

**Management's Discussion & Analysis**  
**For the six months ended June 30, 2021 and 2020**

**August 16, 2021**

**Introduction**

The following Management's Discussion & Analysis ("MD&A") of XTM Inc. (the "Company" or "XTM") for the three months ended June 30, 2021 and March 31, 2021 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's audited annual financial statements for the years ended December 31, 2020 and unaudited interim financial statements for the six months ended June 30, 2021, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited interim financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Accordingly, information contained herein is presented as June 30, 2021, unless otherwise indicated.

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

**Forward-Looking Statements**

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

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements

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are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

### **Corporate Overview**

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

The head office, principal address and registered office of the Company is located at 67 Mowat Avenue, Suite 437, Toronto, Ontario, Canada, M6K 3E3 and the head United States office is located at 801 Brickel Ave Suite 900 Miami, FL. 33310

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

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

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

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The Company's has noticed a substantial increase in the usage of the platform and corresponding program revenue as re-openings in Canada took place in late Q2 2021. However, the Company acknowledges that there is significant uncertainty in forecasting if the re-openings will continue throughout 2021 and into 2022. 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.

The potential continued 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

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the Company in future periods. The continued spread of COVID-19 may continue to pose challenges to the Company’s business.

**Results of Operations**

***Selected financial information for the three-month periods ended June 30, 2021 and March 31, 2021***

	<b>Q2 2021</b>	<b>Q1 2021</b>
Gross revenue	\$399,618	\$256,881
Commissions and agent fees	(2,876)	(2,802)
Net revenue	396,742	254,079
Cost of sales <sup>(1)</sup>	220,753	180,862
Gross Profit	175,989	73,217
Net Income (Loss)	(945,215)	(887,394)
Basic and Diluted loss per share	\$(0.01)	\$ (0.01)

<sup>(1)</sup> See “Definitions – IFRS, Additional GAAP and Non-GAAP Measures”

***Financial Highlights***

- During the three-month period ended June 30, 2021, the Company’s gross revenue increased by 55.6% or \$142,737 compared to gross revenue during the three months ended March 31, 2021. The Company experienced a significant uptick in revenue during the closing weeks of the quarter, corresponding with large scale outdoor dining re-openings that took place in Canada. As restrictions continue to be lifted, the Company anticipates this upwards trend in revenue to continue throughout the remainder of the fiscal year.
- The Company began to see card transactions from clients onboarded in XTM’s expansion into the United States. The Company onboarded several large clients during the quarter in both the US and Canada and anticipates the continued growth of our client base to be another driver of expected increases in revenue throughout the remainder of the fiscal year.
- During the three-month period ended June 30, 2021, the Company paid commissions and agent fees of \$2,876 compared to \$2,802 in the three-month period ended March 31, 2021.
- Net revenue increased by \$142,663 or 56.1% in the period ended June 30, 2021, compared to the period ended March 31, 2021 (Q2 2021- \$396,742, Q1 2021- \$254,079).
- The Company’s Gross Dollar Value (GDV) loads saw a 116% increase from the three-month period ending March 30, 2021.

***Gross profit (loss)***

During the three-month period ended June 30, 2021, the Company’s gross profit was \$175,989 compared to the gross profit of \$73,217 in the three-month period ended March 31, 2021. The Company has seen cost of sales

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normalize and become scalable with revenue, and large one-time costs (initiation fees, set-up costs, etc.) have not been incurred in Q2 2021. As such, the Company has realized significant growth in its gross profit quarter over quarter and anticipates this trend to continue throughout 2021.

While management controls and monitors costs, XTM has incurred processor charges to support US business growth, and saw increases in customer support expenses to service the Company’s larger customer base. These charges are a significant component of the company’s cost of sales.

**Net loss**

For the three months ended June 30, 2021, the Company had the net loss of \$945,215 compared to a net loss of \$887,394 for the period ended March 31, 2021.

The overall increase in the operating expenses from \$963,611 in the period ended March 31, 2021 to \$1,121,204 in the period ended June 30, 2021 was mainly due to increased staffing costs and consulting costs to accommodate the Company’s rapid expansion in Canada, as well as support the expansion into the US market. The Company anticipates that current staffing levels and non-cash generating expenses will remain stable while revenues continue to increase in the future.

**Business acquisition and goodwill**

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

The purchase price was allocated as follows:

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

The Company has assessed goodwill calculated as at December 31, 2020 and determined there is no impairment necessary as at June 30, 2021. The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth.

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***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 \$61,734 in the three-month period ended June 30, 2021, and \$42,766 in the period ended March 31, 2021.

***Share capital***

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at June 30, 2021, the Company had 137,931,256 common shares issued and outstanding (December 31, 2020 – 116,810,295).

	Number of common shares	\$
<b>Shares issued and outstanding :</b>		
Shares issued and outstanding as at January 1, 2020	<b>82,489,218</b>	<b>3,079,603</b>
Shares issued in private placements	7,324,011	1,135,543
Share issuance costs, including broker warrants	-	(72,162)
Allocation to warrants	-	(401,702)
Shares issued for subscription receipts	3,825,000	595,945
Shares issued for the exercise of warrants	7,244,667	788,611
Shares issued for the exercise of stock options	4,275,000	373,303
Shares issued for stock-based compensation	1,740,000	222,720
Shares issued for restricted stock units	3,825,001	465,506
Additional common shares	6,627,398	-
<b>Shares issued and outstanding as at December 31, 2020</b>	<b>116,810,295</b>	<b>6,187,367</b>
Issuance of shares	8,216,663	1,194,999
Share issuance costs, including broker warrants	-	(74,348)
Allocation to warrants	-	(383,453)
Shares issued for exercise of warrants	13,709,686	2,491,325
Shares issued for exercise of stock options	1,455,000	62,564
Shares issued for loan conversion	2,941,176	500,000
Restricted stock units issued	175,936	65,034
Common shares cancelled	(5,377,500)	-
<b>Shares issued and outstanding as at June 30, 2021</b>	<b>137,931,256</b>	<b>10,043,488</b>

***Year ended December 31, 2020***

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

On February 4, 2020, the Company issued 890,000 units at \$0.17 per unit for gross proceeds of \$151,300. Each units consist of one common share and one common shares purchase warrant exercisable for a period of two years at \$0.23 per common share. The Company issued 24,000 finder warrants entitling the holder to acquire

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one additional common share of the Company at a price of \$0.17 per share for a period of two years. The fair value of warrants was \$37,257 and finders warrants of \$1,242 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.484%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

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

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

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

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

***Subscription receipts***

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

On February 14, 2020, the Ontario Securities Commission cleared the Company to file its final Prospectus and become a reporting issuer in the provinces of Ontario, British Columbia and Alberta. The Company also received conditional approval from the Canadian Securities Exchange (the 'CSE') for the listing of its common shares on the CSE subject to the completion of customary requirements of the CSE, including the receipt of all required

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documentation. Concurrent with the listing, all 3,825,000 Subscription receipts were converted to 3,825,000 common shares and 3,825,000 warrants. The net subscription receipt funds of \$595,945 were released to the Company. The Company recorded \$160,120 as fair value of the warrants issued using the Black-Scholes option pricing model assuming risk-free interest rate of 1.484%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

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

***Six months ended June 30, 2021***

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

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

Through Q2 2021, the Company incurred cash share issuance costs of \$68,725.

***Restricted stock units***

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

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

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

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

On May 31, 2021, the Company issued 150,000 RSUs to a Board director, of which 6,250 vest monthly throughout 2021, and 16,666 vest monthly throughout 2022, after which all remaining RSUs shall vest on June

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30, 2022. 6,250 RSUs were issued during the period. The RSUs issued had a grant date fair value of \$2,250 based on the closing price per common share. The expense is recorded in stock-based compensation on the statement of loss and comprehensive loss.

On June 1, 2021, the Company issued 319,686 RSUs to its Acting Chief Financial Officer, an executive of the company, and a consultant. The RSUs issued to the Chief Financial Officer vest over a 12-month period, whereas the shares issued to the Company executive and consultant vested immediately upon their grant. The RSUs issued had a grant date fair value of \$62,784 based on the closing price per common share. The expense is recorded in stock-based compensation on the statement of loss and comprehensive loss.

**Escrow shares**

As at June 30, 2021, 4,640,125 (December 31, 2020 – 5,032,500) common shares were subject to escrow. Under the escrow agreement, 10% of the shares were released upon the listing of the Company’s securities on the CSE, and 15% are to be released every 6 months thereafter, subject to acceleration provisions provided for in NP 46-201.

**Stock options**

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

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding and exercisable, beginning of year/period:	6,630,000	\$0.15	5,905,000	\$0.09
Granted	-	-	5,000,000	0.17
Exercised	(1,455,000)	0.17	(4,275,000)	0.09
Balance outstanding and exercisable, end of year/period	5,175,000	\$0.17	6,630,000	\$0.15

Details of options outstanding as at June 30, 2021:

Expiry Date	Number of Options	Exercise Price (\$)	Number of Options Exercisable
May 15, 2022	50,000	0.10	50,000
July 8, 2021	400,000	0.20	400,000
May 20, 2022	4,725,000	0.17	3,475,000

The weighted average life of the options outstanding and exercisable at June 30, 2021 is 0.84 and weighted exercise price of \$0.17 per stock option.



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**Warrants**

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Avg. Exercise Price (\$)
<b>Balance, January 1, 2020</b>	<b>23,929,118</b>	<b>0.12</b>
Issued January 24, 2020	810,000	0.23
Issued February 4, 2020	890,000	0.23
Issued February 14, 2020	3,825,000	0.23
Issued June 9, 2020	147,059	0.23
Issued October 26, 2020	2,810,152	0.30
Issued December 29, 2020	2,666,800	0.30
Exercised	(6,416,667)	0.08
<b>Balance December 31, 2020</b>	<b>28,661,462</b>	<b>0.19</b>
Issued February 26, 2021	7,966,663	0.30
Exercised	(11,088,333)	0.14
Expired	(4,810,000)	0.13
<b>Balance March 31, 2021</b>	<b>20,729,792</b>	<b>0.27</b>
Exercised	(2,363,353)	0.05
Expired	(450,000)	0.01
<b>Balance June 30, 2021</b>	<b>17,916,439</b>	<b>0.28</b>

Warrants outstanding as at June 30, 2021 were as follows:

Expiry Date	Number of Warrants	Exercise Price (\$)
November 14, 2021	794,118	0.23
January 24, 2022	360,000	0.23
February 4, 2022	890,000	0.23
February 14, 2022	3,425,000	0.23
June 9, 2022	147,059	0.23
October 26, 2022	1,666,799	0.30
December 29, 2022	2,666,800	0.30
February 26, 2023	7,966,663	0.30

The weighted average life of the warrants outstanding and exercisable at June 30, 2020 is 1.27 years.

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***Finder warrants***

Summary of the finder warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
<b>Balance, December 31, 2020</b>	<b>430,808</b>	<b>0.15</b>
Exercised	(186,000)	0.10
<b>Balance March 31, 2021</b>	<b>244,808</b>	<b>0.21</b>
Exercised	(72,000)	0.10
<b>Balance June 30, 2021</b>	<b>172,808</b>	<b>0.20</b>

Finder warrants outstanding as at June 30, 2021 were as follows:

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

The weighted average life of the finder’s warrants outstanding at June 30, 2021 is 1.00 years

***Commitments and contingencies***

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

***Related party balances and transactions***

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

For the six months ended June 30, 2021, the Company incurred related party expenses of \$91,000 (six months ended June 30, 2020 - \$91,000). These amounts related to salaries and employee benefits to the Company's Chief Executive Officer.

For the six months ended June 30, 2021, the Company incurred related party expenses of \$41,700 (six months ended June 30, 2020 - \$30,000). These expenses related to the payment of consulting fees to the Company's Chief Financial Officer in their role as Chief Financial Officer up to June 1, 2021, and the Acting Chief Financial Officer effective June 1, 2021.

At June 30, 2021, the Company has a balance receivable of \$333,854 (June 30, 2020 - \$260,254) from the entities controlled by a director of the Company.

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At June 30, 2021, the Company has a balance payable of \$63,533 (June 30, 2020 - \$99,316) to a related party controlled by a director of the Company.

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

***Cash held in trust and customer deposits and client funds***

Acting as a paying agent, the Company had \$11,037,100 in restricted funds on deposit and a corresponding liability for client deposits as at June 30, 2021 (December 31, 2020 - \$6,153,784), which represents amounts received from customers to load on prepaid cards. Cash held in trust and customer deposits are segregated in separate bank accounts, controlled by the Company, from which the Company earns interest. The Company cannot utilize the cash held in trust and customer deposits outside the scope of the client contracts.

***Off balance sheet arrangements***

The Company does not have any off balance sheet arrangements.

***Risk factors***

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

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

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

***Market risk******(i) Interest rate risk***

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

***(ii) Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at June 30, 2021, the Company had the following balances denominated in US dollars: Cash of \$616,294 (December 31, 2020 - \$5,833) and accounts payable and accrued liabilities of \$61,721 (December 31, 2020 - \$113,263). As at June 30, 2021, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate \$67,801 increase or decrease, respectively, in net loss and comprehensive loss.

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#### *(iii) Other price risk*

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

#### **Credit risk**

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

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

All the Company's cash balances 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.

As at quarter-end, the company had an outstanding short-term, non-interest-bearing loan payable of \$2,000,000. The loan was evaluated by management and not deemed necessary, and hence was paid back in full post quarter end (see subsequent events).

#### **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 June 30, 2021, the Company had a cash balance of \$3,913,317 (December 31, 2020 - \$285,853)

As at June 30, 2021, the Company had positive working capital of \$1,849,998 (December 31, 2020 –positive working capital of \$295,970). As at June 30, 2021, the Company has access to a line of credit of \$60,000.

#### **Internal controls over financial reporting and disclosure of controls and procedures**

The Company's Chief Executive Officer and the Acting Chief Financial Officer are responsible for the design of internal controls over financial reporting within the Company 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

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Company's most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

***Management of capital***

At June 30, 2021, the Company's capital consists of the shareholders' equity in the amount of \$2,985,470 (December 31, 2020 - \$843,242).

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

The Company manages its capital with the following objectives:

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

***Subsequent events***

The following events occurred after the reporting period covered by the Financial Statements but are considered material in nature and therefore are included here.

- Subsequent to quarter-end, on July 7, 2021, the \$2,000,000 non-interest bearing, short-term loan was paid back in full.
- On July 13, 2021, the Company acquired the assets of Tiproll, a gratuity-pooling software solution, which will be used as an add-on to the Company's Today program. The Company has seen significant demand for a gratuity-pooling software that will calculate the disbursement of gratuities amid front of the house and back of the house staff especially as it relates to its integration with Lightspeed its clients. The company is using the IP acquired through the acquisition and engineering it as a Tipstoday module to sell on a monthly, reoccurring revenue basis to restaurants.
- The Company signed a non-binding LOI on July 27, 2021 with Restaurants Accounting Services, Inc. (RASI) for a Joint Venture (JV) to conclude a definitive agreement with respect to establishing a JV for offering RASI's clients XTMs digital payout solution for gratuity and earnings and for XTM to offer its clients RASI's payroll and back-office restaurant services to their clients and workers.

RASI is US-based leading virtual end-to-end outsourced Accounting, Payroll, and Finance platform; modernizing the back-office with Managed Finance as a Service (FaaS). RASI's hospitality-specific software is an analytics tool that allows restaurant operators to gauge performance in real-time and

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proactively make adjustments on areas of opportunity. Restaurants aim to save on Food Cost Pour Cost and Labor Cost through the RASI solution.

***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.