On April 20, 2020, the Company received the Canada Emergency Business Support loan of $40,000. This loan is interest free if fully repaid on or before December 31, 2022. If the loan cannot be repaid by December 31, 2022, it will be converted into a 3-year term loan, charging an interest rate of 5% per annum. The Company also received support under the 10% Canada Temporary Wage Subsidy program and the 75% wage subsidy program.

On February 14, 2020, the Ontario Securities Commission has cleared the Company to file its final Prospectus and become a reporting issuer in the provinces of Ontario, British Columbia and Alberta. The Company has 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 upon the issuance by the CSE of conditional acceptance of XTM to list the common shares on the CSE. On March 10, 2020, the common shares of the Company commenced trading on the CSE under the trading symbol CSE: PAID. The net subscription receipt funds of $595,945 were released to the Company.

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 finders warrants, exercisable at $0.17 per common share.

19. SUBSEQUENT EVENTS (CONTINUED)

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.

On April 1, 2020, the Company issued 108,000 common shares for warrants exercised for gross proceeds of $14,040. On May 19, 2020, the Company issued 2,293,333 common shares for warrants exercised for gross proceeds of $172,000. On June 10, 2020, the Company issued 1,250,000 common shares for warrants exercised for gross proceeds of $96,500.

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.

On May 20, 2020, the Company issued 5,000,000 stock options to directors, management 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.

Subsequent to December 31, 2019, the Company received an additional $250,000 advance on the loan payable facility (note 13).

20. RESTATEMENT OF COMPARATIVE FIGURES

During the preparation of the financial statements for the year ended December 31, 2019, the Company identified the following prior period errors: (i) purchase price consideration and purchase price allocation fair value adjustments for acquisition of the Prepaid Business, including corresponding depreciation and amortization (notes 4, 7, 8); (ii) valuation and vesting of stock-based compensation related to the granting of stock options (note 10); (iii) valuation and allocation of warrants and broker warrants issued in private placements (note 10); (iv) reclassification of expenses on the statement of loss and comprehensive loss to conform to the presentation use in the current year; and v) cut-off error identified related to cost of sales and accounts payable and accrued liabilities.

The effect of the errors on the previous year comparative financial statements is as follows:
Statement of Financial Position as at December 31, 2018:

	As previously reported	Adjustments	As restated
Assets			
Cash held in trust and customer deposits	$ -	$ 2,801,010	$ 2,801,010
Property and equipment	$ 1,648,240	$ (1,581,000)	$ 67,240
Intangible assets	$ 247,500	$ (52,080)	$ 195,420
Goodwill	$ -	$ 920,000	$ 920,000
Total assets	$ 3,109,284	$ 2,087,930	$ 5,197,214
Liabilities			
Accounts payable and accrued liabilities	$ 107,384	$ 20,000	$ 127,384
Client funds	$ -	$ 2,801,010	$ 2,801,010
Total liabilities	$ 255,573	$ 2,821,010	$ 3,076,583
Shareholders' equity			
Capital stock	$ 3,879,991	$ (1,209,532)	$ 2,670,459
Warrant reserve	$ -	$ 239,532	$ 239,532
Contributed surplus	$ -	$ 72,317	$ 72,317
Accumulated deficit	$ (1,026,280)	$ 164,603	$ (861,677)
Total shareholders' equity	$ 2,853,711	$ (733,080)	$ 2,120,631
Total liabilities and shareholders' equity	$ 3,109,284	$ 2,087,930	$ 5,197,214

20. RESTATEMENT OF COMPARATIVE FIGURES (CONTINUED)

Statement of Loss and Comprehensive Loss for the year ended December 31, 2018:

	As previously reported	Adjustments	As restated
Cost of sales	$ 614,088	$ (162,411)	$ 451,677
Gross profit	$ 49,787	$ 162,411	$ 212,198
Expenses			
Depreciation and amortization	$ 330,805	$ (256,920)	$ 73,885
Consulting	$ -	$ 107,585	$ 107,585
Marketing and promotion	$ -	$ 31,338	$ 31,338
Travel	$ 33,904	$ 43,488	$ 77,392
Stock-based compensation	$ -	$ 72,317	$ 72,317
Total expenses	$ 1,183,650	$ (2,192)	$ 1,181,458
Loss from operations	$ (1,133,863)	$ 164,603	$ (969,260)
Loss before income taxes	$ (1,133,888)	$ 164,603	$ (969,285)
Net loss and comprehensive loss	$ (1,134,187)	$ 164,603	$ (969,584)
Net loss per share - basic and diluted	$ (0.02)	$ 0.00	$ (0.02)

Statement of Cash Flows for the year ended December 31, 2018:

	As previously reported	Adjustments	As restated
Operating activities			
Net loss	$ (1,134,187)	$ 164,603	$ (969,584)
Items not affecting cash:			
Stock-based compensation	$ -	$ 72,317	$ 72,317
Depreciation of property and equipment	$ 303,305	$ (279,000)	$ 24,305
Amortization of intangible assets	$ 27,500	$ 22,080	$ 49,580
Changes in non-cash working capital:			
Accounts payable and accrued liabilities	$ 51,228	$ 20,000	$ 71,228
Investing activities			
Purchase of property and equipment	$ (1,908,731)	$ 1,885,000	$ (23,731)
Purchase of intangible assets	$ (275,000)	$ 215,000	$ (60,000)
Cash flows used by investing activities	$ (2,183,731)	$ 2,100,000	$ (83,731)
Financing activities			
Issuance of shares	$ 3,879,891	$ (2,018,891)	$ 1,861,000
Share issue costs	$ -	$ (81,109)	$ (81,109)
Cash flows from financing activities	$ 3,335,964	$ (2,100,000)	$ 1,235,964