XTM Inc.

CSE: PAID, OTCQB: XTMIF, FSE: 7XT
www.XTMINC.com

Annual Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Management's Responsibility for Financial Statements

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

The consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

DATED 3rd
day of August, 2023

XTM INC.

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

Independent Auditor's Report

To the Shareholders of XTM Inc.:

Opinion

We have audited the consolidated financial statements of XTM Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 22 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2021, has been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Key Audit Matter Description

The Company's revenue from contracts with customer (IFRS 15) relates to technology solutions provided to restaurants and salons for disseminating earned wages and gratuities. The Company has multiple revenue streams as described in Note 2, 3 and 19 which include card revenue and program revenue. The Company enters into agreements with restaurants and has various performance obligations. The application of revenue recognition policies requires Company to exercise judgment in the following areas:

• Assessing whether the Company's performance obligations are distinct from one another.
• Determining the timing of when revenue is recognized for the separate performance obligations and whether the performance is deemed to occur over time or at a point in time.
• For performance obligations satisfied over time, the selection of an appropriate methodology to best depict the transfer of services to the customer under the contract.
These judgments required significant auditor attention and accordingly, we identified revenue recognition as a key audit matter.

Audit Response

We responded to this matter by performing procedures in relation to the assessment of revenue recognition. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained the understanding of the process and internal controls related to each significant revenue generating activity with the scope of IFRS 15.
- We tested determination of individual performance obligations identified by the Company to ensure distinct performance obligations identified were consistent with the contracts. We assessed whether all distinct obligations noted in the contracts were complete and revenue was recognized appropriately.
- We evaluated the key judgments applied by the Company including:
  - Assessing whether the performance obligations noted in the contract are distinct or highly interdependent and highly interrelated.
  - Assessing the application of over time revenue recognition methodology.

Goodwill Impairment Analysis

Key Audit Matter Description

As described in Notes 3 and 4 to the consolidated financial statements, the Company's goodwill balance was $920,000 as of December 31, 2022. Goodwill is tested for impairment annually, or whenever certain events or changes in circumstances indicate that the carrying value of goodwill may be greater than the recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (a cash generating unit ("CGU")). Management uses the higher of the value in use and fair value less cost of disposal approach to determine the recoverable amount for all CGUs.

We considered this to be a key audit matter due to the significant judgment made by management in estimating the recoverable amount for goodwill and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to the goodwill impairment analysis. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the appropriateness of the discounted cash flow models by testing the completeness, accuracy, and relevance of underlying data used in the cash flow models.
- Obtained an understanding of management's internal control process as it relates to the determination of key inputs and assumptions.
- Evaluated management's assumptions related to revenue growth rates, and ratio of expenses after considering (i) the current and past performance of each CGU, (ii) the consistency with forecasts per industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- With the assistance of internal valuation specialists, evaluated the reasonableness of management's impairment model and evaluated management's assumptions related to the pre-tax discount rate.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessments in the notes to the consolidated financial statements.

Other Information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

August 3, 2023 — Licensed Public Accountants

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Expressed in Canadian Dollars	Note	As At December 31, 2022	December 31, 2021 Restated (Note 22)
Assets			
Current			
Cash	5	$ 2,687,626	$ 8,383,429
Cash - restricted	17	51,274,921	27,069,895
Trade and other receivables	14	751,058	882,972
Prepaid expenses	6	287,390	113,863
Contract assets		247,517	-
Due from related parties	11	323,534	333,854
		55,572,046	**36,784,013**
Property and equipment	7	216,284	271,260
Intangible assets	8	78,000	130,429
Goodwill	4	920,000	920,000
Total Assets		**$ 56,786,330**	**$ 38,105,702**
Liabilities			
Current			
Trade and other payables	14	$ 1,288,176	$ 830,423
Program deposits	17	52,526,312	28,116,389
Sales tax payable	14	14,376	12,610
Unearned revenue	12	464,311	-
Due to related party	11	159,529	299,533
Current portion of lease liabilities	9	86,868	90,070
Government loan	18	60,000	60,000
		54,599,572	**29,409,025**
Long term portion of lease liabilities	9	-	86,868
Total Liabilities		**$ 54,599,572**	**$ 29,495,893**
Shareholders' Equity			
Share capital	10	18,084,459	17,366,594
Contributed surplus	10	612,136	238,204
Warrant reserve	10	3,038,230	3,262,537
Cumulative translation reserve		(24,390)	-
Accumulated deficit		(19,523,677)	(12,257,526)
Total shareholders' Equity		**2,186,758**	**8,609,809**
Total Liabilities and Shareholders' Equity		**$ 56,786,330**	**$ 38,105,702**
Commitments and contingencies	13		
Subsequent Events	23		
Going concern	1		

The accompanying notes are an integral part of these audited consolidated financial statements

APPROVED BY THE BOARD OF DIRECTORS: **"Marilyn Schaffer"** **"Randy Khalaf"**

Director **Director**

Expressed in Canadian Dollars	*Note*	**2022**	**Years Ended December 31, 2021 Restated (Note 22)**
Revenue			
Gross revenue	*19*	$ 4,733,727	$ 2,262,938
Commissions and agent fees	*19*	-	(6,867)
Net revenue	***19***	**4,733,727**	**2,256,071**
Cost of sales		3,803,319	2,195,081
Gross profit		930,408	60,990
Expenses			
Salaries and employee benefits	*11*	3,699,393	2,122,460
Consulting		1,298,754	546,100
Public company and regulatory		770,680	360,102
Professional fees		736,089	916,367
Stock-based compensation	*10, 11*	358,350	530,703
Office and general		353,741	385,156
Marketing and promotion		305,665	205,528
Depreciation and amortization	*7,8*	190,624	216,154
Travel, meals and entertainment		89,307	68,780
Bank charges, interest and accretion	*9*	35,298	159,141
Bad debt and expected credit loss	*14*	(10,145)	37,448
		7,827,755	5,547,939
Loss from operations		**(6,897,347)**	**(5,486,949)**
Other income (expenses)	*20*	(368,802)	36,907
Loss before income taxes		(7,266,150)	(5,450,042)
Income taxes	*16*	-	-
Net loss for the year		**$ (7,266,149)**	**$ (5,450,042)**
Other comprehensive loss		(24,390)	-
Net loss and comprehensive loss		**(7,290,540)**	**(5,450,042)**
Net loss per share - Basic and diluted		$ (0.04)	$ (0.04)
Weighted average number of shares outstanding - Basic and diluted		170,402,299	141,723,786

The accompanying notes are an integral part of these audited consolidated financial statements

XTM Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2022 and 2021

Expressed in Canadian Dollars	Note	Share Capital Number of Common Shares	Amount	Contributed Surplus	Warrant Reserve	Cumulative translation reserve	Accumulated Deficit	Total Shareholders' Equity
Balance, January 1, 2021 (Restated – note 22)		**$ 116,810,295**	**$ 6,187,367**	**$ 341,861**	**$ 783,285**	**$ -**	**$ (6,807,485)**	**$ 505,029**
Issue of shares	10	31,652,419	10,142,063	-	-	-	-	10,142,063
Share issuance costs	10	-	(1,176,976)	-	304,116	-	-	(872,860)
Warrants issued	10	-	(2,803,913)	-	2,803,913	-	-	-
Warrants expired	10	-	142,433		(142,523)			(90)
Exercise of warrants	10	18,582,351	3,728,796	-	(486,254)	-	-	3,242,542
Exercise of stock options	10	2,855,000	492,882	(140,132)	-	-	-	352,750
Expiration of stock options	10	-	6,182	(6,182)	-	-	-	-
Loan conversion	10	2,941,176	500,000	(35,959)	-	-	-	464,041
Stock-based compensation	10	-	-	78,616	-	-	-	78,616
Restricted stock units issued	10	369,686	147,760	-	-	-		147,760
Common shares cancelled	10	(5,377,500)	-	-	-	-		-
Net loss for the year		-	-	-	-	-	(5,450,042)	(5,450,042)
Balance, December 31, 2021 (Restated – note 22)		**167,833,427**	**$ 17,366,594**	**$ 238,204**	**$ 3,262,537**	**$ -**	**$ (12,257,526)**	**$ 8,609,809**
Balance, January 1, 2022 (Restated – note 22)		**$ 167,833,427**	**$ 17,366,594**	**$ 238,204**	**$ 3,262,537**	**$ -**	**$ (12,257,526)**	**$ 8,609,809**
Issue of shares	10	999,784	167,250	-	-	-	-	167,250
Warrants expired	10	-	-	166,048	(166,048)	-	-	-
Exercise of warrants	10	1,082,417	294,803	-	(58,259)	-	-	236,544
Exercise of stock options	10	1,510,422	210,692	(105,346)	-	-	-	105,346
Stock-based compensation	10	-	-	358,350	-	-	-	358,350
Restricted stock units issued	10	143,034	45,120	(45,120)	-	-	-	-
Exchange loss on translating foreign operations		-	-	-	-	(24,390)	-	(24,390)
Net loss for the year		-	-	-	-	-	(7,266,150)	(7,266,150)
Balance, December 31, 2022		**171,569,084**	**$ 18,084,459**	**$ 612,136**	**$ 3,038,230**	**$ (24,390)**	**$ (19,523,677)**	**$ 2,186,758**

The accompanying notes are an integral part of these audited consolidated financial statements

Expressed in Canadian Dollars	*Note*		For the year ended December 31, 2022		2021 Restated – note 22
OPERATING ACTIVITIES					
Net loss for the year			**(7,266,149)**	$	(5,450,042)
Items not affecting cash:					
Accretion of debt and debt discount of loan payable	18		**-**		3,994
Amortization of intangible assets	8		**52,429**		103,991
Amortization of property and equipment	7		**138,196**		112,163
Expected credit loss	14		**5,146**		17,853
Government loan	18		**-**		2,941
Interest on lease liabilities	9		**17,760**		4,039
Stock-based compensation	10		**358,349**		530,703
			(6,694,269)		(4,674,358)
Changes in non-cash working capital:					
Trade and other payables	14		**457,757**		251,264
Cash – Restricted	17		**(24,205,026)**		(20,916,111)
Contract assets			**(247,517)**		-
Unearned revenue	12		**464,311**		-
Program Deposits	17		**24,409,923**		21,624,392
Prepaid expenses	6		**(173,526)**		37,628
Sales taxes payable	14		**1,766**		87,933
Trade and other receivables	14		**126,762**		(793,701)
			834,450		291,404
Cash flows used by operating activities			**(5,859,819)**		(4,382,954)
INVESTING ACTIVITIES					
Purchase of property and equipment	7		**(83,220)**		(71,771)
Cash flows used by investing activities			**(83,220)**		(71,771)
FINANCING ACTIVITIES					
Advances (to) from related parties	11		**(129,683)**		141,650
Repayment of lease liabilities	9		**(107,830)**		(85,428)
Proceeds from share issuances	10		**167,250**		9,773,737
Share issuance costs	10		**-**		(872,860)
Net proceeds from warrants	10		**236,544**		3,242,452
Proceeds from exercise of options	10		**105,346**		352,750
Cash flows from financing activities			**271,627**		12,552,301
Foreign exchange affecting cash			**(24,391)**		**-**
Increase (decrease) in cash			**(5,695,803)**		8,097,576
Cash, beginning of year			**8,383,429**		285,853
Cash, end of year	5	**$**	**2,687,626**	$	8,383,429

The accompanying notes are an integral part of these audited consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

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 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 expands into the US market.

Going Concern

The Company's consolidated financial statements are prepared on a going-concern basis, which contemplates the realisation of assets and the satisfaction of obligations in the normal course of business.

The consolidated financial statements incurred a net loss of $7,266,149 as at December 31, 2022 (December 31, 2021 $(5,450,042) and had an accumulated deficit of $ 19,523,676 (December 31, 2021 12,257,526). These conditions indicate the existence of material uncertainties that may cast significant doubt over the ability of the Company to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon the continued development of the financial product and services of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The consolidated financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management plans to fund operations of the Company through advances from existing shareholders, private placement of restricted securities or the issuance of shares in lieu of cash for payment of services until such time as the Earned Wage Access (EWA) product can be fully released post-close of the QRails transaction. There are written agreements in place for such funding or issuance of securities, and with the QRails transaction, there is interest in furthering the combined Company's operations to cash-flow positive by early 2024. The Company has secured two competitive term sheets with a US$30,000,000 debt facility to enable its signed EWA contracts. Subsequent to December 31, 2022, the Company raised US$3,500,000 through the issuance of a convertible note, as well the Company has commitments from others to participate in the convertible note pending the closing of the QRails transaction and up-to-date filings of its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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, 2022.

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

These consolidated financial statements have been approved by the Board of Directors on August 3, 2023.

Basis of presentation

These consolidated financial statements are prepared on the historical cost basis using accounting policies and methods as described in Note 3. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2022

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis with assets and liabilities classified as current if receipt or payment is due within twelve months, otherwise classification is non-current.

Basis of consolidation

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary XTM USA Inc. ("XTM USA"). A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power over the entity, rights to variable returns from its involvement with the entity, and the ability to use its power to affect the amount of returns. Subsidiaries are fully consolidated from the date of control commences until the date that control ceases to exist. The Company reassesses whether 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 consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the reporting Company using consistent accounting policies.

Entities included within these consolidated financial statements include:

Name of Entity	Place of Incorporation	Ownership Interest	Functional Currency	Status
XTM Inc.	Ontario, Canada	100%	CAD	Active
XTM USA Inc.	Delaware, United States	100%	USD	Active

Management has determined it has a single operating segment as at December 31, 2022 as the products and regions in which the Company operates have similar operating characteristics and the chief operating decision maker, being the CEO of the Company, evaluates performance for the Company as a whole. In addition, no geographical segments of the Company exceed the monetary threshold to be categorized separately as an operating segment.

Foreign currency translation

(a) Functional and presentation currency

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which the entity operates. The Company determined its functional currency is Canadian dollars ("CAD") and that of its subsidiary is United States Dollars ('USD"). Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its subsidiary if there is a change in events and conditions that determined the primary economic environment.

Functional currency can be changed only if there is a change to underlying transactions, events and conditions that the functional currency reflects. Change in functional currency is accounted for prospectively. The Company's sole subsidiary, XTM USA Inc., is translated to its presentation currency for consolidated reporting. The consolidated financial statements are presented in Canadian dollars, and all resulting exchange differences are accounted in Currency Translation Reserve in Other Comprehensive Loss.

b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

c) Translation of Group companies' financial statements

The results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) Assets and liabilities are translated at the closing exchange rates at the reporting date; (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and (iii) All resulting currency translation differences are recognised in other 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:

	Rate	**Method**
Computer equipment	45%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Servers and hardware	30%	Diminishing balance
Telephone equipment	20%	Diminishing -balance
Right-of-use assets	-	Straight line over term of the lease

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. Intangible assets 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 resources 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

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. 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 Program Deposits

Restricted cash is comprised of 1) cash balances in designated wallets on the Company's *Today Financial* platform, and 2) card balances on cardholder pre-paid debit cards. The Company holds client wallet balances in dedicated custodial accounts it controls, for the benefit of the client only, until such time that the funds are transferred by the client to cardholders. Cardholder balances are held in dedicated settlement accounts controlled and subject to restrictions imposed by the sponsoring bank for the card program. Neither client wallet or cardholder pre-paid debit card balances are available for general use and therefore are presented separately from cash available for operations (Cash) on the consolidated statements of financial position and consolidated statements of cashflows.

Program Deposits represent a corresponding liability the Company has for client wallet and cardholder pre-paid debit card balances.

Cash

For the purpose of presentation in the consolidated statement of financial position and consolidated statement of cashflows, cash represents balances on hand in the Company's operating accounts.

Impairment of non-financial assets

The Company assesses the carrying amount of non-financial assets including goodwill, property and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. The carrying amounts of the Company's non-financial assets are reviewed 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. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment at least annually, regardless of whether an indicator of impairment exists.

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.

An impairment loss is recognized if the carrying amount of CGU exceeds its estimated recoverable amount. The Company derecognizes the carrying amount of assets on disposal or when no future economic benefits are expected from its use. Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually at the cash-generating unit level.

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. An impairment loss for goodwill is not reversed in a subsequent period.

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 December 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 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.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets.

Revenue Recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. 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. Fees charged for card program, website and card design are recognized when services are performed or when the product is transferred to the customer.

The Company's revenue streams consist of:

Transaction revenue

Financial service fees resulting from transactions entered into by clients and cardholders for their direct benefit. Interchange fees are charged to merchants accepting the cards for payment, while service fees are charged to either a cardholder or client depending on the nature of the underlying transaction. Financial service fees are recognized over the term of the contracts.

Financial services revenue consists of service and card revenue and interchange revenue. The Company considers whether the promises in the contract are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the service, the Company considers the effects of variable consideration (if any) in client's contracts which is typically part of the contract.

Services and card revenue is charged to the cardholder and is recognized over the term of the contract. Interchange revenue is fee received by the Company from the card issuing bank and is based on the cardholder purchase volumes.

Interchange revenue is recognized at the time the cardholder executes a transaction using the Company's card.

Service fee and program management fee is charged to the client at the time the client engages the Company to execute various transactions at their request , or when the client executes a transaction through their own means (actively or passively) to which a fee pertains. This includes but is not limited to customization of the program, Instant self deposit, NSF fee's, wallet withdrawal fee's, and expedited wallet load fee's. This fee is recognized at the time the transaction is executed in the customers account

i. Recognition:

The Company recognizes fees charged for transaction revenue on a gross basis when the Company is the principal with respect to completing payment transactions. As the principal to these transactions, the Company is primarily responsible for the service of completing payments using the Company's financial technology platform. The Company contracts directly with its Clients (users if its Today Financial platform) and is responsible for fulfillment of the payment service, design and control the product specifications (including the Company's mobile application) and defines the value proposition from its services. Furthermore, the Company has discretion in determining the fee charged to its customers for using the Company's payment services and is primarily responsible for credit losses resulting from any potential failure to deliver promised service. As a result, the Company is exposed to significant margin risk, especially where the Company engages payment processors and other financial institutions to perform services on the Company's behalf. Fees paid to payment processors and other financial institutions are recognized as a fulfillment cost within the cost of sales. The Company is also responsible for providing customer support, for which the Company may engage third parties to perform on its behalf and also recognizes this as a fulfillment cost.

Contract Assets and Contract Liabilities

A contract asset is recognized once the performance obligation is satisfied, and the revenue is recognized over the life of the customer contract which will range from 1 to 3 years in length. Card quantities are determined by the client at the time of ordering, and card pricing is set based on either the client contract, or the most recently published price which is distributed to client at least 30 days in advance. Cards are assigned to the client during the order preparation process and card proxy numbers are provided to the client at the time of shipping allowing client to set up and transfer funds to card holders prior to the physical card being present. The Company is responsible for selecting the method of delivery.

Contract liabilities are recognized when a payment for customer is due (or already received, whichever is earlier) before a related performance obligation is satisfied.

Financial instruments

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 basis of the financial instruments as disclosed in the consolidated financial statements are:

Financial Instrument	Classification /Measurement
Cash	Amortized cost
Trade and other receivables	Amortized cost
Due from related parties	Amortized cost
Trade and other payables	Amortized cost

Program deposits	Amortized cost
Due to related party	Amortized cost
Government loan	Amortized cost

(b) Measurement

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 that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost, less any impairment. The Company's intent is to hold these receivables until cash flows are collected.

Financial liabilities are measured initially at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest method, unless required to be measured at fair value through profit or loss (FVTPL), or the Company has opted to measure at FVTPL.

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.

i. *Loans and Trade and Other 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.

ii. *Expected credit loss impairment model*

The Company evaluates the credit risk of financial assets at the initial recognition and at each reporting period thereafter until it is derecognized. For a financial asset this is determined to have low credit risk at the reporting date and that has not had significant increases in credit risk since initial recognition, the Company measures impairment loss based on the expected credit losses expected to be recognized over the next twelve months. For other financial assets, the Company will measure an impairment loss based on the lifetime expected credit losses. Certain assets such as Trade and Other Receivables without significant financing components must always be recorded at lifetime expected credit losses. Lifetime expected credit losses are estimates of possible default events over the expected life of a financial instrument and are evaluated by the Company using historical credit losses. Twelve month expected credit losses are estimates of all possible default events within twelve months of the reporting date or over the expected life of the financial instrument, which ever is shorter. Financial assets that are significant in value are assessed individually.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off.

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.

Share-based compensation

The Company has stock option and restricted share unit ("RSU") plans that are described in Note 10. 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.

i. Restricted share units (RSUs):

RSUs are issued to directors, employees and/or consultants through a vesting plan and distribution schedule and such other conditions as determined by the Company. An amount equivalent to the grant date fair market value of RSUs is recognized as share-based compensation expense with a corresponding increase to contributed surplus over the vesting period. Subject to the terms of the plan, within thirty (30) days after each relevant vesting date, but in no event later than the expiry date, the participant (a director, an employee or consultant, as the case maybe), shall be entitled to receive the equivalent number of common shares ("common shares" or "shares"). Upon complete vesting of equity-settled RSUs, the related contributed surplus associated with the RSUs is reclassified into share capital.

ii. Stock options and warrants:

The fair value of stock option awards granted is recognized as share-based compensation expense with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Warrants granted are recognized as share-based compensation when they are provided in exchange for services and are deferred and amortized over the term of the debt instrument through finance costs when they are granted on account of debt financing. On the grant date, there is a corresponding increase in contributed surplus and warrant reserve.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value is measured at grant date and each tranche is recognized on a graded vesting basis over the period during which the instrument vests. The fair value of the share-based payment awards granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the awards were granted. At each statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of awards, for which the related service is expected to be met. Share based compensation expense is not adjusted for forfeitures that occur after the vesting date. Cancellation or forfeited options are removed from the associated tranche and returned to the pool of Shares available for options under the Company's Stock Option Plan.

For equity-settled share-based payment transactions with non-employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The Company records option forfeitures, resulting from terminations, as a stock-based compensation recovery equal to the vesting expenditure expensed up to and including the termination date.

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 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.

Related Parties

A related party is defined as follows: (i) A person or a close member of that person's family is related to the Company if that person: (i) Has control or joint control over the Company; (ii) Has significant influence over the Company; or (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company. (ii) An entity is related to the Group and the Company if any of the following conditions applies: (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity. The effect of the Group's and Company's transactions and arrangements with related parties is reflected in these consolidated financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Going concern

The 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.

Revenue Recognition

Application of the accounting principals in IFRS related to the measurement and recognition of revenues requires the Company to make judgements and estimates. Complex arrangements may require significant contract interpretation to determine the appropriate accounting treatment. The Company requires to exercise judgement in assessing whether the Company's performance obligations are distinct from one another, allocation of transaction price between the performance obligations and determining on the timing of when revenue is recognized for the various separate performance obligations. Additionally, the determination of whether the Company is a principal to a transaction (gross revenue) or an agent (net revenue) can require considerable judgement. There is significant judgement in assessing whether the Company controls the promised service before it is transferred to the customer, including assessing whether the Company was primarily responsible for fulfilling the service and whether the Company had full discretion in establishing the price for the service.

Assessment of CGU

The Company has applied judgment in its assessment of the appropriateness of the determination of CGU. The identification of CGU required significant judgment as it depends on the smallest identifiable group of assets that generates largely independent cash inflows. When management has identified a group of assets that generates an output, but those assets do not generate largely independent cash inflows, it needs to consider if there is an active market for the output. Changes in the Company's operations and the way it conducts them could significantly impact the assessment of CGU. Management is required to use its judgment to combine these assets with others that contribute to the same revenue stream until a CGU is identified.

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.

Goodwill is subject to impairment testing on an annual basis. The Company performed its annual assessment of goodwill impairment as at December 31st, 2022. 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 and other receivables", and "Due from related parties" balances. Management reviews the trade and other receivables at recognition and at each reporting date there after in accordance with IFRS 9, until it is derecognized. The expected credit loss ("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 and other 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.

Valuation of 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. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Application of IFRS 16

The Company applies judgment in determining whether a contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease term involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions and the differences could be material to the carrying value of the lease liabilities and right-of-use assets, for which the lease term is the basis for determining useful life.

4. GOODWILL

The Company has determined that it has one CGU. The Company completed its annual goodwill and intangible assets impairment testing on December 31, 2022 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 50% to 153% through 2027 (2021 – 10% - 420%), long-term growth rate of 3.0% (2021 – 2.0%) and an after tax weighted average cost of capital of 37% (2021 – 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.

5. CASH

Cash is comprised of bank balances at major Canadian financial institutions. As at December 31, 2022, the Company held the totals below in cash, and is not currently utilizing money market instruments:

Expressed in Canadian Dollars	**As at December 31, 2022**	As at December 31, 2021
Cash consists of:		
CAD Operating account	**$2,514,985**	**$8,154,579**
USD Operating account	**172,641**	**228,850**
	$2,687,626	**$8,383,429**

6. PREPAID EXPENSES

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

	As at December 31, 2022	As at December 31, 2021
Prepaid expenses consist of:		
Insurance premiums	**$83,957**	**$9,258**
Subscriptions	**52,733**	**-**
Licensing Fees	**111,062**	**-**
Program and other operating related	**33,638**	**23,054**
Consulting Services	**6,000**	**81,551**
	$287,390	**$113,863**

Program and other operating related prepaid expenses consist of payments for trade shows, debit card inventory, association fee's, and deposits with service providers.

7. PROPERTY AND EQUIPMENT

A continuity of the property and equipment, including leases for the years ended December 31, 2022 and 2021, is as follows:

Cost	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Right-of-use asset	Telephone Equipment	**Total**
Balance as at January 1, 2021	43,491	70,175	25,000	195,895	8,707	343,268
Additions	45,380	19,812	-	192,477	-	257,669
Balance as at December 31, 2021	$88,871	$89,987	$25,000	$388,372	$8,707	$600,937
Additions	*33,260*	*49,960*	-	-	-	83,220
Balance as at December 31, 2022	$122,131	$139,947	$25,000	$388,372	$8,707	$684,157
Accumulated Depreciation						
Balance as at January 1, 2021	(27,820)	(48,940)	(14,110)	(134,763)	(7,799)	(233,432)
Depreciation	(17,262)	(6,229)	(3,266)	(69,306)	(182)	(96,245)
Balance as at December 30, 2021	($45,082)	($55,169)	($17,376)	($204,069)	($7,981)	($329,677)
Amortization	(27,189)	(12,337)	(2,287)	(96,238)	(144)	(138,195)
Balance as at December 31, 2022	**($72,271)**	**($67,506)**	**($19,663)**	**($300,307)**	**($8,126)**	**($467,872)**
Carrying Amount						
Balance as at December 31, 2021	43,789	34,818	7,624	184,303	726	271,260
Balance as at December 31, 2022	**$49,860**	**$72,441**	**$5,337**	**$88,065**	**$582**	**$216,285**

8. INTANGIBLE ASSETS

A continuity of the intangible assets for the years ended December 31, 2022 and 2021, is as follows:

Cost	Software Platform
Balance as at January 1, 2021	$415,000
Additions	9,000
Balance as at December 31, 2021	$424,000
Additions	-
Balance as at December 31, 2022	**$424,000**

Accumulated Amortization	
Balance as at January 1, 2021	(189,580)
Amortization	(103,991)
Balance as at December 31, 2021	(293,571)
Amortization	(52,429)
Balance as at December 31, 2022	**($346,000)**

Carrying Amount	
Balance as at December 31, 2021	$130,429
Balance as at December 31, 2022	**$78,000**

On July 11, 2021 the Company purchased intellectual property pertaining to software the Company utilized in development of its Tip Calculator software launched in Q4, 2022.

9. LEASE LIABILITIES

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

Balance, January 1, 2021	72,427
Additions	185,899
Repayment of lease liability	(85,428)
Interest expense on lease liability	4,040
Balance, December 31, 2021	$176,938
Repayment of lease liability	(107,830)
Interest expense on lease liability	17,760
Balance, December 31, 2022	**$86,868**
Lease liabilities due within one year	86,868
Lease liabilities – long term	-
Total lease liabilities	$86,868

The Company has continued its lease at its head office in Canada from previous year. Total annual payments including additional rent and hydro are $131,694, and the Company applied a discount rate of 13% to determine the asset value noted above. The current lease expires on November 30, 2023.

10. 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	$
Shares issued and outstanding as at January 1, 2021	**116,810,295**	**6,187,367**
Shares issued for financing activities (ii)(v)(iv)(vi)	29,652,419	**9,842,063**
Shares issued for stock-based compensation (i)	2,000,000	**300,000**
Share issuance costs, including broker warrants (vi) (vii)	-	**(1,176,976)**
Allocation to warrants (ii)(vi)	-	**(2,803,913)**
Shares issued for the exercise of warrants (iii)	18,582,351	**3,728,796**
Warrants expired	-	**142,433**
Options expired	-	**6,182**
Shares issued for the exercise of stock options	2,855,000	**492,882**
Shares issued for loan conversion (iii)	2,941,176	**500,000**
Restricted share units issued	369,686	**147,760**
Common shares cancelled (vii)	(5,377,500)	**-**
Shares issued and outstanding as at December 31, 2021	**167,833,427**	**17,366,594**
Shares issued for the exercise of warrants	1,082,417	**294,803**
Shares issued for the exercise of stock options	1,510,422	**210,692**
Shares issued for restricted stock units	143,034	**45,120**
Shares issued for stock-based compensation (viii) (ix) (x)	999,784	**167,250**
Shares issued and outstanding as at December 31, 2022	**171,569,084**	**18,084,459**

Year ended December 31, 2021

(i) 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.

(ii) 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.

(iii) 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 ; the full allotment of warrants were executed in March 2021.

(iv) On July 7, 2021, the Company issued 25,000 shares at a deemed value of $9,000 and grant date value of $9,125 for the purchase of intellectual property pertaining to software the Company is utilizing as part of its Tip Calculator software launched in Q2 2022.

(v) 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.

(vi) 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.

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

(viii) In April 2021, 5,377,500 common shares were returned to treasury and cancelled.

Year ended December 31, 2022

(ix) On August 29th, 2022, the Company issued 228,572 shares at $0.175 per share for a total value of $40,000 to 2 members of the board of directors as part of the annual Board of Directors Compensation plan covering January 1, 2022 to June 30, 2022. The plan entitles each Board Member to receive compensation of $10,000 a quarter paid in shares of the Company and issued within 5 business days of the period end valued at the closing price of the prior trading day.

(x) On October 4th, 2022, the Company issued 121,212 shares at $0.165 per share for a total value of $20,000 to 2 members of the board of directors as part of the annual Board of Directors Compensation plan covering July 1, 2022 to September 30, 2022. The plan entitles each Board Member to receive compensation of $10,000 a quarter paid in shares of the Company and issued within 5 business days of the period end valued at the closing price of the prior trading day.

(xi) On October 4th, 2022, the Company issued 650,000 shares at $0.165 per share for a total value of $107,250 to its Chief Financial Officer as part of the annual compensation period cover September 2021 to September 2022.

(xii) The company recorded compensation pertaining to director fees of $60,000 (2021- $NIL) during the year- Note 11(i).

During the year ended December 31, 2022, the Company incurred share issuance costs of $NIL.

Restricted stock units

	Number of RSU's Granted
Balance January 1, 2021	**-**
Granted (i) (ii) (iii) (vi)	819,686
Vested and issued	(369,686)
Settled for taxes	-
Cancelled (iv) (v)	(450,000)
Balance December 31, 2021	**-**
Granted (vi)(vii)(viii) (ix)	780,500
Issued	(143,034)
Settled for taxes	(46,841)
Cancelled (x)	(175,000)
Balance December 31, 2022	**415,625**

As at December 31, 2022, 228,625 restricted stock units have cumulatively vested.

Year ended December 31, 2021

(i) 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 over the vesting period.

(ii) 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 over the vesting period.

(iii) 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.

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

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

Year ended December 31, 2022

(vi) On January 1, 2022, the Company granted 25,000 RSUs to the executive of the Company under the

RSU plan which vest equally over a 24-month period. The RSUs issued had a grant date fair value of $9,165 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.

(vii) On March 7, 2022, the Company granted 150,000 RSUs to the executive of the Company under the RSU plan which vest quarterly in equal allotments over a 24-month period. The RSUs issued had a grant date fair value of $54,868 based on the closing price per common share. The expense is recorded in stock-based compensation over the vesting period on the consolidated statements of loss and comprehensive loss.

(viii) On March 8, 2022, the Company granted 100,000 RSUs to the executive of the Company under the RSU plan which vest quarterly in equal allotments over a 24-month period. The RSUs issued had a grant date fair value of $36,658 based on the closing price per common share. The expenses is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

(ix) On May 13, 2022, the Company granted 500,000 RSU's to its Chief Executive Officer, Chief Financial Officer and other executives of the Company. The RSUs vest quarterly in equal allotments over a 24-month period. The RSU's issued had a grant date fair value of $96,623 based on the closing price per common share. Additionally, 5,500 RSU's were issued to a contractor in relation to services render and vested immediately for a value of $1,063. The expense was recorded in stock- based compensation over the vesting period on the consolidated statements of loss and comprehensive loss.

(x) On September 15, 2022, 175,000 RSU's which were previously granted on May 13, 2022 were forfeited by an employee who left the Company.

(xi) As at December 31, 2022 the Company recorded share based compensation of $131,311 (December 31, 2021 - $147,760) in the consolidated statements of loss and comprehensive loss.

Escrow shares

As at December 31, 2022, 2,465,500 (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
Balance outstanding, January 1, 2021	**6,630,000**	**$0.15**
Granted	(400,000)	$0.20
Exercised	(2,855,000)	$0.12
Balance outstanding, December 31, 2021	3,375,000	$0.17
Granted (i)	2,517,500	$0.19
Expired / Forfeited	(2,778,578)	$0.18
Exercised (ii)	(1,510,422)	$0.17
Balance outstanding, December 31, 2022	1,603,500	$0.18

During the year ended December 31, 2021, 2,855,000 stock options were exercised and 400,000 expired.

The Company did not issue any additional stock options during the year ended December 31, 2021.

During the year ended 31 December 2022:

(i) The Company granted 2,517,500 stock options to officers and employees of the Company, with 12.5% vesting every quarter from the day of the grant.

(ii) There were 1,510,422 stock options exercised at strike price of $0.17 and fair value on exercise date of $0.07, and 2,778,578 expired during the year ended December 31, 2022.

(iii) The Company recorded $227,038 in stock-based compensation (December 31, 2021; $530,703) of which $17,819 related to stock options with the remaining $209,219 related to compensation shares issued.

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

Grant Date	08-Mar-22	13-May-22	08-Aug-22	29-Nov-22
Share Price ($)	0.33	0.25	0.20	0.13
Exercise Price ($)	0.33	0.19	0.20	0.13
Term	3 years	3 years	3 years	3 years
Dividend Rate	0%	0%	0%	0%
Risk-free rate	1.49%	2.68%	3.12%	3.64%
Volatility	90%	9mai0%	90%	94%
Forfeiture rate	0%	0%	0%	0%

Details of options outstanding as at December 31, 2022:

Expiry Date	Number of Options Outstanding	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
March 8, 2025	100,000	0.33	0.1	37,500
May 13, 2025	950,000	0.19	1.4	237,500
August 8, 2025	35,000	0.20	0.1	4,375
November 29, 2025	518,500	0.13	0.9	-
	1,603,500	**$0.18**	**2.55**	**279,375**

The weighted average life of the options outstanding at December 31, 2022 is 2.55 years and weighted average exercise price of $0.18 per stock option.

Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Avg. Exercise Price ($)
Balance January 1, 2021	**28,661,462**	**0.19**
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
Balance December 31, 2021	**34,328,912**	**0.36**
Exercised	(993,617)	0.23
Expired	(4,712,041)	0.29
Balance December 31, 2022	**28,623,254**	**0.57**

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

Expiry Date	Number of Warrants	Exercise Price ($)
26-Feb-23	7,099,998	0.30
27-Sept-23	21,523,256	0.65
	28,623,254	**0.57**

The weighted average life of the warrants outstanding and exercisable at December 31, 2022 is 0.60 years.

Broker Warrants

Summary of the broker warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance January 1, 2021	**430,808**	**0.15**
Issued	2,140,801	0.57
Exercised	(564,000)	0.23
Balance December 31, 2021	**2,007,609**	**0.59**
Exercised	(88,800)	0.23
Expired	(196,949)	0.26
Balance December 31, 2022	**1,721,860**	**0.65**

Broker warrants outstanding as at December 31, 2022 were as follows:

Expiry Date	Number of Warrants	Exercise Price ($)
27-Sept-23	1,210,836	0.65
23-Nov-23	511,024	0.65
	1,721,860	0.65

The weighted average life of the broker’s warrants outstanding at December 31, 2022 is 0.77 years.

11. 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 year ended
	December 31, 2022	**December 31, 2021**
	$	**$**
Management salaries, bonuses, and other benefits	545,410	479,512
Share-based payments – Management	24,092	300,000
Share-based payments – Directors	60,000	81,750
Other renumeration – Directors	-	35,295
Total	**629,502**	**896,557**

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

As at December 31, 2022, the Company has a balance receivable of $323,534 (December 31, 2021 - $333,854) from the entities controlled by a CEO of the Company.

As at December 31, 2022, the Company has a balance payable of $60,838 (December 31, 2021 - $63,533) to a related party controlled by a CEO of the Company.

As at December 31,2021, the Company has recorded an accrual of $136,000 pertaining to the salary for the Chief Executive of Officer. There is no unpaid accrual balance as at December 31, 2022.

As at December 31, 2022, the Company had a balance payable of $98,691 (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.

On June 30, 2022 an unsecured loan of $650,000 was granted to the Chief Executive Officer with an interest rate of 6% per annum with a maturity date of September 30, 2022. The was repaid in full on September 29, 2022 with proceeds received of $659,830. There is no amount outstanding as at December 31, 2022.

12. UNEARNED REVENUE

A continuity of the Company's unearned revenue, related to card revenue and a partnership agreement entered into for the US card program is as follows:

Balance, January 1, 2022	-
Additions	464,311
Balance, December 31, 2022	**$464,311**

13. COMMITMENTS AND CONTINGENCIES

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

On December 16, 2022 (the "Effective Date"), the Company entered into a license fee agreement up to $500,000 which is payable over the term of the agreement of 24 months. The Company has prepaid $100,000 of the licence fee (the "Advance") and committed to pay the remaining $400,000 in monthly installment over the term of the agreement. Installment payments begin once an initial combined client engagement is operational; if this does not occur within 120 days of the Effective Date the Company, at its discretion, can terminate the agreement and receive repayment of the initial Advance with 5 days written notice.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash, trade and other receivables, government loans, due from related parties, trade and other payables, and due to related party approximate their carrying values due to the relatively short-term nature of these financial instruments.

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 December 31, 2022, the Company had the following balances denominated in US dollars: Cash of $175,413 (December 31, 2021 - $180,509), trade and other receivables of $60,909 (December

31, 2021 - $200,000), and trade and other payables of $396,780 (December 31, 2021 - $91,474) yielding a net liability of $160,459. As at December 31, 2022, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate $21,733 increase or decrease (December 31, 2021 - $36,644), 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:

	December 31, 2022 **$**	December 31, 2021 Restated- Note 22 $
Trade receivables aging:		
0-30 days	**365,489**	299,238
31-90 days	**35,121**	344,654
Greater than 90 days	**283**	104,568
	400,893	748,460
Provision for expected credit losses	**(5,146)**	(17,853)
Net trade receivables	**395,746**	730,606
Other Receivables	**183,584**	138,258
Receivable – Restricted	**171,729**	14,108
Total Receivables	**751,058**	882,972

The Company recognizes a restricted receivable when temporary deficiencies arise between the Cash – Restricted asset balances and Program Deposits liabilities. These deficiencies can occur as a result of fraud credits being issued to cardholders in advance of reimbursement by the network (Visa or Mastercard) to the Company, and temporary client overdrafts stemming from funding transaction failures. The Company considers restricted receivables low risk due to the counter parties involved and therefore does not apply an expected loss provision.

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 and other receivables. 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 is held with major Canadian or US financial institutions 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 and other receivables.

(c) Liquidity risk

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate cash reserves and loan facilities and by continuously monitoring forecast and actual cash flows. At December 31, 2022, the Company had a cash balance of $2,687,626 (December 31, 2021 - $8,383,429).

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

	At December 31, 2022	At December 31, 2021
	$	$
Trade and other payables	**1,288,178**	830,423
Due to related party	**159,529**	299,533
Sales Tax Payable	**14,376**	12,610
Lease liabilities	**86,868**	90,070
Total	**1,548,951**	1,232,636

As at December 31, 2022, the Company had positive working capital of $972,472 (December 31, 2021 – working capital of $7,374,984).

15. MANAGEMENT OF CAPITAL

At December 31, 2022, the Company's capital consists of the shareholders' equity in the amount of $2,186,756 (December 31, 2021 - $8,609,810 (Restated – Note 22)).

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.

There are no changes from prior year.

16. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate as follows:

As at	December 31, 2022	December 31, 2021 Restated – Note 22
	$	**$**
Net Loss before recovery of income taxes	(7,266,149)	(5,450,042)
Expected income tax recovery	(1,925,530)	(1,444,261)
Non-deductible &other expenses	134,010	105,260
Share issuance cost booked directly to equity	-	(321,430)
Difference in tax rates	(14,870)	-
Change in tax benefits not recognized	1,806,390	1,660,431
Income taxes	**-**	**-**

Deferred Tax

As at	December 31, 2022	December 31, 2021 Restated – Note 22
	$	**$**
Deferred tax assets		
Lease Liability	23,020	46,890
Operating tax losses carried forward	320	1,950
Total deferred tax assets	23,340	48,840
Deferred tax liabilities		
Right-of-use assets	(23,340)	(48,840)
Total deferred tax liabilities	**(23,340)**	**(48,840)**
Net deferred tax assets (liabilities)	-	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

As at	December 31, 2022	December 31, 2021 Restated – Note 22
	$	$
Property and equipment	180,250	138,290
Intangible assets	346,000	293,570
Deferred Revenue	169,300	-
Government loan	20,000	20,000
Share issuance cost	801,493	1,115,600
Reserves	5,146	17,850
Non-capital losses carried forward – Canada	17,078,130	10,796,755
Non-capital losses carried forward – US	409,150	-
Capital losses carried forward	124,960	-
Charitable donations carry forward	1,500	750
Income taxes	**19,135,921**	**12,382,815**

The Canadian operating tax loss carry forwards expire as noted in the table below.
The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains.
The remaining deductible temporary differences may be carried forward indefinitely.
Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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

Year	Canada - CAD	US - USD
2038	815,020	-
2039	1,925,960	-
2040	2,842,880	-
2041	5,211,700	-
2042	6,282,570	-
Indefinitely		409,150
	$17,078,130	$409,150

17. CLIENT AND CARDHOLDER FUNDS – RESTRICTED CASH AND PROGRAM DEPOSITS

The Company, acting as a paying agent, maintains restricted accounts, separate from the Company's operating accounts, for client and cardholder deposits. The balance on deposit in custodial and settlement accounts as at December 31, 2022 totalled $51,274,921 (December 31, 2021 - $27,069,895 (Restated – Note 22)) and the recorded liability totalled $52,526,312 (December 31, 2021 - $28,116,389 (Restated – Note 22)).

As at December 31, 2022, the difference between program deposits and the balance in the restricted accounts is $1,251,391 (December 31, 2021 - $1,046,494).

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.

19. REVENUES

The Company generates financial service revenue that is segregated as follows:

1) Interchange Revenue - Card holder transactions consisting of merchant transactions resulting in interchange revenue, and fee revenue for ATM withdrawals and electronic fund transfers.
2) Program Management - 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) Services and Card Revenue – Procurement, and fulfillment of Today debit cards to the clients for use by card holders.

Revenues for the year's ended December 31, 2022, and 2021 are as follows:

	December 31, 2022	December 31, 2021 Restated (Note 22)
Interchange Revenue	3,946,152	1,003,323
Program Management	214,373	642,676
Services and Card Revenue	573,202	610,072
Net Revenue	$4,733,727	2,256,071

Geographical Information:

Canada	4,662,361	2,256,071
United States	71,367	-
Net Revenue	$4,733,727	2,256,071

20. OTHER INCOME (EXPENSES)

On March 28, 2022 the Company entered into a debt settlement agreement with CaliCard Holdings LLC, an arms-length party, in which it converted a receivable of USD$200,000 into USD$200,000 common shares at price of USD $1 per share. At year end, Management assessed the investment and determined that CaliCard did not have physical or intellectual assets of value, and the company failed to demonstrate the viability of its product in the market as it had not secured a single contract over the investment period, and did not have a pipeline sufficient to sustain further investment. Management has written down 100% of the investment and recognized an impairment of $249,920 which has been included in other income (expenses).

In the period spanning December 2021 to April 2022, the Company was assessing a potential acquisition and in doing so incurred legal and professional services fees totaling $102,000. The Company had a write down of $86,000 in fiscal 2022 related to uncollectable funds.

21. RECLASSIFICATION OF PRIOR PERIOD PRESENTATION

During the period ended March 31, 2022, the Company re-assessed 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 audited annual consolidated statements of operations and comprehensive loss for the year ending December 31, 2022 and the comparative period has been reclassified to conform to the current period presentation.

	For the year ended December 31, 2021	
	Current Presentation	As Previously Presented
Public company and regulatory	$ 360,102	$ 161,535
Marketing and promotion	205,528	404,095
Total reclassification	**$ 565,630**	**$ 565,630**

22. RESTATEMENT OF COMPARATIVE FIGURES

During the year ended December 31, 2022, the Company identified material misstatements related to the reconciliation of program deposits and restricted cash resulting from unrecorded cardholder transaction and cut-off adjustments. The reconciliation resulted in a reduction in revenue of $124,576 and increase in cost of sales of $569,591 for the year ended December 31, 2021 and an opening adjustment to accumulated deficit of $338,214 for periods prior to January 1, 2021. The reconciliation resulted in an increase in cash – restricted of $1,092,461, increase in trade and other receivables of $14,114 and increase in program deposits of $2,138,955.

The increase in the cost of sales is related to the Company undertaking a reconciliation of its legacy and current financial platforms as part of the decommissioning process for the legacy system, and to ensure the scalability of its new platform. The Company has determined during the reconciliation process that certain funds were uncollectable and as such has taken a write down of $569,591 included in cost of sales.

A reconciliation of the Company's previously reported balances with the restated balances are as follows:

Consolidated Statement of Financial Position as at December 31, 2021:

Expressed in Canadian Dollars	**As previously reported**	**Adjustments**	**As restated**
Assets			
Current			
Cash	$ 8,383,429	$ -	$ 8,383,429
Cash Restricted	25,977,434	1,092,461	27,069,895
Trade and other receivables	868,858	14,114	882,972
Prepaid expenses	113,863	-	113,863
Due from related parties	333,854	-	333,854
	35,677,438	1,106,575	36,784,013
Property and equipment	271,260	-	271,260
Intangible assets	130,429	-	130,429
Goodwill	920,000	-	920,000
Total Assets	$ 36,999,127	$1,106,575	$ 38,105,702
Liabilities			
Current			
Trade and other payables	$ 830,423	$ -	$ 830,423
Program Deposits	25,977,434	2,138,955	28,116,389
Sales tax payable	12,610	-	12,610
Due to related party	299,533	-	299,533
Current portion of lease liabilities	90,070	-	90,070
Government loan	60,000	-	60,000
Unearned revenue	-	-	-
	27,270,070	2,138,955	29,409,025
Long term portion of lease liabilities	86,868	-	86,868
Total Liabilities	27,356,938	2,138,955	29,495,893
(In Canadian dollars)			
Shareholders' Equity			
Share capital	$ 17,366,594	$ -	$ 17,366,594
Contributed surplus	238,204	-	238,204
Warrant reserve	3,262,537	-	3,262,537
Cumulative translation reserve	-	-	-
Accumulated deficit	(11,225,146)	(1,032,380)	(12,257,526)
Total Shareholders Equity	9,642,189	(1,032,380)	8,609,809
Total Liabilities and Shareholders' Equity	$ 36,999,127	$1,106,576	$ 38,105,702

Consolidated Statement of Financial Position as at January 1, 2021:

Expressed in Canadian Dollars	**As previously reported**	**Adjustments**	**As restated**
Assets			
Current			
Cash	$ 285,853	$ -	$ 285,853
Cash Restricted	6,153,784	-	6,153,784
Trade and other receivables	107,123	-	107,123
Sales Tax receivable	75,323	-	75,323
Prepaid expenses	151,491	-	151,491
Due from related parties	302,254	-	302,254
	7,075,828	-	7,075,828
Property and equipment	125,753	-	125,753
Intangible assets	225,420	-	225,420
Goodwill	920,000	-	920,000
Total Assets	$ 8,347,001	-	$ 8,347,001
Liabilities			
Current			
Trade and other payables	$ 634,159	$ -	$ 634,159
Program Deposits	6,153,784	338,214	6,491,998
Sales tax payable	-	-	-
Due to related party	126,283	-	126,283
Current portion of lease liabilities	72,427	-	72,427
Government loan	57,059	-	57,059
Loan payable	460,047	-	460,047
Total Liabilities	7,503,759	338,214	7,841,973
(In Canadian dollars)			
Shareholders' Equity			
Share capital	$ 6,187,367	$ -	$ 6,187,367
Contributed surplus	341,861	-	341,861
Warrant reserve	783,285	-	783,285
Cumulative translation reserve	-	-	-
Accumulated deficit	(6,469,271)	(338,214)	(6,807,485)
Total Shareholders Equity	843,242	(338,214)	505,028
Total Liabilities and Shareholders' Equity	$ 8,347,001	-	$ 8,347,001

Consolidated Statement of Loss and Comprehensive Loss as at December 31, 2021:

Expressed in Canadian Dollars	**As previously reported**	**Adjustments**	**As restated**
Revenue			
Gross revenue	$ 2,387,514	$ (124,576)	$ 2,262,938
Commissions and agent fees	(6,867)	-	(6,867)
Net revenue	2,380,647	(124,576)	2,256,071
Cost of sales	1,625,490	569,591	2,195,081
Gross profit	755,157	(694,167)	60,990
Expenses			
Salaries and employee benefits	2,122,460	-	2,122,460
Consulting	546,100	-	546,100
Public company and regulatory	360,102	-	360,102
Professional fees	916,367	-	916,367
Stock-based compensation	530,703	-	530,703
Office and general	385,156	-	385,156
Marketing and promotion	205,528	-	205,528
Depreciation and amortization	216,154	-	216,154
Travel, Meals and entertainment	68,780	-	68,780
Bank charges, interest and accretion	159,141	-	159,141
Bad Debt and ECL	37,448	-	37,448
	5,547,939	-	5,547,939
Loss from operations	(4,792,782)	(694,167)	(5,486,949)
Other (expenses) income	36,907	-	36,907
Loss before income taxes	(4,755,875)	(694,167)	(5,450,042)
Income taxes	-	-	-
Net loss and comprehensive loss	$ (4,755,875)	$ (694,167)	$ (5,450,042)
Net loss per share - Basic and diluted	$ (0.03)	$ (0.01) -	$ (0.04)

Consolidated Statement of Cash Flows as at December 31, 2021:

Expressed in Canadian Dollars	As previously reported	Adjustments	As restated
OPERATING ACTIVITIES			
Net loss	$ (4,755,875)	$ (694,167)	$ (5,450,042)
Items not affecting cash:			
Accretion of debt and debt discount of loan payable	3,994	-	3,994
Amortization of intangible assets	103,991	-	103,991
Amortization of property and equipment	112,163	-	112,163
Expected credit loss	17,853	-	17,853
Government loan	2,941	-	2,941
Interest on lease liabilities	4,039	-	4,039
Stock-based compensation	530,703	-	530,703
	(3,980,191)	(694,167)	(4,674,358)
Changes in non-cash working capital:			
Accounts payable and accrued liabilities	251,264	-	251,264
Cash – Restricted	(19,823,650)	(1,092,461)	(20,916,111)
Program Deposits	19,823,650	1,800,742	21,624,392
Prepaid expenses	37,628	-	37,628
Sales taxes	87,933	-	87,933
Trade receivables	(779,588)	(14,113)	(793,701)
	(402,763)	694,168	291,405
Cash flows used by operating activities	(4,382,954)	-	(4,382,954)
INVESTING ACTIVITIES			
Purchase of property and equipment	(71,771)	-	(71,771)
Cash flows used by investing activities	(71,771)	-	(71,771)
FINANCING ACTIVITIES			
Advance (to) from related parties	141,650	-	141,650
Repayment of lease liabilities	(85,428)	-	(85,428)
Proceeds from share issuances	9,773,737	-	9,773,737
Share issuance costs	(872,860)	-	(872,860)
Net proceeds from warrants	3,242,452	-	3,242,452
Proceeds from exercise of options	352,750	-	352,750
Cash flows from financing activities	12,552,301	-	12,552,301
Increase (decrease) in cash	8,097,576	-	8,097,576
Cash, beginning of year	285,853	-	285,853
Cash, end of year	$ 8,383,429	-	$ 8,383,429

23. SUBSEQUENT EVENTS

The Company had the following material subsequent events occur after the reporting period, but prior to the finalization of the audited consolidated financial statements:

(i) On May 19, 2023, the Company announced its intent to acquire Qrails Inc. a prepaid payments issuer-processor and one of the first vertically integrated provider of earned wage access ("EWA") with operations currently in the United States and the UK. The acquisition would be in the form of a share purchase agreement. On June 15, 2023, the Company announced that it had entered into a definitive agreement (the "Purchase Agreement") to acquire (the "Transaction") all the issued and outstanding securities of QRails Inc. ("QRails"), a prepaid payments issuer-processor and one of the first vertically integrated providers of earned wage access ("EWA"). The securities of QRails will be acquired from its current shareholders (the "Sellers") for total consideration of US$3,500,000, consisting of US$100,000 in cash with the remaining US$3,400,000 to be paid through the issuance of common shares of the Company ("Common Shares") at a deemed price of US$0.12 (CAD$0.16), resulting in 28,333,333 Common Shares being issued to the Sellers. The Transaction is expected to close on or about July 22, 2023, subject to reporting timelines and customary closing conditions.

The Transaction is structured as an agreement and plan of merger by and between the Company, XTM USA Inc., QRails and XTM QRails USA Inc. ("SubCo"), a wholly owned subsidiary of the Company. On close, QRails and SubCo will merge with the continuing merged entity becoming a subsidiary of the Company.

The Transaction, the Purchase Agreement and the purchase price payable to the Sellers was negotiated at arm's-length, and no finders fee is being paid in connection with the Transaction.

(ii) On May 11, 2023 the Company and QRails Inc. (the "Companies") entered into a debt agreement in the form of a promissory note (the "Note") and accompanying general security agreement in which XTM agreed to provide QRails bridge financing that is non-interest bearing so long as the parties are exclusively negotiating the form and substance of a potential acquisition of QRails by XTM. In the event the Companies cannot come to an agreement and exclusivity ends, the note becomes interest bearing at a rate of 10% per annum (365 day) and due on demand. The purpose of the Note is to satisfy working capital requirements of QRails Inc. while the two companies' negotiation acceptable terms for a potential acquisition. As at July 17, 2023, the Company has advanced $1,937,000 under the terms noted above.

(iii) On May 2, 2023, the Company was granted a management cease trade order ("MCTO") related to it not meeting its filing deadline for its audited annual financial statements, management's discussion and analysis and related certifications for the financial year ended December 31, 2022 (collectively, the "Issuer Statements"), as required under applicable Canadian securities laws. The filing deadline for the Company was extended to July 17, 2023.

(iv) On April 28, 2023 the Company announced that the Company intends to complete a non-brokered private placement of convertible debentures of the Company (each, a "Convertible Debenture Units") at a price of US$1,000 per Convertible Debenture Unit for gross proceeds to the Company of up to US$5,000,000 (the "Offering").

Each Convertible Debenture Unit will be comprised of US$1,000 principal amount of unsecured convertible debenture ("Convertible Debenture") and 1,000 common share purchase warrants (a "Warrant"). Each

Warrant will entitle the holder thereof to purchase one common share of XTM (a "Common Share") at a price of US$0.29 per Common Share for a period of twenty-four (24) months from the date of issuance thereof.

The Convertible Debentures will bear interest at a rate of 10.0% per annum, calculated and payable quarterly in arrears, commencing September 30, 2024 and mature twenty four (24) months following the date of issuance (the "Maturity Date"). The principal amount of each Convertible Debenture (the "Principal Amount") will be convertible into Common Shares at a conversion price of US$0.185 per Common Share (the "Conversion Price") at the option of the holder of a Convertible Debenture ("Debenture Holder") at any time prior to the close of business on the Maturity Date.

The Convertible Debentures will be unsecured obligations of the Company and will be subordinated in right of payment of principal and interest to all secured debt and to all existing and future senior indebtedness of the Company and senior to any of the Company's future debt that is expressly subordinated to the Convertible Debentures.

The Company may pay a fee in connection with the Offering comprised of (a) cash of up to 5% of the aggregate principal amount of the Convertible Debenture Units sold pursuant to the Offering and/or (b) an aggregate number of broker warrants, with substantially the same terms as the Warrants, of up to 5% of the aggregate number of Warrants issued pursuant to the Offering.

As at August 2, 2023, the Company has received approximately $3,137,512 CAD (CAD$1,849,690 and US$947,975) in proceeds for subscriptions under the convertible debenture terms noted above.