

# XTM Inc.

CSE: PAID, OTCQB: XTMIF, FSE: 7XT  
[www.XTMINC.com](http://www.XTMINC.com)

## Condensed Consolidated Interim Financial Statements

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For the periods ended March 31, 2022 and 2021

*(These unaudited interim condensed consolidated financial statements, prepared by management, have not been reviewed by the Company's external auditor)*

**Management's Responsibility for Financial Statements**

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

The consolidated condensed interim 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 interim 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.

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.

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the consolidated condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated condensed interim financial statements have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

DATED 24<sup>th</sup> day of May, 2022

XTM INC.

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

Per: (signed) "Paul Dowdall"  
Name: Paul Dowdall  
Title: Chief Financial Officer

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## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	March 31, 2022	December 31, 2021
<b>Assets</b>		
<b>Current</b>		
Cash (note 6)	\$ 6,367,977	\$ 8,383,429
Cash - restricted (note 17)	31,590,498	25,977,434
Receivables (note 14)	856,994	868,858
Prepaid expenses (note 7)	300,966	113,863
Notes receivable (notes 19)	637,981	-
Due from related parties (note 12)	333,854	333,854
	<b>40,088,270</b>	<b>35,677,438</b>
Property and equipment (note 8)	250,906	271,260
Intangible assets (note 9)	118,286	130,429
Investment (note 16)	249,920	-
Goodwill (note 5)	920,000	920,000
<b>Total Assets</b>	<b>\$ 41,627,382</b>	<b>\$ 36,999,127</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 975,615	\$ 830,423
Client deposits (note 17)	31,590,498	25,977,434
Sales tax payable	14,587	12,610
Due to related party (note 12)	287,169	299,533
Current portion of lease liabilities (note 10)	93,029	90,070
Government loan (note 18)	60,000	60,000
	<b>33,020,898</b>	<b>27,270,070</b>
Long term portion of lease liabilities (note 10)	62,471	86,868
<b>Total Liabilities</b>	<b>33,083,369</b>	<b>27,356,938</b>
<b>Shareholders' Equity</b>		
Share capital (note 11)	17,942,735	17,366,594
Contributed surplus (note 11)	238,204	238,204
Warrant reserve (note 11)	3,110,890	3,262,537
Cumulative translation reserve	1,595	-
Accumulated deficit	(12,749,411)	(11,225,146)
	<b>8,544,013</b>	<b>9,642,189</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 41,627,382</b>	<b>\$ 36,999,127</b>

*Commitments and contingencies (note 13)*

*Subsequent events (note 22)*

**APPROVED BY THE BOARD OF DIRECTORS:**

"Marilyn Schaffer"

Director

"Cameron Chell"

Director

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	For the three months ended	
	March 31, 2022	March 31, 2021
<b>Revenue</b>		
Gross revenue (note 21)	\$ 796,623	\$ 256,881
Commissions and agent fees	-	(2,802)
<b>Net revenue</b>	<b>796,623</b>	<b>254,079</b>
<b>Cost of sales</b>	<b>682,239</b>	180,862
<b>Gross profit</b>	<b>114,384</b>	73,217
<b>Gross Profit %</b>	<b>14.4%</b>	<b>28.8%</b>
<b>Expenses</b>		
Salaries and employee benefits (note 12)	766,764	401,297
Public company and regulatory (note 20)	220,500	191,116
Consulting	224,315	59,900
Professional fees	197,105	100,249
Bad Debt and ECL (note 14)	(14,683)	-
Marketing and promotion (note 20)	49,347	12,812
Depreciation and amortization (note 8, 9)	44,390	42,766
Office and general	45,734	68,510
Travel, Meals and entertainment	12,320	1,926
Bank charges, interest and accretion (note 13)	9,135	40,071
Stock-based compensation (note 11)	20,938	44,964
	<b>1,575,865</b>	963,611
<b>Loss from operations</b>	<b>(1,461,481)</b>	(890,394)
Other expenses (income)	62,784	(3,000)
<b>Loss before income taxes</b>	<b>(1,524,265)</b>	(887,394)
<b>Income taxes</b>	-	-
<b>Net loss and comprehensive loss</b>	<b>\$ (1,524,265)</b>	<b>\$ (887,394)</b>
<b>Net loss per share - Basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding - Basic and diluted</b>	<b>169,319,666</b>	122,655,566

*The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements*

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2022 and 2021

	Share Capital		Subscription Receipts	Warrant Reserve	Contributed Surplus	Cumulative translation reserve	Accumulated Deficit	Total Shareholders' Equity
	Number of Common Shares	Amount						
<b>Balance, January 1, 2021</b>	116,810,295	\$ 6,187,367	\$ -	\$ 783,285	\$ 341,861	\$ -	\$ (6,469,271)	\$ 843,242
Issue of shares (note 11)	7,966,663	1,194,999	-	-	-	-	-	1,194,999
Share issuance costs (note 11)	-	(74,350)	-	5,625	-	-	-	(68,725)
Warrants issued (note 11)	-	(383,453)	-	383,453	-	-	-	-
Exercise of warrants (note 11)	11,274,333	1,937,082	-	(354,673)	-	-	-	1,582,409
Exercise of stock options (note 11)	705,000	68,525	-	-	(21,275)	-	-	47,250
Units to be issued (note 11)	-	-	25,000	-	-	-	-	25,000
Loan conversion (note 11)	2,941,176	500,000	-	-	-	-	-	500,000
Conversion feature (note 11)	-	-	-	-	(35,959)	-	-	(35,959)
Stock-based compensation (note 11)	-	-	-	-	37,464	-	-	37,464
Net loss for the period	-	-	-	-	-	-	(887,394)	(887,394)
<b>Balance, March 31, 2021</b>	<b>\$ 139,697,467</b>	<b>\$ 9,430,170</b>	<b>\$ 25,000</b>	<b>\$ 817,690</b>	<b>\$ 322,091</b>	<b>\$ -</b>	<b>\$ (7,356,665)</b>	<b>\$ 3,238,286</b>
<b>Balance, January 1, 2022</b>	167,833,427	\$ 17,366,594	\$ -	\$ 3,262,537	\$ 238,204	\$ -	\$ (11,225,146)	\$ 9,642,189
Issue of shares (note 11)	-	-	-	-	-	-	-	-
Share issuance costs (note 11)	-	-	-	-	-	-	-	-
Warrants issued (note 11)	-	-	-	-	-	-	-	-
Warrants expired (note 11)	-	151,647	-	(151,647)	-	-	-	-
Exercise of warrants (note 11)	1,082,417	248,957	-	-	-	-	-	248,957
Exercise of stock options (note 11)	930,000	154,600	-	-	-	-	-	154,600
Expiration of stock options (note 11)	-	-	-	-	-	-	-	-
Loan conversion (note 11)	-	-	-	-	-	-	-	-
Stock-based compensation (note 11)	62,500	20,938	-	-	-	-	-	20,938
Restricted stock units issued (note 11)	0	-	-	-	-	-	-	-
Common shares cancelled (note 11)	-	-	-	-	-	-	-	-
Other comprehensive loss from translation of foreign operations	-	-	-	-	-	1,595	-	1,595
Net loss for the period	-	-	-	-	-	-	(1,524,265)	(1,524,265)
<b>Balance, March 31, 2022</b>	<b>169,908,344</b>	<b>\$ 17,942,735</b>	<b>\$ -</b>	<b>\$ 3,110,890</b>	<b>\$ 238,204</b>	<b>\$ 1,595</b>	<b>\$ (12,749,411)</b>	<b>\$ 8,544,013</b>

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended	
	March 31, 2022	March 31, 2021
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (1,524,265)	\$ (887,394)
<i>Items not affecting cash:</i>		
Depreciation of property and equipment (note 8)	32,247	25,266
Amortization of intangible assets (note 9)	12,143	17,500
Accretion of debt and debt discount of loan payable	-	4,792
Stock-based compensation	20,938	37,464
Interest on lease liabilities (note 10)	5,520	1,918
	<b>(1,453,418)</b>	<b>(800,454)</b>
<i>Changes in non-cash working capital:</i>		
Receivables	11,864	(88,485)
Sales taxes	1,977	(8,415)
Prepaid expenses	(187,103)	93,011
Cash held in trust (note 17)	(5,613,064)	(2,021,135)
Accounts payable and accrued liabilities (note 14)	145,192	133,826
Client funds (note 17)	5,613,064	2,021,135
	<b>(28,070)</b>	<b>129,937</b>
<b>Cash flows used by operating activities</b>	<b>(1,481,488)</b>	<b>(670,517)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment (note 8)	(11,892)	(9,918)
Notes receivable (note 19)	(637,981)	-
Investments (note 16)	(249,920)	-
<b>Cash flows used by investing activities</b>	<b>(899,793)</b>	<b>(9,918)</b>
<b>FINANCING ACTIVITIES</b>		
Advance (to) from related parties (note 12)	-	(31,600)
Advances to related party (note 12)	(12,364)	(20,250)
Loan conversion (note 11)	-	(500,000)
Units to be issued	-	25,000
Repayment of lease liabilities (note 10)	(26,957)	(20,512)
Proceeds from share issuances (note 11)	-	1,694,999
Share issuance costs (note 11)	-	(74,350)
Proceeds from exercise of warrants (note 11)	248,957	1,582,409
<b>Cash flows from financing activities</b>	<b>364,236</b>	<b>2,702,946</b>
Foreign exchange affecting cash	1,593	-
<b>Increase (decrease) in cash</b>	<b>(2,015,452)</b>	<b>2,022,511</b>
<b>Cash, beginning of period</b>	<b>8,383,429</b>	<b>285,853</b>
<b>Cash, end of period (note 6)</b>	<b>\$ 6,367,977</b>	<b>\$ 2,308,364</b>

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements

## **1. NATURE OF OPERATIONS**

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

On March 10, 2020, the common shares of the Company were listed on the Canadian Securities Exchange under the trading symbol PAID. On April 29, 2020, the common shares of the Company were listed on the Frankfurt Stock Exchange (Deutsche Boerse AG) under the symbol “7XT”.

On March 5, 2021, XTM’s shares started trading on the OTCQB Venture Market, a US trading platform that is operated by OTC Markets Group in New York. The Company’s symbol is ‘XTMIF’. The QB US listing supports broader investor interest as the business rapidly expands into the US market.

During the years ended December 31, 2021 and 2020, and the period ending March 31, 2022, 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 virus, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus. There is significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our ability to raise further financing. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments or quantify the impact this pandemic may have on the financial results and condition of the Company in future periods.

The spread of COVID-19 posed challenges to the Company’s business. During the year ended December 31, 2020 and the year ended December 31, 2021, the Company received an aggregate of \$331,620 as part of government assistance available during COVID-19 such as 10% Temporary Wage Subsidy and Canada Emergency Wage Subsidy programs. During the year ended December 31, 2020, the Company received the Canada Emergency Business Support loan of \$60,000 (note 19). This loan is interest free if fully repaid on or before December 31, 2023. If the loan cannot be repaid by December 31, 2023, it will be converted into a 2-year term loan, charging an interest rate of 5% per annum.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies and methods of computation remain the same as presented in the audited annual consolidated financial statements for the year ended December 31, 2021.

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

These interim condensed consolidated financial statements have been approved by the Board of Directors on May 24<sup>th</sup>, 2022.

**Basis of presentation**

These condensed consolidated financial statements have been prepared on a historical cost basis.

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

**Principles of consolidation**

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

**Foreign currency translation****(a) Functional and presentation currency**

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

**b) Transactions and balances**

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

**Property and Equipment**

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

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

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

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

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

**Intangible assets**

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

**Provisions**

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

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

**Share capital**

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

**Restricted cash and client deposits**

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

**Impairment of non-financial assets**

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

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

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

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

### **Share based payments**

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

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

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

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

### **Income (Loss) per share**

Basic income (loss) per share amounts is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated using the treasury method, which assumes that all outstanding stock option grants and warrants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company’s common shares at the average market price during the period. As at March 31, 2022 and 2021, all convertible instruments are anti-dilutive.

### **Income taxes**

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

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

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the condensed consolidated financial statements. Deferred income tax

is determined on a non discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

**Revenue Recognition**

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

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

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

**Financial instruments**

*(a) Classification*

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

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

<b>Financial Instrument</b>	<b>Classification /Measurement</b>
Cash	Amortized cost
Cash held in trust and customer deposits	Amortized cost
Receivables	Amortized cost
Notes receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Client funds	Amortized cost
Due to related party	Amortized cost
Government loan	Amortized cost
Loan payable	Amortized cost

*(b) Measurement*

**Financial assets at FVTOCI**

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

**Financial assets and liabilities at amortized cost**

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

**Financial assets and liabilities at FVTPL**

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

*(c) Impairment of financial assets at amortized cost*

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

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

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

**Impairment of financial assets**

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

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

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

**Compound financial instrument**

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

**Government grants**

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

**Leases**

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

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

#### ***Going concern***

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

#### ***Useful life of tangible and intangible assets***

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

#### ***Impairment***

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

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

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

***Allowances for expected credit losses***

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

***Share-based payments***

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

**4. BASIS OF CONSOLIDATION**

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SUBSIDIARIES AND INVESTMENTS WITH CONTROLLING INTERESTS

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

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

Subsidiaries and investments included within these condensed consolidated financial statements include:

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

The Company segments its operations by revenue stream (note 21) and therefore does not provide a breakout by geography as the operations of XTM USA Inc. were determined to be immaterial as at March 31, 2022.

**5. GOODWILL**

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

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

**6. CASH AND EQUIVALENTS**

Cash and equivalents are comprised of bank balances at major Canadian financial institutions. Transaction costs are expensed when incurred. As at March 31, 2022, the Company held the totals below in cash, and is not currently utilizing money market instruments (December 31, 2021; \$nil).

	As at March 31, 2022	As at December 31, 2021
<b>Cash consists of:</b>		
CAD Operating account	<b>\$6,086,360</b>	\$8,324,943
CAD Funds in transit	<b>(221,699)</b>	(170,363)
USD Operating account	<b>297,751</b>	114,699
USD Funds in transit	<b>205,565</b>	114,151
	<b>\$6,367,977</b>	\$8,383,429

**7. PREPAID EXPENSES**

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

	As at March 31, 2022	As at December 31, 2021
<b>Prepaid expenses consist of:</b>		
Debit Cards	<b>\$13,582</b>	23,054
Prepaid Software Subscription	<b>\$20,929</b>	-
Prepaid Insurance	<b>\$49,283</b>	9,258
Prepaid Consulting Services	<b>\$217,172</b>	81,551
	<b>\$300,966</b>	\$113,863

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**8. PROPERTY AND EQUIPMENT**

A continuity of the property and equipment, including finance leases for the period ended March 31, 2022 is as follows:

<b>Cost</b>	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Right-of-use asset	Leasehold Improvements	Telephone Equipment	<b>Total</b>
Balance as at January 1, 2021	\$43,491	\$70,175.00	\$25,000	\$195,895	\$91,303	\$8,707	\$434,571
Additions	\$45,380	\$19,812	\$0	\$192,477	\$0	\$0	\$257,669
Balance as at December 31, 2021	\$88,871	\$89,987	\$25,000	\$388,372	\$91,303	\$8,707	\$692,240
Additions	\$11,892	\$0	\$0	\$0	\$0	\$0	\$11,892
<b>Balance as at March 31, 2022</b>	<b>\$100,763</b>	<b>\$89,987</b>	<b>\$25,000</b>	<b>\$388,372</b>	<b>\$91,303</b>	<b>\$8,707</b>	<b>\$704,132</b>
<b>Accumulated Depreciation</b>							
Balance as at January 1, 2021	(\$27,820)	(\$48,940)	(\$14,110)	(\$134,763)	(\$75,384)	(\$7,799)	(\$308,816)
Depreciation	(\$17,262)	(\$6,229)	(\$3,266)	(\$69,306)	(\$15,919)	(\$182)	(\$112,163)
Balance as at December 31, 2021	(\$45,082)	(\$55,170)	(\$17,376)	(\$204,069)	(\$91,303)	(\$7,981)	(\$420,980)
Depreciation	(\$5,407)	(\$1,739)	(\$573)	(\$24,490)	\$0	(\$36)	(\$32,246)
<b>Balance as at March 31, 2022</b>	<b>(\$50,489)</b>	<b>(\$56,909)</b>	<b>(\$17,949)</b>	<b>(\$228,559)</b>	<b>(\$91,303)</b>	<b>(\$8,017)</b>	<b>(\$453,226)</b>
<b>Carrying Amount</b>							
Balance as at December 31, 2021	\$43,789	\$34,818	\$7,623	\$184,303	\$0	\$727	\$271,260
<b>Balance as at March 31, 2022</b>	<b>\$50,274</b>	<b>\$33,078</b>	<b>\$7,051</b>	<b>\$159,813</b>	<b>\$0</b>	<b>\$690</b>	<b>\$250,906</b>

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**9. INTANGIBLE ASSETS**

A continuity of the intangible assets for the period ended March 31, 2022 is as follows:

Cost	<b>Software Platform</b>
Balance as at January 1, 2021	\$415,000
Additions	9,000
Balance as at December 31, 2021	\$424,000
<b>Additions</b>	<b>0</b>
<b>Balance as at March 31, 2022</b>	<b>\$424,000</b>
<b>Accumulated Amortization</b>	
Balance as at January 1, 2021	(\$189,580)
Amortization	(103,991)
Balance as at December 31, 2021	(\$293,571)
Amortization	(12,143)
<b>Balance as at March 31, 2022</b>	<b>(\$305,714)</b>
<b>Carrying Amount</b>	
Balance as at December 31, 2021	<b>\$130,429</b>
<b>Balance as at March 31, 2022</b>	<b>\$118,286</b>

**10. LEASE LIABILITIES**

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

Balance, January 1, 2021	\$72,427
Additions	185,899
Repayment of lease liability	(85,428)
Interest expense on lease liability	4,039
Balance, December 31, 2021	\$176,937
Repayment of lease liability	(26,957)
Interest expense on lease liability	5,520
<b>Balance, March 31, 2022</b>	<b>\$155,500</b>
Lease liabilities due within one year	93,029
Lease liabilities – long term	62,471
<b>Total lease liabilities</b>	<b>\$155,500</b>

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

The Company makes variable lease payments for property tax, insurance, parking, and maintenance on the office lease. During the three months ended March 31, 2022, the Company recorded an expense of \$763.17 for the variable lease payments (March 31, 2021 - \$14,101).

**11. CAPITAL STOCK**

**Share capital**

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

Shares issued and outstanding	Number of common shares	\$
<b>Shares issued and outstanding as at January 1, 2021</b>	<b>116,810,295</b>	<b>6,187,367</b>
Shares issued in private placements (v)(ix)	31,652,419	<b>10,142,063</b>
Share issuance costs, including broker warrants (v)	-	<b>(1,176,976)</b>
Allocation to warrants (v)	-	<b>(2,803,913)</b>
Shares issued for the exercise of warrants	18,582,351	<b>3,728,796</b>
Warrants expired	-	<b>142,433</b>
Options expired	-	<b>6,182</b>
Shares issued for the exercise of stock options	2,855,000	<b>492,882</b>
Shares issued for loan conversion (vi)	2,941,176	<b>500,000</b>
Restricted share units issued	369,686	<b>147,760</b>
Common shares cancelled (ii)	(5,377,500)	-
<b>Shares issued and outstanding as at December 31, 2021</b>	<b>167,833,427</b>	<b>17,366,594</b>
Shares issued for the exercise of warrants	1,082,417	248,957
Warrants expired	-	151,647
Shares issued for the exercise of stock options	930,000	154,600
Shares issued for stock-based compensation	62,500	20,938
<b>Shares issued and outstanding as at March 31, 2022</b>	<b>169,908,344</b>	<b>17,942,735</b>

**Year ended December 31, 2020**

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

On February 4, 2020, the Company issued 890,000 units at \$0.17 per unit for gross proceeds of \$151,300. Each unit consists of one common share and one common shares purchase warrant exercisable for a period of two years at \$0.23 per common share. The Company issued 24,000 finder warrants entitling the holder to acquire one additional common share of the Company at a price of \$0.17 per share for a period of two years. The fair value of warrants was \$37,257 and finders warrants of \$1,242 using the Black-Scholes option pricing model with

the following assumptions: risk-free interest rate of 1.484%, expected life of 2 years and stock price volatility of 89% with zero dividend yield.

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

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

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

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

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

#### **Year ended December 31, 2021**

- (iii) On January 1, 2021, the Company issued 2,000,000 unrestricted shares to its Chief Executive Officer which vested immediately upon their grant. The shares issued had a fair value of \$300,000 based on the prior 15 day volume weighted average closing price per common share. The expense is recorded in stock-based compensation on the consolidated statement of loss and comprehensive loss.
- (iv) 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.
- (v) On March 19, 2021, the loan payable with a face value of \$500,000 was converted into 2,941,176 common shares at an exercise price of \$0.17. In September 2019, the Company also issued the lender 5,000,000 warrants to acquire one common share of the Company at an exercise price of \$0.17 per common share for a period of two years (note 14); the full allotment of warrants were executed in March 2021.
- (vi) On July 7, 2021, the Company issued 25,000 shares for the purchase of intellectual property pertaining to

software the Company is utilizing as part of its tip pooling software to be launched in Q2 2022.

- (vii) On July 26, 2021, the Company settled a claim raised by one of its suppliers totaling \$55,000 by issuing 137,500 units at a share price of \$0.40.
- (viii) On October 4, 2021, the Company issued 21,523,256 units at \$0.40 per unit for gross proceeds of \$8,609,302. Each unit consists of one common share and one common shares purchase warrant exercisable for a period of three years at \$0.65 per common share. The Company issued 1,721,860 finder warrants entitling the holder to acquire one additional common share of the Company at a price of \$0.65 per share for a period of three years. The fair value of warrants was \$2,420,460 and finder warrants of \$304,116 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.538%, expected life of 3 years and stock price volatility of 89% with zero dividend yield.

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

### **Restricted stock units**

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

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

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

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

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

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

On March 8, 2022, the Company granted 275,000 RSU's to three employees of the Company under the RSU plan which vest quarterly (eight equal tranches) over a 24-month period. The RSU's issued had a grant date fair value of \$90,750 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

**Escrow shares**

As at March 31, 2022, 3,327,963 (December 31, 2021 – 3,915,250) 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.

	Number of Options	Weighted Average Exercise Price
<b>Balance outstanding, January 1, 2021</b>	<b>6,630,000</b>	<b>\$0.15</b>
Granted		
Expired	(400,000)	\$0.20
Exercised	(2,855,000)	\$0.12
<b>Balance outstanding, December 31, 2021</b>	<b>3,375,000</b>	<b>\$0.17</b>
Granted	250,000	\$0.33
Expired	(400,000)	\$0.17
Exercised	(930,000)	\$0.17
<b>Balance outstanding, March 31, 2022</b>	<b>2,295,000</b>	<b>\$0.19</b>

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

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

During the three months ended March 31, 2022, 930,000 stock options were exercised and 400,000 expired.

On March 8, 2022, the Company issued 250,000 stock options to employees. The options have an exercise price of \$0.33, vest quarterly (eight equal tranches) over a 24-month period, and expire three years after grant.

During the three months ended March 31, 2022, the Company recorded \$20,938 in stock-based compensation (March 31, 2021; \$44,964) related to stock options issued.

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

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

Details of options outstanding as at March 31, 2022:

Expiry Date	Number of Options Granted	Exercise Price (\$)	Number of Options Exercisable
May 20, 2022	5,000,000	0.17	2,045,000
March 8, 2025	250,000	0.33	250,000

The weighted average life of the options outstanding at March 31, 2022 is 0.44 years and weighted average exercise price of \$0.19 per stock option.

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Avg. Exercise Price (\$)
<b>Balance January 1, 2021</b>	28,661,462	<b>.19</b>
Issued February 26, 2021	7,966,663	0.30
Issued October 4, 2021	21,523,256	0.65
Exercised	(18,018,351)	0.17
Expired	(5,804,118)	0.14
<b>Balance December 31, 2021</b>	34,328,912	<b>0.52</b>
Exercised	(993,617)	0.23
Expired	(231,383)	0.23
<b>Balance March 31, 2022</b>	33,103,912	<b>0.53</b>

Warrants outstanding as at March 31, 2022 were as follows:

Expiry Date	Number of Warrants	Exercise Price (\$)
09-Jun-22	147,059	0.23
26-Oct-22	1,666,799	0.30
29-Dec-22	2,666,800	0.30
26-Feb-23	7,099,998	0.30
27-Sept-23	21,523,256	0.65

The weighted average life of the warrants outstanding and exercisable at March 31, 2022 is 1.26 years.

**Finder Warrants**

Summary of the finder warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
<b>Balance January 1, 2021</b>	<b>430,808</b>	<b>0.15</b>
Issued	1,865,860	0.62
Exercised	(153,000)	0.22
<b>Balance December 31, 2021</b>	<b>2,007,609</b>	<b>0.59</b>
Exercised	(88,800)	0.23
Expired	(112,941)	.23
<b>Balance March 31, 2022</b>	<b>1,805,868</b>	<b>0.63</b>

Finder warrants outstanding as at March 31, 2022 were as follows:

Expiry Date	Number of Warrants	Exercise Price (\$)
26-Oct-22	34,004	0.30
29-Dec-22	50,004	0.30
27-Sept-23	1,210,836	0.65
23-Nov-23	511,024	0.65

The weighted average life of the finder’s warrants outstanding at March 31, 2022 is 1.99 years.

**12. RELATED PARTY BALANCES AND TRANSACTION**

(i) **Key management personnel:**

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

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

	For the three months ended March 31, 2022	March 31, 2021
	\$	\$
Management salaries, bonuses, and other benefits	101,096	64,000
Share-based compensation	-	-
<b>Total</b>	<b>101,096</b>	<b>64,000</b>

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

At March 31, 2022, the Company has a balance receivable of \$333,854 (December 31, 2021 - \$333,854) from the entities controlled by a director of the Company.

At March 31, 2022, the Company has a balance payable of \$63,533 (December 31, 2021 - \$63,533) to a related party controlled by a director of the Company.

At March 31, 2022, the Company has recorded accrued but unpaid salary of \$123,636 (December 31, 2021 - \$136,000) pertaining to the CEO of the Company.

At March 31, 2022, the Company had a balance payable of \$100,000 (December 31, 2021 - \$100,000) owing to the CEO of the Company.

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

**13. COMMITMENTS AND CONTINGENCIES**

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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.

**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

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

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

*(ii) Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at March 31, 2022, the Company had the following balances denominated in US dollars: Cash of \$402,782 (December 31, 2021 - \$180,509), accounts receivable of \$nil (December 31, 2021 - \$200,000), notes receivable of \$500,000 (December 31, 2021 - \$nil) and accounts payable and accrued liabilities of

\$196,342 (December 31, 2021 - \$91,474) yielding net assets of \$706,440. As at March 31, 2022, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate \$88,277 increase or decrease, respectively, in net loss and comprehensive loss.

*(iii) Other price risks*

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

**(b) Credit risk**

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

	March 31, 2022	December 31, 2021
	\$	\$
Trade receivables aging:		
0-30 days	<b>140,159</b>	299,238
31-90 days	<b>198,541</b>	344,654
Greater than 90 days	<b>139,341</b>	104,568
	<b>478,041</b>	748,459
Provision for expected credit losses	<b>(3,169)</b>	(17,853)
Net trade receivables	<b>474,872</b>	730,607
Other Receivables	<b>318,027</b>	109,301
Total Receivables	<b>792,899</b>	839,908

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

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

**(c) Liquidity risk**

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate cash reserves and loan facilities and by continuously monitoring forecast and actual cash flows. At March 31, 2022, the Company had a cash balance of \$6,367,977 (December 31, 2021 - \$8,383,429).

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

	At March 31, 2022	At December 31, 2021
	\$	\$
Accounts payable and accrued liabilities	975,615	830,423
Due to related party	287,169	299,533
Sales Tax Payable	14,587	12,610
Lease payments	93,029	90,070
<b>Total</b>	<b>1,370,400</b>	<b>1,232,636</b>

As at March 31, 2022, the Company had positive working capital of \$7,067,372 (December 31, 2021 – \$8,407,368). As at March 31, 2022, the Company has access to a line of credit of \$60,000 which is currently unutilized.

## **15. MANAGEMENT OF CAPITAL**

At March 31, 2022, the Company’s capital consists of the shareholders’ equity in the amount of \$8,544,013 (December 31, 2021 - \$9,642,189).

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.

## **16. INVESTMENTS**

On March 28, 2022, the Company entered into an agreement with CaliCard Holdings LLC (“CaliCard”) whereby the Company converted an outstanding receivable in the amount of USD \$200,000 to 200,000 common shares, at a price of \$1.00 USD per common share, the value of which was based on CaliCard’s last round of financing. The settlement shares are fully paid and non-assessable shares in the common stock of CaliCard, without restriction.

## **17. RESTRICTED CASH AND CLIENT DEPOSITS**

Acting as a paying agent, the Company had \$31,590,498 in restricted cash on deposit and a corresponding liability for client deposits as at March 31, 2022 (December 31, 2021 - \$25,977,434,) which represents amounts received from clients to load on prepaid cards. Restricted cash is segregated in separate bank accounts, controlled by the Company, from which the Company earns interest. The Company cannot utilize the client deposits outside the scope of the client contracts.

**18. GOVERNMENT LOAN**

On April 21, 2020, the Company received a \$40,000 Canada Emergency Business Account (“CEBA”) loan from the Government of Canada. On December 16, 2020, the Company received an additional \$20,000 CEBA loan. Both loans are unsecured and interest-free until December 31, 2023, at which time the remaining balance will convert to a 2-year term loan at an interest rate of 5% per annum. If the balance of the loans is repaid on or before December 31, 2023, there will be a loan forgiveness of up to 33% or \$20,000. On initial recognition, the loans were recorded at fair value using a discount rate of 10%, the discount of \$4,558 has been recognized as other income – government assistance in the consolidated statements of loss and comprehensive loss. The Company has since determined it does not qualify for loan forgiveness as this only applies to Canadian Controlled Private Corporations (CCPC’s) and therefore recorded Other Expense of \$2,941 as at December 31, 2021 to correct the balance previously recorded in 2020.

As at	March 31, 2022 \$	December 31, 2021 \$
Opening balance	60,000	57,059
Advances	-	-
Discount for interest free period – government assistance	-	-
Interest accretion	-	(2,941)
<b>Ending balance</b>	<b>60,000</b>	<b>60,000</b>

**19. NOTES RECEIVABLE**

On January 7, 2022, the Company executed an unsecured promissory note totaling USD\$500,000 to World Data Solutions Inc. (the Borrower) maturing June 30, 2022. The intent of the note was to assist the Borrower in meeting short-term working capital needs as the two companies work together on a holistic accounting and payroll solution for the North American market. The Borrower shall pay the Company a fixed rate of interest of 10% per year, calculated annually on the unpaid portion of the loan amount until repaid in full.

**20. RECLASSIFICATION of PRIOR PERIOD PRESENTATION**

During the period ended March 31, 2022, the Company re-assed the classification of certain costs incurred related to Marketing and Promotion that support investor relations. As a result, certain costs have been reclassified from Marketing and promotion to Regulatory and listing fees. The adjusted amounts below better reflect costs incurred to support investor relations and classification of these expenses have been reflected in the interim condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2022 and the comparative period has been reclassified to conform to the current period presentation.

Q1 2021	Current Presentation	As previously presented	Difference
Regulatory and listing fees	\$191,116	\$58,522	\$132,594
Marketing and Promotion	12,812	145,406	(\$132,594)
<b>Total reclassification</b>	<b>\$203,928</b>	<b>203,928</b>	-

**21. REVENUES**

The Company generates revenue through three distinct streams:

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

Revenues for the three months ended March 31, 2022, and 2021 are as follows:

	<b>For the three months ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Transaction Revenue	334,910	73,817
Program Management	83,209	111,909
Card revenue	378,504	68,353
<b>Net Revenue</b>	<b>\$796,623</b>	<b>\$254,079</b>

**22. SUBSEQUENT EVENTS**

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

On April 25, 2022, the Company settled its dispute with Liquid Avatar Operations Inc. (“LA”, formerly KABN) for \$200,000 (the “Termination Fee”) plus HST. The dispute arose after LA attempted to prematurely terminate its Customer Card Program Services multi-year agreement for the KABN prepaid Visa card. It was determined, through mediation, that XTM had fulfilled its obligations and therefore there were no ground for termination. As at March 31, 2022, the Company had estimated and recorded \$159,716 of the \$200,000 Termination Fee in program revenues.

On May 11, 2022, the Company’s board of directors approved a new equity incentive policy (the “Incentive Policy”) which allows employees of the Company to receive options and RSU’s on an ongoing basis as part of their total compensation package. The options and RSUs issued pursuant to the Incentive Policy will be issued under the Company’s existing option and RSU plans, up to a maximum of 1,000,000 RSUs and 2,500,000 options during the period ending April 1, 2023.

On May 13, 2022, the Company granted an aggregate of 780,500 restricted share units and 1,700,000 stock options to certain officers, contractors, and employees of the Company, of which 500,000 RSU’s and 1,450,000 options were issued pursuant to the Incentive Policy. The options and RSUs have been issued in accordance with XTM’s existing compensation policies and any applicable employment agreements or arrangements and will vest over 24 months in equal quarterly amounts, with the options exercisable at an exercise price of between \$0.185 and \$0.33 for a period of 3 years from their issue.