

XTM Inc.

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www.XTMINC.com

Management's Discussion and Analysis

For the periods ended June 30, 2022 and 2021

(This Management Discussion and Analysis, prepared by management, has not been reviewed by the Company's external auditor)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") prepared as of August 26, 2022, reviews the financial condition and results of operations of XTM Inc. (the "Company" or "XTM") for the period ended June 30, 2022 and all other material events up to the date of this report. The following discussion should be read in conjunction with a) the annual audited consolidated financial statements and related notes for the year ended December 31, 2021, and b) unaudited consolidated condensed interim financial statements for the three months ended June 30, 2021 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. These statements can be found under the Company's profile on SEDAR at www.sedar.com.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. The Company's unaudited consolidated condensed interim financial statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") All dollar amounts are in Canadian dollars, unless otherwise noted.

The Company's certifying officers are responsible for ensuring that the audited consolidated financial statements and MD&A 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 considering the circumstances under which it was made. 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 XTM's Subordinate Voting 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 of Directors, evaluates the materiality in this regard referencing all relevant circumstances, including potential market sensitivity. The Company's directors certify that the audited consolidated financial statements and MD&A present, in all material respects, the financial condition, results of operations and cash flows, of the Company as the date hereof.

ACCOUNTING PERIODS

The following Management's Discussion & Analysis ("MD&A") is based on information in the unaudited condensed consolidated interim financial statements and accompanying notes thereto for the period ended June 30, 2022. Comparative amounts in the unaudited condensed consolidated interim financial statements and accompanying notes thereto are for the period ended June 30, 2021, and year-ended December 31, 2021.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may

relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators 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, gratuities, and expense reimbursements to workers primarily in the hospitality, personal care, and food delivery space, but as of late entering new verticals that can also benefit from its solution. XTM is the originator of the Today™ Solution, a bespoke software solution specifically designed for restaurateurs, personal care service providers, food delivery operators, and other establishments with a similar need to provide staff with funds in near real-time. It is comprised of a Today wallet accessible by a free mobile app, and a companion Visa or Mastercard debit card with free banking features. Currently the solution is used by thousands of locations and their staff across Canada, and is now entering the United States.

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 1221 Brickell Ave Suite 900 Miami, FL. 33310

During the years ended December 31, 2021 and 2020, and the period ending June 30, 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.

RECENT EVENTS

The following notable events occurred after the period covered by the Company's Q2 2022 unaudited condensed consolidated financial statements and MD&A:

- In August 2022, the Company submitted its final application to the Bancorp, its US banking partner, for certification of its earned wage access (EWA) product which will be available to US businesses by the end of Q3 2022.
- In August 2022, the Company announced the official launch of its stand-alone tip pool and tip share products. These products are POS agnostic which allows the entire hospitality industry in both Canada and the US immediate access to XTM's software which automates the calculation and distribution / sharing of tips based on a percentage of net sales; this saving operators time and money as well as providing staff with full transparency of the process.
- In August 2022, the Company finalized the development of its latest platform allowing it to pursue other employee or contractor payouts including temporary workers, construction workers, and general labourers both as direct employees or contractors.

HIGHLIGHTS FOR Q2 2022

The Company views the revenue, increased active user base, and GDV achievements as a clear sign of positive momentum in the hospitality space as it continues to rebound from the effects of COVID lock down restrictions which carried through to March 2022. Revenue of just under \$1.3MM in Q2 2022 was a significant milestone and is almost solely attained in the Canadian market. With the coming launch of a full earned wage access program in the US, it will accelerate the growth curve by opening up a new market which typically generates higher GDV per user. The Company also continues to have a strong balance sheet yielding adequate working capital to fund organic growth needs beyond the end of fiscal 2022.

- Gross dollar value ("GDV") loaded on the Company's platform was just under \$117MM for the quarter. This was the highest quarter in the Company's brief history, and an increase of 405% from \$23MM for Q2 2021, and an increase of \$47MM or 67% from Q1 2022
- Current Active users at the end of June 2022 (defined as wallet holders that completed a minimum of one transaction in a current month) on the Company's Today platform came in just under 58K, an increase of 42K or 262% from 16K for Q2 2021, and an increase of 9K or 19% from Q1 2022. The Company has changed the name of a previously used Key Performance Indicator (KPI) from "Active User" to "Current Active User" and added a new metric, "Total Active Users" (defined as a Today wallet holder with at least one transaction in the past 6 months). With the service workers the Company is currently supporting consisting of full and part-time, and workers who have a higher frequency of moving employers and or leaving and entering the workforce, we see many Today holders continue to use the Today program when either returning to their current or previous employer, or returning to the workforce with a new employer.
- Revenue was \$1,286K for the quarter, the strongest quarter for revenue to date; this was an increase of \$889K or 224% compared to Q2 2021

- Gross Profit was \$297K or 23% of revenue, an increase of 69% or \$121K compared to \$176K or 44% of revenue for Q2 2021, the lower percentage a result of lower program revenues and higher card sales to support active user growth
- Operating expenses were \$2,104K, an increase of 88% or just under \$983K compared to \$1,121K for Q2 2021 with the main driver being increase staffing, consulting fees, and public company and regulatory expenses to support the Company's product and market expansion initiatives;
- Net loss was \$1,871K compared to a net loss of \$942K for Q2 2021, with the increase mainly due to investments in new technology, new hires to support growth, expansion to new verticals, and US expansion;
- Cash totaled \$4.8MM at June 30, 2022, down \$3.5MM from 2021's year end total of \$8.4MM with just under \$3MM being used to fund operations; the remaining decrease of \$650K resulted from the Company entering into a secured short-term promissory note which matures on September 30, 2022;
- Working capital of the Company was \$5.3MM at June 30, 2022, a decrease of \$3.1MM compared to working capital of \$8.4MM at December 31, 2021, with the decrease due to cash used in operations;
- During the quarter the Company successfully onboarded 220 new locations for its Today program.

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SUMMARY OF ANNUAL RESULTS

KEY PERFORMANCE INDICATORS AND NON-IFRS MEASURES

The key performance indicators (“KPI’s”) and non-IFRS measures for the Company are gross dollar value load (“GDV”), Current Active Users, and Total Active Users. The Company’s success will be measured by its growth in revenue from one reporting period to the next and is directly a result of increased dollar value transacted through its platform. Revenue growth is dependent on the Company continuing to sign on new hospitality locations, increase the percentage of GDV used for POS transactions, and the addition of new products to enhance current programs.

QUARTERLY RESULTS

The following table summarizes information derived from the Company’s unaudited condensed consolidated financial statements as well as KPI’s the Company uses to assess performance, for each of the eight most recently completed quarters:

Quarter Ended	Financial Results					Key Performance Indicators ⁽¹⁾		
	Revenue	Cost Of Goods Sold	Gross Profit	Net Income (loss)	Net Income (loss) per share	GDV	Current Active Users (past month)	Total Active Users (past 6 months)
	\$	\$	\$	\$	\$	\$MM's	#	#
Statement of Loss and Comprehensive Loss								
June 30, 2022	1,286,058	988,971	297,087	(1,871,005)	(0.01)	116.5	57,790	82,626
March 31, 2022	796,623	682,239	114,384	(1,524,265)	(0.01)	69.8	48,767	66,566
December 31, 2021	868,500	752,185	116,315	(1,943,887)	(0.01)	65.2	40,997	76,576
September 30, 2021	861,326	471,690	389,636	(982,379)	(0.01)	48.7	25,182	nm ⁽²⁾
June 30, 2021	396,742	220,753	175,989	(942,215)	(0.00)	23.1	15,982	nm
March 31, 2021	254,079	180,862	73,217	(887,394)	(0.01)	16.9	11,538	nm
December 31, 2020	278,436	363,191	-84,755	(1,996,362)	(0.05)	12.1	11,705	nm
September 30, 2020	201,936	66,526	135,410	(342,382)	(0.00)	11.9	7,519	nm
June 30, 2020	204,755	187,366	17,389	(670,571)	(0.01)	5.7	4,623	nm
March 31, 2020	168,042	153,579	14,463	(588,102)	(0.01)	0.5	551	nm

⁽¹⁾ See “Definitions – IFRS, Additional GAAP and Non-GAAP Measures”;

⁽²⁾ “nm” stands for “not measured”

ANALYSIS OF FINANCIAL PERFORMANCE

NET LOSS AND COMPREHENSIVE LOSS

Net loss and comprehensive loss for Q2 2022 was \$1,871K compared to a net loss of \$942K for Q2 2021. The increased loss of \$929K is attributed to higher operating expenses, mainly in staffing (employees and sub-contractors) and to a lesser extent professional fees and public company and regulatory, as the Company continues its rapid expansion in Canada while also building out its infrastructure as it enters the US market. The Company expects operating expenses to continue at a similar pace in the coming quarters as the US market becomes a larger part of its overall strategy; this will be partially offset by an increase in revenue and associated gross profit as new customers come on to the Today platform, resulting in a reduction in net and comprehensive losses in future quarters.

REVENUE AND GROSS PROFIT

Gross Dollar Value (“GDV”) of \$116.5MM for Q2 2022 increased by \$93.4MM or 405% from \$23.1MM for Q2 2021. The increase is a result of significant growth in the number of clients and associated active users added to the Today program over the preceding 12 months coupled with the complete removal of COVID-19 restrictions in the hospitality sector; the latter resulting in higher foot traffic which in turn yielded higher GDV per client and active user.

Revenue for Q2 2022 totaled \$1,286K, an increase of \$889K or 224% from \$397K for Q2 2021. Of the Company’s three revenue streams, Transaction revenue was the main driver, increasing by \$785K, while Card issuance revenue increased by \$102K; Program management revenue was nearly flat.

Transaction revenue, which consists of interchange, out of network ATM fees, and transfer fee’s, totaled \$974K for Q2 2022, an increase of \$785K or 415% from \$189K for Q2 2021. The increase is due to the Company growing its active user count by 150%, going from 23.1K at the end Q2 2021 to 57.8K at the end of Q2 2022.

Card issuance revenue, which consists of procurement and fulfillment of Today debit cards to the clients for use by Today wallet holders, totaled \$252K for Q2 2022, an increase of \$102K or 68% from \$150K for Q2 2021. The increase resulted from a higher number of new client onboardings and increased staffing at existing clients as full reopening occurred in March of 2022.

Program Management revenue, which primarily consists of licensing of the Company’s technology to adjacent markets, totaled \$60K for Q2 2022 which was a minimal increase compared to \$58K for Q2 2021. The flat result is reflective of the fact licensing and white labelling is not a segment the Company actively pursues as it chooses to focus on growing adoption of branded programs.

Gross Profit for Q2 2022 totaled \$297K or 23.1% of revenue, an increase of \$121K from \$176K or 44.4% of revenue in Q2 2021. The increase in profit is a direct result of revenue growth. The decrease in profit as a percentage of revenue is mainly due to an increase in Card issuance revenue which is lower margin as current pricing is structured more as a cost recovery, lower high-margin program revenue percentage of total revenue (5% in Q2 2022; 14% in Q2 2021), and some duplication of platform costs as the Company continues to migrate clients from its legacy 1.5 platform to its current 2.0 platform; the Company anticipates completing the migration by the end of Q3 2022.

OPERATING EXPENSES

Total operating expenses for Q2 2022 were \$2,104K, an increase of \$983K or 88% from \$1,121K in Q2 2021. The main driver for the increase is higher salaries and consulting fees. Operating expenses of the company consist of:

Salaries and employee benefits were \$943K for Q2 2022 compared to \$401K for Q2 2021. The increase of \$542K is primarily a result of increased staffing, from 22 at the end of Q2 2021 to 32 at the end of Q2 2022. The Company added new strategic positions such as a full-time CFO in late Q3 2021 and a COO / General Counsel in early Q2 2022, and expanded the areas of Engineering, Product Development, and Sales, all to support product the rapid growth of the Canadian market, and expansion initiatives into the US market.

The Company also experienced an increase in salaries across most positions in the organization in the latter half of 2021 and early 2022 due to increased competitiveness in the North American labour market, consistent with other companies in the technology and financial sectors.

Professional fees were \$207K for Q2 2022 compared to \$208K for Q2 2021, or largely flat year over year.

Stock based compensation was \$2K for Q2 2022 compared to \$106K for Q2 2021. The decrease of \$104K is due to a reduction in equity grants vesting in the current quarter compared to the year ago period.

Consulting fees were \$422K in Q2 2022 compared to \$141K for Q2 2021. The increase of \$281K is mainly a result of the Company utilizing contracted developers beginning in Q4 2021 (\$215K of total increase, \$nil in Q1 2021); this to support platform development due to a highly competitive labour market. The Company anticipates this requirement to continue for the foreseeable future. The Company also contracted support in the US market to assist in expediting certification of its EWA solution; this contributed \$50K to the year over year variance.

Marketing and promotion was \$103K for Q2 2022 compared to \$15K for Q2 2021. The increase of \$88K is due to increased spend on marketing materials used to attract new clients, increase Today wallet holder communications (which is a function of a growing user count), and fees associated with the Company's recently launched loyalty rewards program.

Office and General was \$88K for Q2 2022 compared to \$94K for Q2 2021, or largely flat year over year.

Amortization and depreciation was \$49K for Q2 2022 compared to \$62K for Q2 2021, or largely flat year over year.

Public company and regulatory was \$259K for Q2 2022 compared to \$58K for Q2 2021. The increase of \$201K is due to increased Investor Relations spend pertaining to awareness and outreach activities conducted in the quarter which were mainly focused on introducing the Company to US retail and institutional investors.

Bank charges, interest and accretion was \$9K for Q2 2022 compared to \$32K for the prior year. The decrease of \$23K is due mainly to loan interest and accretion as the Company settled its loan payable in Q1 2021; the Company did not incur loan interest in Q2 2022.

Travel, meals, and entertainment was \$22K for Q2 2022 compared to \$3K for Q2 2021. The increase of \$19K is due to the Company participating in several trade shows in Canada and the US. This was not possible in Q2 2021 due to COVID-19 travel restrictions that were imposed at that time .

Bad debt and expected credit loss ("ECL") was a recovery of \$2K for Q2 2022 compared to \$nil for Q2 2021. The recovery is due to the net of amounts which were outstanding and provided for at year end and having been collected in Q2 2022 offsetting new accounts included in the ECL calculation.

OTHER INCOME

Other expense (income) for Q2 2022 was an expense of \$64K compared to income of \$3K for Q2 2021. The increased expense of \$66K is a result of non-operating expenses incurred by the Company because of exploring

potential M&A transactions in the quarter; the Company has since halted this activity at this time due to market conditions.

ASSETS

Cash as at June 30, 2022 was \$4,836K compared to \$8,383K at December 31, 2021. The decrease in cash of \$3,547K is mainly attributed to \$2,965K being used to fund operations with the remainder resulting the Company entering into a secured short-term promissory note totalling \$650K which was issued June 30, 2022 with a maturity date of September 30, 2022 (*see note 12 of Q2 2022 financial statements*).

Receivables including other receivables as at June 30, 2022 were \$974K compared to \$869K at December 31, 2021. The increase of \$105K is a result of increased transaction and fee revenue earned but not settled by the Company's acquiring bank.

Prepaid expenses as at June 30, 2022 were \$146K compared to \$114K at December 31, 2021. The increase of \$32K mainly due to annual insurance premiums paid in the first half of the year to be amortized over the remaining year.

Investments as at June 30, 2022 were \$250K compared to \$nil at December 31, 2021. In March 2022, the Company converted a clients outstanding receivable of \$200K USD, which was attributed to platform licensing revenues generated in Q3 2021, to and equity investment of 200,000 common shares valued at \$1.00 USD per share. Management sees this as an opportunity invest in a potentially high growth adjacent market segment while maintaining the Company's focus the hospitality industry.

LIABILITIES

Accounts payable and accrued liabilities as at June 30, 2022 was \$1,082K compared to \$830K at December 31, 2021, an increase of \$252K. The increase correlates with the increase in operating expenses and timing of receipt.

Unearned revenue as at June 30, 2022 was \$187K compared to \$nil at December 31, 2021. The increase is attributed to program incentives related to the Company's launch with Visa in the US. Recognition of the incentive amount is contingent on the Company achieving pre-determined payment volumes over a 3-year period. The Company will review its progress against the target volumes quarterly and recognize any earned amount in Other Income.

SHAREHOLDERS EQUITY

Shareholders equity as at June 30, 2022 was \$6,763K compared to \$9,642K at December 31, 2021. The decrease of \$2,879K is due to an increase in accumulated deficit of \$3,395K associated with the current years net loss and comprehensive loss. Partially offsetting this is an increase of \$516K in share capital mainly attributed to the exercise of warrants and options June 30, 2022 year to date.

RESTRICTED CASH AND CLIENT DEPOSITS

Acting as a paying agent, the Company had \$41,442K in restricted funds on deposit and a corresponding liability for client deposits as at June 30, 2022 (December 31, 2021 - \$25,977K), which represents amounts

received from clients available to deposit to Today wallets. Restricted cash is segregated in separate bank accounts, controlled by the Company, from which the Company earns minimal interest. The Company cannot utilize the restricted cash and client deposits outside the scope of the client contracts.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

WORKING CAPITAL

Working capital of the Company as at June 30, 2022 was \$5,250K compared to \$8,407K at December 31, 2021. The decrease of \$3,157K is a result of a lower ending cash balance due mainly to funding 2022 year to date operational requirements.

RISK FACTORS AND UNCERTAINTIES

Please refer to the Company's audited annual consolidated financial statements for the year ended December 31, 2021.

NEW ACCOUNTING PRONOUNCEMENTS

No new pronouncements were issued by the IASB or the IFRIC that are applicable or have a significant impact on the Company's financial statements and related disclosures.

DEFINITIONS – IFRS, ADDITIONAL GAAP AND NON-GAAP

IFRS MEASURES

Cost of sales

Cost of sales 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 / printing / shipping costs, and customer support expenses for resources directly associated with the cost of services.

Gross profit and gross profit margin

Gross profit is net revenue less cost of sales while gross profit margin is gross profit divided by net revenue.

ADDITIONAL GAAP MEASURES

Professional fees

Professional fees consist of expenses the Company incurs in the normal course of business to procure the services of individuals or businesses highly skilled in a particular field which includes, but is not limited to legal, recruitment, audit and taxation, and capital markets. These fees are primarily for a fix duration and for tasks with a finite duration and limited scope.

Consulting fees

Consulting fees consist of expenses incurred primarily for contract labour required for an indefinite period with a broad mandate that will evolve as the business needs dictate. At times management judgement will be required in determining the classification between consulting fees and professional fees when a service lies outside of the defined categories in the respective definitions.

Public company and regulatory

Public company and regulatory expenses consist mainly of expenses associated with public company filings, management of the Company's listing on the CSE, equity administration and management, and investor relations activities such as outreach and marketing.

Office and general in operating expenses

Office and general expenses include software and other computer expenses, internal compliance expense, donations, dues and fees, equipment leases, insurance, facilities, telecom, and 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.

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.

KEY PERFORMANCE INDICATORS (non-GAAP and non-IFRS)**Gross dollar value ("GDV")**

Gross dollar value loaded is the aggregate amount of all dollars loaded on to the Company's platform by hospitality, personal care, food delivery, and other establishments, and is measured on a monthly, quarterly, and annual basis.

Current Active Users

The Company classifies Current Active Users as those wallet holders who have had at least one transaction in their account in the current reported month.

Total Active Users

The Company classifies Total Active Users as those wallet holders who have had at least one transaction in their account during the previous six months from the reporting date.