

**Management's Discussion & Analysis
For the year ended December 31, 2019**

June 17, 2020

Introduction

The following Management's Discussion & Analysis ("MD&A") of XTM Inc. (the "Company" or "XTM") for the year ended December 31, 2019 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's audited annual financial statements for the years ended December 31, 2019 and 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's audited financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Accordingly, information contained herein is presented as of December 31, 2019, unless otherwise indicated.

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

Forward-Looking Statements

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

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators

Management's Discussion & Analysis
For the year ended December 31, 2019

in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Corporate Overview

The Company is a Toronto-based Fintech company in the challenger banking space providing mobile banking solutions and card issuing solutions for loyalty, reward, and corporate payouts including tips and wages. XTM's technology solutions and partnership with Mastercard and Visa are driving financial inclusion and empowerment to millions of next-generation workers around the globe by providing a full-service mobile bank account with instant access to their earnings. Founded in 2014, the Company is now planning to launch instant payment and mobile banking solutions to employees of some of North America's largest employers. The head office, principal address and registered office of the Company is located at 67 Mowat Avenue, Suite 437, Toronto, Ontario, Canada, M6K 3E3.

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

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".

Results of Operations

Selected financial information for the years ended December 31, 2019 and 2018

	2019	2018
Gross revenue	\$1,051,786	\$723,594
Commissions and agent fees	(188,491)	(59,719)
Net revenue	863,295	663,875
Cost of sales ⁽¹⁾	652,093	451,677
Gross Profit	211,202	212,198
Net Income (Loss)	(2,010,177)	(969,584)
Basic and Diluted loss per share	\$ (0.02)	\$ (0.02)

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

Management's Discussion & Analysis
For the year ended December 31, 2019

Revenue

During the year ended December 31, 2019 the Company's gross revenue increased by \$328,192 or 45.36% compared to gross revenue during the year ended December 31, 2018 due to mobile banking and instant payment solutions business growth. With the addition of a dual interface emv chip and nfc tap Mastercard the Company increased point of sale (POS) spend where the Company earns fees on every transaction. Along with the Today Mobile application which provides for customer optional features like realtime wallet to bank for a fee has helped drive user convenience and improved revenues. The overall Company's financial performance in its core line of business significantly improved.

During the year ended December 31, 2019, the Company paid commissions and agent fees of \$188,491 compared to \$59,719 in the year ended December 31, 2018. As a result, the net revenue increased by \$199,420 or 30.04% in the year ended December 31, 2019 compared to the year ended December 31, 2018 (2019-\$863,295, 2018- \$663,875).

Gross profit (loss)

During the year ended December 31, 2019, the Company's gross profit was \$211,202 compared to the gross profit of \$212,198 in the year ended December 31, 2018. With the addition of new features and functionality with the Today Mastercard and the Today mobile wallet the Company took on higher banking fees, setup fees, development fees and monthly minimums.

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

Net loss

For the year ended December 31, 2019, the Company had the net loss of \$2,010,177 compared to a net loss of \$969,584 for the year ended December 31, 2018.

The overall increase in the operating expenses from \$1,181,458 in the year ended December 31, 2018 to \$2,221,379 in the year ended December 31, 2019 was mainly due to increased workforce and salaries to support the growth of the Company's Today mobile banking and tip payment solution business, professional fees associated with the Company's go public transaction, higher consulting fees, increased amortization and depreciation expenses due to significant capital expenditures during the year associated with Zoompass asset acquisition.

Business acquisition and goodwill

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

Management's Discussion & Analysis
For the year ended December 31, 2019

The purchase price was allocated as follows:

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

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, customer relationships and goodwill. The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth.

Amortization and depreciation

As a result of the final purchase price and asset allocation, the amortization of intangible assets and depreciation of property and equipment was \$170,120 in the year ended December 31, 2019 compared to \$73,885 in the year ended December 31, 2018. This is mainly attributed to the significant capital expenditures during the year ended December 31, 2018 associated with Zoompass asset acquisition and a full year amortization and depreciation expenses during the year ended 2019.

Going public transaction

On October 24, 2019, XTM filed a preliminary non-offering long form prospectus dated October 22, 2019 with the Ontario Securities Commission ("OSC").

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.

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

Management's Discussion & Analysis
For the year ended December 31, 2019

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 contributed surplus related 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.

Management's Discussion & Analysis
For the year ended December 31, 2019

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.

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.

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

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

Management's Discussion & Analysis
For the year ended December 31, 2019

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

Management's Discussion & Analysis
For the year ended December 31, 2019

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
December 4, 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).

Management's Discussion & Analysis
For the year ended December 31, 2019

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 with a 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).

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 cost and will be amortized over the term of the loan.

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

<u>Period:</u>	<u>Interest rate</u>
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	(19,870)	-
Debt issue costs - warrants	(101,542)	-
Accretion expense	24,354	-
Ending balance	152,942	-

**Management's Discussion & Analysis
For the year ended December 31, 2019**

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

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.

For 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.

At December 31, 2019, the Company has a balance payable of \$126,428 (December 31, 2018 - \$126,616) to a related party.

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

Cash held in trust and customer deposits and client funds

Acting as a paying agent, the Company had \$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.

Off balance sheet arrangements

The Company does not have any off balance sheet arrangements

Management's Discussion & Analysis
For the year ended December 31, 2019

Risk factors

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

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

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

Market risk

(i) Interest rate risk

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

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at 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.

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:

Management's Discussion & Analysis
For the year ended December 31, 2019

	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

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).

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. Subsequent to December 31, 2019, the \$595,945 in subscription receipt funds were released to the Company. Subsequent to year end, the Company received \$314,000 from private placements and \$282,540 in proceeds from the exercise of warrants.

Internal controls over financial reporting and disclosure of controls and procedures

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

Management of capital

At 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).

**Management's Discussion & Analysis
For the year ended December 31, 2019**

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.

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

**Management's Discussion & Analysis
For the year ended December 31, 2019**

measuring lease liabilities, the Company discounted lease payments using an incremental borrowing rate of 13%.

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.

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.

**Management's Discussion & Analysis
For the year ended December 31, 2019**

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.

Definitions – IFRS, Additional GAAP and NON-GAAP Measures

IFRS Measures

Cost of services

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

Gross profit margin

Gross profit margin is revenue less cost of services.

Other operating expenses

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

Finance costs

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

Additional GAAP Measures

Loss from operations

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