

XTM Inc.

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

Interim Condensed Consolidated Financial Statements

For the periods ended June 30, 2024 and 2023

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

Management's Responsibility for Financial Statements

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

The unaudited consolidated condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

DATED 30th day of September, 2024

XTM INC.

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>Expressed in Canadian Dollars</i>	<i>Note</i>	As At June 30, 2024	December 31, 2023
ASSETS			
Current			
Cash	5	\$ 286,342	\$ 94,096
Cash - restricted	20	54,528,166	49,974,371
Trade and other receivables	18	604,811	503,370
Receivables – restricted	18	3,078,270	658,271
Prepaid expenses	7	744,646	454,027
Inventory	6	384,264	417,339
Contract assets	8	447,644	384,121
Sales tax receivable		-	37,244
		60,074,143	52,522,839
Property and equipment	9	388,195	479,461
Right-of-use assets	9	731,689	241,911
Prepayment option on convertible note	14	41,961	142,060
Intangible assets	10	6,488,172	7,038,555
Goodwill	4	3,127,619	3,127,619
Total Assets		\$ 70,851,779	\$ 63,552,445
LIABILITIES			
Current			
Trade and other payables	18	\$ 9,152,555	\$ 7,500,309
Program deposits	18,20	62,944,554	57,113,812
Sales tax payable		105,577	15,452
Due to related party	15	314,865	2,259,482
Loan payable	11	3,777,612	-
Unearned revenue	16	1,306,284	1,104,249
Current portion of lease liabilities	12	156,876	246,007
		77,758,323	68,239,311
Long term portion of lease liabilities	12	609,004	11,428
Government loan	21	60,000	60,000
Convertible debentures	14	9,491,311	1,483,204
Subscription receipts	14	-	1,088,467
Total Liabilities		\$ 87,918,638	\$ 70,882,410
SHAREHOLDERS' DEFICIT			
Share capital	13	26,791,054	26,474,701
Contributed surplus	13	1,657,988	1,127,791
Equity conversion feature on convertible note	13,14	174,222	589,836
Warrant reserve	13,14	61,255	53,020
Cumulative translation reserve		(47,456)	31,287
Accumulated deficit		(45,703,922)	(35,606,600)
Total Shareholders' Deficit		(17,066,859)	(7,329,965)
Total Liabilities and Shareholders' Deficit		\$ 70,851,779	\$ 63,552,445
<i>Commitments and contingencies</i>	17		
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The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

APPROVED BY THE BOARD OF DIRECTORS:

"Marilyn Schaffer"

Director

"Olga Balanovskaya"

Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars	Note	For the three months ended,		For the six months ended,	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net revenues	22	\$ 2,151,467	\$ 1,619,188	\$ 3,963,751	\$ 3,047,121
Cost of sales		2,028,960	1,488,494	3,884,250	2,740,961
Gross (loss) profit		122,507	130,694	79,501	306,160
Expenses					
Salaries and employee benefits	15	2,729,449	1,196,612	5,556,609	2,224,322
Depreciation and amortization	9,10	522,267	46,967	1,083,241	93,626
Share-based compensation	13	337,936	42,997	685,146	74,406
Office and general		375,478	161,310	853,574	301,107
Professional fees		313,868	408,696	619,222	499,009
Interest on debentures	14	270,762	-	442,956	-
Consulting		125,092	95,789	295,220	367,884
Marketing and promotion		76,075	153,378	153,031	268,835
Bank charges and interest		134,424	11,520	192,028	24,705
Accretion on debentures	14	22,253	-	48,481	-
Public company and regulatory		48,168	90,254	72,906	182,598
Travel, meals and entertainment		4,966	12,161	26,356	26,514
Bad debt and expected credit loss		5,968	(1,935)	15,040	3,609
Other expenses		283,354	337,977	95,407	554,977
Total expenses		5,250,060	2,555,726	10,139,217	4,621,592
Loss from operations		(5,127,553)	(2,425,032)	(10,059,716)	(4,315,432)
Income taxes		-	-	-	-
Net loss for the period		\$(5,127,551)	\$(2,425,032)	\$(10,059,716)	\$(4,315,432)
Other comprehensive (loss) income		(78,743)	17,060	(78,743)	17,224
Net loss and comprehensive loss		\$(5,206,294)	\$(2,407,972)	\$(10,138,457)	\$(4,298,208)
Net loss per share - Basic and diluted		\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.02)
Weighted average number of shares outstanding – Basic and diluted		210,153,737	171,841,503	209,496,359	171,805,658

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2024 and 2023

	Notes	Number of Common Shares	Amount	Warrant Reserve	Equity conversion feature on convertible note	Contributed Surplus	Cumulative Translation Reserve	Accumulated Deficit	Total Shareholders' Equity
Balance, January 1, 2023		171,569,084	\$18,084,459	\$3,038,230	-	\$612,136	\$(24,390)	\$(19,523,677)	\$2,186,758
Prior year translation of foreign operations	13	-	-	-	-	-	24,390	(24,390)	-
Issue of shares	13	230,769	30,000	-	-	-	-	-	30,000
Warrants issued	13	-	-	-	-	-	-	-	-
Warrants expired	13	-	-	(341,739)	-	341,739	-	-	-
Exercise of stock options	13	-	-	-	-	-	-	-	-
Share-based compensation	13	-	-	-	-	74,406	-	-	74,406
Restricted stock units issued	13	54,484	15,625	-	-	(15,625)	-	-	-
Other comprehensive loss from translation of foreign operations		-	-	-	-	-	17,224	-	17,224
Net loss for the period		-	-	-	-	-	-	(4,315,431)	(4,315,431)
Balance, June 30, 2023		171,854,337	\$18,130,084	\$2,696,491	-	\$1,012,656	\$17,224	\$(23,863,498)	\$(2,007,043)
Balance, January 1, 2024		208,758,818	\$26,474,701	\$53,020	\$589,836	\$1,127,791	\$31,287	\$(35,606,600)	\$(7,329,965)
Prior year translation of foreign operations		-	-	-	-	-	-	(37,606)	(37,606)
Restricted stock units issued	13	421,500	72,249	-	-	(72,249)	-	-	-
Shares issued for stock options	13	296,875	26,641	-	-	11,202	-	-	37,843
Stock options vested	13	-	-	-	-	405,525	-	-	405,525
Restricted stock units vested	13	-	-	-	-	181,778	-	-	181,778
Convertible debentures equity component	14	-	-	-	(415,614)	-	-	-	(415,614)
Warrants issued from convertible debentures	13,14	-	-	8,235	-	-	-	-	8,235
Redemption of convertible debentures	14	1,449,755	217,463	-	-	3,941	-	-	221,404
Other comprehensive loss from translation of foreign operations		-	-	-	-	-	(78,743)	-	(78,743)
Net loss for the period		-	-	-	-	-	-	(10,059,714)	(10,059,714)
Balance, June 30, 2024		210,926,948	\$26,791,054	\$61,255	\$174,222	\$1,657,988	\$(47,456)	\$(45,703,920)	\$(17,066,857)

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars	Note	For the period ending	
		June 30, 2024	June 30, 2023
OPERATING ACTIVITIES			
Net loss for the year		\$(10,059,716)	\$(4,315,432)
<i>Items not affecting cash:</i>			
Accretion and interest on convertible debentures	14	491,437	-
Depreciation of property and equipment	9	86,453	68,053
Depreciation of right-of-use assets	9	207,538	-
Amortization of intangible assets	10	791,550	25,571
Expected credit loss		15,040	-
Interest on lease liabilities	12	4,969	4,319
Share-based compensation	13	685,146	74,406
Loss on extinguishment of convertible debentures	14	(52,501)	-
		(7,830,085)	(4,143,083)
<i>Changes in non-cash working capital:</i>			
Accounts payable	18	1,779,615	1,152,983
Cash – restricted	20	(4553,795)	(2,199,878)
Contract assets	8	(63,523)	(238,874)
Program deposits	20	5,830,742	3,510,597
Prepaid expenses	7	(290,619)	(75,468)
Trade and other receivables	18	(101,441)	(991,474)
Receivables - restricted	18	(2,419,999)	-
Inventory	6	33,075	-
Sales tax payable		-	4,148
Unearned revenue	16	202,035	378,008
		416,090	1,540,042
Cash flows used by operating activities		(7,413,995)	(2,603,041)
INVESTING ACTIVITIES			
Disposals of property and equipment	9	17,667	-
Purchase of property and equipment	9	-	(6,824)
Acquisition of right-of-use assets	9	-	-
Addition of right of use assets	9	(687,382)	-
Notes receivable		-	(2,564,588)
Cash flows used by investing activities		(669,715)	(2,571,412)
FINANCING ACTIVITIES			
Advances (to) from related parties	15	(1,944,617)	(45,283)
Addition of lease liabilities	12	493,088	-
Repayment of lease liabilities	12	-	(54,643)
Net proceeds from convertible debt issuance	14	5,974,650	-
Subscription receipts	14	-	2,963,564
Net proceeds from loan payable	11	3,777,612	-
Net proceeds from options and stock	13	-	30,000
Net proceeds from warrants	13	8,235	-
Cash flows from financing activities		8,308,968	2,893,638
Foreign exchange affecting cash		(33,012)	17,224
Decrease in cash		192,246	(2,263,591)
Cash, beginning of period		94,096	2,687,626
Cash, end of year	5	\$286,342	\$ 424,035

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

1. NATURE OF OPERATIONS

XTM Inc. (“XTM” or the “Company”), with offices in Miami, Toronto, Denver and London, is a Fintech creator of payment innovations including fully certified Earned Wage Access (“EWA”) through its AnyDay™ product. Founded in the cloud-banking space to further support businesses to inspire their workforce in the hospitality, personal care and services staffing industries, XTM provides on-demand pay for many large brands including Earls, Maple Leaf Sports & Entertainment, Cactus Club, Marriott Hotels and Live Nation.

The Company was incorporated under the Ontario Business Corporations Act on December 1, 2005. The head office, principal address and registered office of the Company is located at 67 Mowat Avenue, Suite 437, Toronto, Ontario, Canada, M6K 3E3 and the head United States office is located at 1221 Brickell Ave Suite 900 Miami, FL, 33310.

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”.

Going Concern

The Company's condensed consolidated interim 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 condensed consolidated interim financial statements show a net loss for the three months ended June 30, 2024 of \$5,127,553 and as at that date, the Company had an accumulated deficit of \$45,703,922. 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 condensed consolidated interim 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 is funding operations of the Company through advances from existing shareholders, private placement of convertible debt, credit facilities, restricted cash or the issuance of shares in lieu of cash for payment of services and chooses the best funding method that is in the best interest of the Company and related stakeholders at the time of funding.

In Q1 2024 the Company obtained a term sheet for \$20,000,000 lending facility from which funds can be used for operations (with approval from the lender) and the deficit of restricted cash fully reconciled on demand, in the event a customer demands repayment of the restricted cash. Note that while the deficit of restricted cash has not been cured, the funds available under the credit facility can be used for the settlement of any demands for restricted cash in the event of such demand and there is no risk to the return of restricted cash. A total of US\$2,848,328 has been drawn on the facility as at September 30, 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The unaudited condensed consolidated interim financial statements for the three-month period ended June 30, 2024 were prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as those used in the Company’s most recent audited annual consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all of the disclosures included in the Company’s audited annual consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read together with the most recent audited annual consolidated financial statements.

These condensed interim consolidated financial statements for the period ended June 30, 2024, were authorized for issue by the Company’s Board of Directors on September 30, 2024.

b) Basis of presentation

The unaudited condensed consolidated interim financial statements are prepared on a going concern basis under the historical cost convention and in accordance with IAS 34, *Interim Financial Reporting* using the same accounting policies and methods of computation as presented in the audited annual consolidated financial statements for the year ended December 31, 2023. Unless otherwise stated, the unaudited condensed consolidated interim financial statements are presented in Canadian dollars which is the Company’s functional and presentation currency as (i) the Company is based in Canada, (ii) the majority of its costs are denominated in Canadian dollars, and (iii) all its financing is obtained through Canadian dollar private placements.

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

Estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates, judgements and assumptions used in the most recent audited annual consolidated financial statements do not differ materially from those used for these unaudited condensed consolidated interim financial statements.

c) Basis of consolidation

The unaudited condensed consolidated interim financial statements include the accounts of the Company’s wholly owned subsidiaries below.

Name of Subsidiary and / or Investment	Place of Incorporation	Ownership Interest	Functional Currency	Status
XTM Inc.	Ontario, Canada	100%	CAD	Active
XTM USA Inc.	Delaware, United States	100%	USD	Active
QRails, Inc.	Delaware, United States	100%	USD	Active
QRails Ltd.	United Kingdom	100%	GBP	Active
QRails Ireland Ltd.	Ireland	100%	EUR	Active

Intercompany transactions, balances and unrealized gains or losses between subsidiaries are eliminated in the preparation of the condensed consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the reporting Company using consistent accounting policies.

d) Recently Issued Accounting Pronouncements

The future changes in accounting policies described in the most recent audited annual consolidated financial statements do not differ materially from those still applicable to these condensed consolidated interim financial statements.

There are no new standards issued but not yet effective as at July 1, 2024 that have a material impact to the Company’s consolidated financial statements.

e) Critical accounting estimates and judgements

In preparing these unaudited condensed consolidated interim financial statements, management has made critical judgements, estimates and assumptions that affect the applicability of the Company’s accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management reviews these judgements, estimates and assumptions on an ongoing basis based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. In preparing these unaudited condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the audited annual consolidated financial statements as at and for the year ended December 31, 2023.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in the audited annual consolidated financial statements for the year ended December 31, 2023 and have been consistently followed in the preparation of these unaudited condensed consolidated interim financial statements.

4. GOODWILL

The Company has determined that it has two CGUs comprised of 1) XTM Inc. and 2) QRails Inc. The Company completed its annual goodwill impairment testing on December 31, 2023 and determined that goodwill amounts were not impaired.

<i>Expressed in Canadian Dollars</i>	As at June 30, 2024	As at December 31, 2023
Goodwill consists of the following CGUs:		
XTM Inc.	\$920,000	\$920,000
QRails Inc.	2,207,619	2,207,619
	\$3,127,619	\$3,127,619

5. CASH

Cash is comprised of bank balances at major Canadian and US financial institutions. Transaction costs are expensed when incurred. As at June 30, 2024, the Company held the totals below in cash, and is not currently utilizing money market instruments (December 31, 2023; \$nil).

<i>Expressed in Canadian Dollars</i>	As at June 30, 2024	As at December 31, 2023
Cash consists of:		
CAD Operating account	\$ 137,092	\$ 14,677
USD Operating account	149,250	74,419
	\$ 286,342	\$ 94,096

6. INVENTORY

Inventory is comprised of the following items:

<i>Expressed in Canadian Dollars</i>	As at June 30, 2024	As at December 31, 2023
Payment cards	\$327,930	\$360,992
Program collateral & envelopes	56,334	56,347
	\$384,264	\$417,339

Inventories are written down for any obsolescence or when the net realizable value considering future events and conditions is less than the carrying value. There were no write-downs in the six months ended June 30, 2024.

7. PREPAID EXPENSES

<i>Expressed in Canadian Dollars</i>	As at June 30, 2024	As at December 31, 2023
Prepaid expenses consist of:		
Insurance premiums	\$70,338	\$39,519
Subscriptions	269,590	172,708
Licensing Fees	111,062	111,062
Program and other operating related	119,022	69,244
Consulting Services	156,076	5,421
Leasehold deposits	18,558	36,073
Hiring Costs	-	20,000
	\$744,646	\$454,027

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

8. CONTRACT ASSETS

Contract assets represent the balance of deferred cost of goods sold pertaining to card issuance. The cost of goods sold is deferred over the term of clients' contracts. Management estimates the average term of contracts as 2.5 years, and an estimated gross margin of 25%. A continuity for contract assets for the periods ending June 30, 2024 and December 31, 2023, is as follows:

Balance, January 1, 2023	\$247,517
Additions deferred to future periods	336,168
Unearned revenue recognized in current year	(199,564)
Balance, December 31, 2023	\$384,121
Additions deferred to future periods	\$70,423
Unearned revenue recognized in current year	(34,863)
Balance, March 31, 2024	\$419,681
Additions deferred to future periods	74,469
Unearned revenue recognized in current year	(46,506)
Balance, June 30, 2024	\$447,644

9. PROPERTY AND EQUIPMENT

A continuity of the property and equipment, including finance leases for the period ended June 30, 2024, is as follows:

Cost	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Telephone Equipment	Total	Right-of-use asset
Balance as at January 1, 2023	\$122,131	\$139,947	\$25,000	\$8,707	\$295,785	\$347,310
Additions	6,825	-	-	-	6,825	105,380
Acquisition	432,300	-	23,463	-	455,763	280,357
Derecognition	-	(32,517)	-	-	(32,517)	-
Balance as at December 31, 2023	\$561,256	\$107,430	\$48,463	\$8,707	\$725,856	\$733,047
Additions	-	-	-	-	-	687,382
Derecognition	-	(32,517)	(25,000)	(8,707)	(66,224)	-
Effect of foreign exchange	11,309	-	614	-	11,923	7,334
Balance as at March 31, 2024	\$572,565	\$74,913	\$24,077	\$-	\$671,555	\$1,427,763
Effect of foreign exchange	3,759	-	204	-	3,963	8,262
Balance as at June 30, 2024	\$576,324	\$74,913	\$ 24,281	\$-	\$675,518	\$1,436,025
Accumulated Depreciation						
Balance as at January 1, 2023	(\$72,270)	(\$67,505)	(\$19,664)	(\$ 8,126)	(\$ 167,565)	(\$ 259,245)
Depreciation	(77,429)	(14,208)	(5,848)	(116)	(97,601)	(231,891)
Derecognition	-	18,771	-	-	18,771	-
Balance as at December 31, 2023	(\$149,699)	(\$62,942)	(\$25,512)	(\$8,242)	(\$246,395)	(\$491,136)
Depreciation	(38,822)	(1,551)	(3,267)	-	(43,640)	(126,170)
Derecognition	-	19,051	21,264	8,242	48,557	-
Effect of foreign exchange	(2,090)	-	(110)	-	(2,200)	(3,643)
Balance as at March 31, 2024	(\$190,611)	(\$45,442)	(\$7,625)	\$-	(\$243,678)	(\$620,949)
Depreciation	(37,965)	(1,551)	(3,296)	-	(42,812)	(81,368)
Effect of foreign exchange	(768)	-	(65)	-	(833)	(2,019)
Balance as at June 30, 2024	(\$229,344)	(\$46,993)	(\$10,986)	\$-	(287,323)	\$ (704,336)
Carrying Amount						
Balance as at December 31, 2023	\$411,557	\$44,488	\$22,951	\$465	\$479,461	\$241,911
Balance as at March 31, 2024	\$381,954	\$29,471	\$16,452	\$-	\$427,877	\$806,814
Balance as at June 30, 2024	\$346,980	\$27,920	\$13,295	\$-	\$ 388,195	\$ 731,689

10. INTANGIBLE ASSETS

A continuity of the intangible assets for the period ended June 30, 2024 is as follows:

Cost	Software Platform
Balance as at January 1, 2023	\$ 424,000
Acquired	7,565,272
Balance as at December 31, 2023	\$7,989,272
Foreign exchange adjustment	197,912
Balance as at March 31, 2024	\$8,187,184
Foreign exchange adjustment	65,781
Balance as at June 30, 2024	\$ 8,252,965

Accumulated Amortization	
Balance as at January 1, 2023	(\$346,000)
Amortization	(604,717)
Balance as at December 31, 2023	(\$950,717)
Amortization	(394,159)
Foreign exchange adjustment	(14,482)
Balance as at March 31, 2024	(\$1,359,358)
Amortization	(397,391)
Foreign exchange adjustment	(8,044)
Balance as at June 30, 2024	(\$1,764,793)

Carrying Amount	
Balance as at December 31, 2023	\$7,038,555
Balance as at March 31, 2024	\$6,827,826
Balance as at June 30, 2024	\$6,488,172

11. LOAN PAYABLE

In March 2024, the Company secured, senior first lien revolving credit facility to fund eligible EWA advances with an initial capacity of US\$20M, with incremental capacity available to \$100M. The facility bears a simple interest rate of 13% per annum and is set to mature on March 31, 2026 (inclusive of a 12-month extension option). The credit facility includes a guarantee by the Company.

As at June 30, 2024 the Company had drawn \$3,777,612 (US\$2,760,000) on the credit facility as a loan payable.

12. LEASE LIABILITIES

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

Balance as at January 1, 2023	\$ 86,867
Addition of new leases	431,366
Repayment of lease liability	(266,985)
Interest expense on lease liability	6,187
Balance as at December 31, 2023	\$ 257,435
Addition of new lease	675,572
Repayment of lease liability	(140,948)
Interest expense on lease liability	2,755
Effect of foreign exchange	4,218
Balance as at March 31, 2023	\$ 799,032
Repayment of lease liability	(41,536)
Interest expense on lease liability	2,214
Effect of foreign exchange	6,170
Balance as at June 30, 2024	\$ 765,880
Current Versus Long-term	
Lease liabilities due within one year	\$ 156,876
Lease liabilities – long term	\$ 609,004
Total lease liabilities	\$ 765,880

The Company has continued its lease at its head office in Canada from previous year effective December 1, 2023. Total annual payments including additional rent and hydro are \$137,850, and the Company applied a discount rate of 13% to determine the asset value noted above. The current lease expires on November 30, 2024.

In Q1 2024, the Company signed a new office lease in Denver, Colorado for a term of 49 months effective March 31, 2024. The first 7 months of rent on the lease are abated, with the first payment required on November 1, 2024. The Company applied a discount rate of 12% to determine the asset value for the right-of-use asset. The total annual payments expected for this lease, inclusive of cost allocations, are as follows:

In Canadian Dollars	
2024	\$ 41,466
2025	253,221
2026	259,550
2027	266,036
2028	78,341
Total lease payments – Denver office	\$ 898,614

13. 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, 2023	171,569,084	18,084,459
Shares issued for restricted stock units	2,534,215	403,891
Shares issued for directors' fees (i)	4,230,769	390,000
Options expired	-	88,829
Warrants expired	-	3,038,230
Shares issued for acquisition (ii)	28,343,750	4,222,405
Shares issued for services (iii)	2,081,000	246,887
Shares issued and outstanding as at December 31, 2023	208,758,818	26,474,701
Shares issued for restricted stock units (v)	171,500	28,499
Shares issued for stock options	146,875	13,983
Shares issued and outstanding as at March 31, 2024	209,077,193	26,517,183
Shares issued for restricted stock units (vi)	250,000	43,750
Shares issued for stock options	150,000	12,658
Shares issued for convertible debentures (vii)	1,449,755	217,463
Shares issued and outstanding as at June 30, 2024	210,926,948	26,791,054

Year ended December 31, 2023

- (i) On January 13, 2023, the Company issued 230,769 shares at \$0.13 per share for a total value of \$30,000 to 3 members of the board of directors as part of the annual Board of Directors Compensation plan covering October 1, 2022 to December 31, 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.
- (ii) On August 18, 2023, the Company issued 28,343,750 at \$0.16 share and cash considerations for the acquisition of QRails Inc. at a fair value of \$4,222,405 (discounted for lack of marketability).
- (iii) On September 19, 2023, the company issued 892,857 shares at \$0.14 per share for a total value of \$125,000 to a consultant for services rendered.
- (iv) On December 12, 2023, the Company recorded share-based compensation pertaining to director fees of \$390,000 (2022 - \$90,000) during the year- Note 15(i).

Period ended March 31, 2024

- (v) On February 8, 2024, the Company issued 61,500 shares at \$0.119 per share for a total value of \$7,343 to employees due to RSU's granted in prior periods vesting. On March 25, 2024, the company issued 110,000 shares at \$0.192 per share for a total value of \$21,156 to employees due to RSU's granted in prior periods vesting.

Period ended June 30, 2024

- (vi) On April 3, 2024, the Company issued 125,000 shares at \$0.175 per share for a total value of \$21,875 to employees due to RSU's granted in prior periods vesting. On April 5, 2024, the Company issued 125,000 shares at \$0.175 per share for a total value of \$21,875 to employees due to RSU's granted in prior periods vesting.
- (vii) On May 16, 2024, the Company issued 1,449,755 shares at \$0.150 per share for a total value of \$217,463 to a debenture holder for the redemption of previously issued convertible debentures. A concurrent issuance of 1,449,755 unit warrants were issued with an exercise price of \$0.150 per share and a restriction period of 4 months as described further below and in note 14.

Restricted stock units

	Number of RSU's Granted	Weighted Avg. Exercise Price (\$)
Balance January 1, 2023	415,625	0.25
Granted (viii) (ix) (xi) (xii) (xiii) (xv)	4,732,000	0.15
Issued	(712,984)	0.13
Canceled (x) (xiv) (xvi)	(459,375)	0.16
Settled for taxes	(26,766)	0.16
Balance December 31, 2023	3,948,500	0.16
Issued (xviii)	(171,500)	0.17
Balance March 31, 2024	3,777,000	0.16
Granted (xix) (xx) (xxi)	1,220,000	0.13
Issued (xxii)	250,000	0.18
Canceled (xxiii)	(15,000)	0.13
Balance June 30, 2024	5,232,000	0.15

Year ended December 31, 2023

- (viii) On April 1, 2023, the Company granted 2,500,000 RSUs to executives 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 \$387,500 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.
- (ix) On April 5, 2023, the Company granted 500,000 RSUs to an 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 \$92,500 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.
- (x) On June 15, 2023, 9,375 RSU's which were previously granted on May 13, 2022, were forfeited by an employee who left the Company.
- (xi) On August 1, 2023, the Company granted 200,000 RSUs to a consultant of the Company under the RSU plan which vest monthly in equal allotments over a 5-month period. The RSUs issued had a grant date fair value of \$19,000 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.
- (xii) On September 1, 2023, the Company granted 1,252,000 RSUs to employees 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 \$184,000 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.

- (xiii) On September 1, 2023, the Company granted 80,000 RSUs to two employees of the Company under the RSU plan which vest quarterly in equal allotments over a 12-month period. The RSUs issued had a grant date fair value of \$10,000 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.
- (xiv) On July 17, 2023, 75,000 RSUs which were previously granted on May 13, 2022, were forfeited by an employee who left the Company.
- (xv) On December 13, 2023, the Company granted 200,000 RSU's to an executive of the Company under the RSU plan, which vests quarterly in equal allotments over a 1-year period. The RSUs issued had a grant date fair value of \$17,000 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.
- (xvi) On October 31, 2023, 375,000 RSU's which were previously granted on April 5, 2023, were forfeited by a director who left the Company.
- (xvii) As at December 31, 2023, the Company recorded share-based compensation of \$709,306 in the consolidated statements of loss and comprehensive loss.

Three months ended March 31, 2024

- (xviii) A total of 171,500 RSU shares were issued during the three months ended March 31, 2024, with 39,486 shares settling for taxes and a net amount of 132,014 shares being issued to employees. The Company did not grant RSUs for the three-month period ending March 31, 2024.

Three months ended June 30, 2024

- (xix) On April 1, 2024, the Company granted 1,000,000 RSU's to an executive of the Company under the RSU plan, which vests quarterly in equal allotments over a 1-year period. The RSU's granted had a grant date fair value of \$125,000 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.
- (xx) On April 1, 2024, the Company granted 120,000 RSU's to an executive of the Company under the RSU plan, which vests monthly in equal allotments over a 17-month period. The RSU's issued had a grant date fair value of \$15,000 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.
- (xxi) On April 13, 2024, the Company granted 100,000 RSU's to an executive of the Company under the RSU plan, which vests monthly over 1 month. The RSU's issued had a grant date fair value of \$14,500 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.
- (xxii) A total of 250,000 RSU shares were issued during the 3 months ended June 30, 2024, with 68,376 shares settling for taxes and a net amount of 181,624 shares being issued to employees.
- (xxiii) On May 23, 2024, 15,000 RSU's which were previously granted on September 1, 2023, were forfeited by an employee who left the company.

Stock options

	Number of Options	Weighted Average Exercise Price
Balance outstanding, January 1, 2023	1,603,500	\$0.18
Granted (xxiv)	16,372,000	\$0.13
Expired / Forfeited (xxv)	(1,653,000)	\$0.14
Balance outstanding, December 31, 2023	16,322,500	\$0.14
Granted (xxvii) (xxviii)	200,000	\$0.17
Exercised (xxix)	(146,875)	\$0.19
Expired / Forfeited (xxx)	(478,125)	\$0.13
Balance outstanding, March 31, 2024	15,897,500	\$0.14
Granted (xxxii) (xxxiii) (xxxiv) (xxxv)	975,000	\$0.14
Exercised (xxxvi)	(150,000)	\$0.13
Expired / Forfeited (xxxvii)	(283,750)	\$0.14
Balance outstanding, June 30, 2024	16,438,750	\$0.14

Year Ended December 31, 2023

- (xxiv) The Company granted 16,372,000 stock options to employees and officers of the Company, with 12.5% vesting every quarter from the day of the grant.
- (xxv) There were 1,653,000 stock options cancelled/forfeited during the period as a result of employee turnover.
- (xxvi) The Company recorded \$256,073 in stock-based compensation relating to stock options (December 31, 2022 - \$17,819).

Three months ended March 31, 2024

- (xxvii) The company granted 100,000 stock options on February 1, 2024, to employees of the Company, with 12.5% vesting every quarter from the day of the grant.
- (xxviii) The company granted 100,000 stock options on February 15, 2024, to employees of the Company, with 12.5% vesting every quarter from the day of the grant.
- (xxix) On March 11, 2024, there were 146,875 stock options exercised at strike price \$0.13, with fair value on exercise date of \$0.19.
- (xxx) There were 390,000 options canceled and 88,125 forfeited during the period due to employee turnover.
- (xxxi) The company recorded \$188,178 in stock-based compensation related to stock options (March 31, 2023: \$31,409).

Three months ended June 30, 2024

- (xxxii) The company granted 600,000 stock options on April 1, 2024, to an executive of the company, with 20% vesting every month from the day of the grant.
- (xxxiii) The company granted 75,000 stock options on April 1, 2024, to an employee of the company, with 12.5%

vesting every quarter from the day of the grant.

- (xxxiv) The company granted 200,000 stock options on April 15, 2024, to employees of the company, with 12.5% vesting every quarter from the day of the grant.
- (xxxv) The company granted 100,000 stock options on June 20, 2024, to a consultant of the company, with immediate vesting on the day of the grant.
- (xxxvi) On April 25, 2024, there were 150,000 stock options exercised at strike price \$0.13, with fair value on exercise date of \$0.13.
- (xxxvii) There were 370,000 stock options canceled or forfeited during the period due to employee turnover, with 283,750 canceled/forfeited during the period, and the remaining 86,250 options to be forfeited in the following period.

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

Grant Date	Share Price	Exercise Price	Term	Dividend Rate	Risk-free rate	Volatility	Forfeiture rate
8-Mar-22	0.33	0.33	3 years	0%	1.49%	82%	0%
13-May-22	0.25	0.19	3 years	0%	2.68%	85%	0%
8-Aug-22	0.21	0.21	3 years	0%	3.12%	90%	0%
30-Nov-22	0.13	0.13	3 years	0%	3.64%	94%	0%
1-Feb-23	0.16	0.16	3 years	0%	3.38%	96%	0%
1-Apr-23	0.155	0.155	3 years	0%	3.51%	97%	0%
1-Sep-23	0.125	0.125	3 years	0%	4.31%	104%	0%
1-Sep-23	0.125	0.125	1 year	0%	5.07%	181%	0%
2-Nov-23	0.16	0.16	3 years	0%	3.38%	107%	0%
31-Jan-24	0.19	0.19	3 years	0%	3.77%	96%	0%
14-Feb-24	0.155	0.155	3 years	0%	4.02%	96%	0%
1-Apr-24	0.18	0.18	3 years	0%	4.00%	137%	0%
15-Apr-24	0.165	0.145	3 years	0%	4.11%	137%	0%
20-Jun-24	0.12	0.15	3 years	0%	3.74%	139%	0%

Details of options outstanding as at June 30, 2024:

Expiry Date	Number of Options Outstanding	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
March 8, 2025	100,000	\$0.330	0.7	100,000
May 13, 2025	600,000	\$0.185	0.9	600,000
November 29, 2025	237,500	\$0.130	1.4	178,125
March 31, 2026	2,000,000	\$0.155	1.8	1,000,000
August 31, 2026	12,170,000	\$0.125	2.2	4,665,000
November 1, 2026	200,000	\$0.090	2.3	50,000
January 31, 2027	56,250	\$0.190	2.6	12,500
February 15, 2027	100,000	\$0.155	2.6	12,500
April 1, 2027	600,000	\$0.125	2.8	240,000
April 1, 2027	75,000	\$0.180	2.8	-

April 15, 2027	200,000	\$0.145	2.8	-
June 20, 2027	100,000	\$0.150	3.0	100,000
Balance	16,438,750	\$0.133	2.1	4,393,500

Financing Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Avg. Exercise Price (\$)
Balance January 1, 2023	28,623,254	0.57
Expired	(28,623,254)	0.57
Issued	1,405,000	0.40
Balance December 31, 2023	1,405,000	0.40
Warrants extinguished from convertible debentures	(990,000)	0.40
Balance March 31, 2024	415,000	0.40
Balance June 30, 2024	415,000	0.40

Warrants outstanding as at June 30, 2024 were as follows:

Expiry Date	Number of Warrants	Exercise Price (\$)
31-May-25	415,000	0.40

The weighted average life of the warrants outstanding and exercisable at June 30, 2024 is 0.92 years.

Broker Warrants

Summary of the broker warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance January 1, 2023	1,721,860	0.65
Issued	51,500	0.40
Expired	(1,721,860)	0.65
Balance December 31, 2023	51,500	0.40
Issued	146,909	0.40
Balance June 30, 2024	198,409	0.40

Broker warrants outstanding as at March 31, 2024 were as follows:

Expiry Date	Number of Warrants	Exercise Price (\$)
30-May-25	51,500	0.40
29-Feb-26	146,909	0.40
	198,409	0.40

The weighted average life of the broker's warrants outstanding at June 30, 2024 is 1.1 years.

Unit Warrants

Unit warrants are issued upon conversion of USD convertible debentures into units. All USD convertible debenture units at June 30, 2024 are convertible into 1 common share and 1 unit warrant with an exercise price of US\$0.11 per warrant. For the period ended June 30, 2024, there was a conversion of convertible debentures

resulting in 1,449,755 shares being issued at \$0.15 per share and 1,449,755 unit warrants. At June 30, 2024, unit warrants had a value of nil.

14. CONVERTIBLE DEBENTURES & SUBSCRIPTION RECEIPTS

Q2 2023 Tranche

On April 28, 2023, the Company announced that they intend 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 or C\$1,340 per Convertible Debenture Unit for gross proceeds to the Company of up to US\$5,000,000 (the "Offering" or the "Q2 2023 Tranche").

Each Convertible Debenture Unit was comprised of US\$1,000 or CAD\$1,340 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 or CAD\$0.40 per Common Share for a period of twenty-four (24) months from the date of issuance thereof.

The Convertible Debentures carry an interest 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 or CAD\$0.25 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. A total CAD equivalent of \$1,088,467 has also been recorded as subscription receipts.

The Convertible Debentures are 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 pays 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 December 31, 2023, the Company had received the equivalent of \$1,882,700 CAD in net proceeds under the convertible debenture terms noted above, net of legal fees of \$59,492 and broker commissions of \$69,010. The net proceeds received for the Q2 2023 Tranche were \$1,754,198. The Q2 2023 Tranche are convertible into fixed shares at amounts determined using \$0.25 per share and as such, a conversion option is recorded as equity at a fair value of \$589,836. There were 1,405,000 financing warrants issued at a value of \$50,071 expiring May 31, 2025 and 51,500 broker warrants issued at a fair value of \$2,949 expiring May 31, 2025.

There is also a prepayment option available to the Company that is considered to be an embedded option (derivative asset) for the Q2 2023 Tranche which was valued at \$229,337 upon recognition. A gain in fair value change of \$87,277 was recognized in 2023 leaving a balance of \$142,060 at December 31, 2023.

In Q1 2024, a portion of the Q2 2023 Tranche were rolled over into USD convertible debentures as described below (the "Q2 2023 Rollover"). This resulted in an extinguishment of those CAD convertible debentures. The remaining CAD convertible debentures from the Q2 2023 Tranche had a prepayment option of \$41,961 at June 30, 2024 (December 31, 2023 - 142,060) and an equity conversion feature of \$174,222 at June 30, 2024 (December 31, 2023 - \$589,836).

A summary of the Q2 2023 Tranche, the financial instruments recognized and the valuation methods used are as follows:

<i>In CAD Dollars</i>	Q2 2023 Tranche
Gross proceeds	\$ 1,882,700
Less: legal and financing fees	(128,502)
Net proceeds	1,754,198
Financial instruments split out:	
Broker warrants (equity)	(2,949)
Finance warrants (equity)	(50,071)
Conversion option (equity)	(589,836)
Prepayment option on convertible note (derivative asset)	229,337
Host convertible debentures at recognition	1,340,679
Add: Accretion of convertible debentures for the year	142,481
Convertible debentures at December 31, 2023	\$ 1,483,160
Extinguishment of debentures rolled over to Q1 2024 USD debentures:	
Accretion pre-rollover	26,229
Capitalized costs released on extinguishment	18,298
Carrying amount extinguished	(1,071,775)
Gain on extinguishment	(52,500)
Accretion of Q2 2023 CAD convertible debentures in Q1	6,474
Q2 2023 Tranche Remaining at March 31, 2024	\$ 409,886
Accretion of Q2 2023 CAD convertible debentures in Q2	15,000
Convertible Debentures at June 30, 2024	424,886

The terms used in the valuation and the related financial instruments, where applicable, are as follows:

Valuation metric	Q2 2023 Tranche
Issuance date	April 20, 2023
Maturity date	April 30, 2025
Interest rate	10%
Conversion option	C\$0.25/share (Fixed)
Closing share price	C\$0.175
Volatility (low / high)	75% / 85%

The shared terms used in the valuation of all convertible debentures are as follows:

<i>Valuation metric description</i>	Metric Value
Risk-free rate – debentures & financing warrants	4.27%
Risk-free rate – broker warrants	4.19%
Time to maturity – debentures & financing warrants	2.09 years
Time to maturity – broker warrants	1.89 years
Credit spread (low / high)	24.03% / 31.95%
Dividend yield	0%

At June 30, 2024, the value of the remaining Q2 2023 Tranche debentures approximated the value at December 31, 2023 and the tranches from the Q1 2024 Offering detailed below approximated the face value.

Q2 2023 Rollover

On February 16th, 2024, a portion of convertible debtholders elected to rollover their debentures to new convertible debentures offered under the new terms of the Q1 2024 offering; however, a portion of the debenture holders did not exercise this right. For the debentures rolled over, it was determined that since the fair value changed by greater than 10%, the original debentures are to be treated as an extinguishment and a gain or loss recognized. The remaining original debentures would continue to be accounted for in the same manner. The new debentures were included in the Q1 2024 Tranche 2 amount below and the fair value used to calculate the gain on extinguishment of the Q2 2023 Tranche as calculated above.

Q1 2024 Offering

On February 6, 2024, the Company announced that it completed non-brokered private placement offering for convertible debentures, previously announced and revised on December 18, 2023, for aggregate gross proceeds of US\$5,579,282, net of commissions of US\$114,720 and oversubscribed from the original maximum offering size of US\$5,000,000. Broker warrants with a fair value of US\$6,113 were also issued. The debentures were issued at a par value of US\$1,000, at a rate of 12% per annum from the date of issuance with a maturity date 24 months from issuance date. Each Debenture shall be convertible at the option of the holder thereof into units (“Units”) of the Company at a price of US\$0.11 per Unit. Each Unit shall entitle the holder thereof to receive one common share in the capital of the Company (“Common Shares”), for no additional compensation, and one warrant to purchase a Common Share upon payment of US\$0.11 to the Company.

The closing occurred in 3 tranches as shown in the summary below in Canadian dollars.

Q2 2024

In Q2 2024, a portion of the third tranche has been redeemed for a total of 1,449,755 common shares at \$0.15 per share. In addition, the Company has received \$200,000 USD or \$270,800 CAD for a total of 200 new debentures, at \$1,000 USD per debenture, or \$1,354 CAD equivalent on May 31, 2024. Each debenture will be convertible at the option of the holder, at any time on or before the maturity date, at a conversion price of \$0.11 USD, or \$0.15 CAD per unit. Each unit consists of one common share and one warrant to purchase common shares.

Convertible Debenture Summary

In Canadian Dollars	Q1 2024 Tranche 1	Q1 2024 Tranche 2	Q1 2024 Tranche 3	Total
Proceeds	\$ 5,646,091	\$ 1,710,536	\$ 371,273	\$7,727,900
Less: Commissions	(133,766)	(21,932)	-	(155,698)
Net proceeds	5,512,325	1,688,604	371,273	7,572,202
Less: Broker warrants	(6,785)	(1,512)	-	(8,297)
Total USD convertible debentures	5,505,540	1,687,092	371,273	7,563,905
Q2 2023 Tranche remaining				409,886
Effect of foreign exchange				250,440
Total convertible debentures, March 31, 2024				\$8,224,231
Convertible debentures Q2 2023 USD				1,126,372
New convertible debentures in Q2 2024				270,800
Redemption in Q2 2024				(221,404)
Accretion of Q2 2023 CAD convertible debentures				15,000
Effect of foreign exchange				76,311
Total convertible debentures, June 30, 2024				9,491,310

15. RELATED PARTY BALANCES AND TRANSACTION**(i) Key management personnel**

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

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

	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Management salaries, bonuses, and other benefits	119,050	173,801	240,484	392,108
Share-based payments - Management	-	-	-	4,625
Share-based payments – Directors	-	-	-	30,000
Total	119,050	173,801	240,484	426,733

(ii) Due to / from related parties:

As at June 30, 2024, the Company had a balance payable of \$314,865 (December 31, 2023 - \$2,259,482) owing to the CEO of the Company.

16. UNEARNED REVENUE

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

Balance, January 1, 2023	\$ 464,311
Additions deferred to future periods	879,880
Unearned revenue recognized in current year	(239,942)
Balance, December 31, 2023	\$ 1,104,249
Additions deferred to future periods	485,109
Unearned revenue recognized in current year	(293,447)
Currency translation	10,373
Balance, June 30, 2024	\$ 1,306,284

17. 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.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at June 30, 2024, the Company had the following balances denominated in U.S. dollars: Cash of \$109,045 (December 31, 2023 - \$66,537), trade and other receivables, including restricted, of \$2,243,442 (December 31, 2023 - \$498,283), trade and other payables of \$2,858,168 (December 31, 2023 - \$2,415,565), and loan payable of \$2,760,000 (December 31, 2023 - \$0). As at June 30, 2024, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate \$446,974 increase or decrease, respectively, in net loss and comprehensive loss.

(iii) Other price risks

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

(b) Credit risk

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

As at	June 30, 2024	December 31, 2023
Trade receivables aging:		
0-30 days	\$ 486,909	\$ 447,308
31-90 days	30,278	23,960
Greater than 90 days	68,486	58,836
Trade receivables	585,673	530,104
Provision for expected credit losses	(92,071)	(67,017)
Net trade receivables	493,602	463,087
Other receivables	111,209	40,283
Receivable – Restricted	3,078,270	658,271
Total Trade and other receivables	\$ 3,683,081	\$ 1,161,641

The Company recognizes a restricted receivable for earned wage access advances to client employees, which is paid back when a client settles payroll. On average the duration of these advances is 10 days. The Company also recognizes a restricted receivable when temporary deficiencies arise between the Cash – Restricted asset balances and Program Deposits liabilities. These deficiencies can occur due 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 involved parties 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 receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward-looking factors, where appropriate.

All of the Company's cash 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 June 30, 2024, the Company had a cash balance of \$286,342 (December 31, 2023 - \$2,687,626).

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

	At June 30, 2024	At December 31, 2023
	\$	\$
Trade and other liabilities	9,152,555	7,500,309
Due to related party	314,865	2,259,482
Sales Tax Payable	105,577	15,452
Lease liabilities (current) (note 12)	156,876	246,007
Loan Payable (note 11)	3,777,612	-
Program deposits	62,944,554	57,113,812
Total	76,452,039	67,135,062

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

	June 30, 2024	At December 31, 2023
	\$	\$
Government loan (note 21)	60,000	60,000
Subscription receipts (note 14)	1,400,146	1,088,467
Long term portion of lease liabilities (note 12)	609,004	11,428
Convertible debentures (note 14)	8,091,315	1,483,204
Total	10,160,315	2,643,099

As at June 30, 2024, the Company had negative working capital of \$17,684,180 (December 31, 2023 – negative working capital of \$15,716,472).

19. MANAGEMENT OF CAPITAL

At June 30, 2024, the Company's capital consists of shareholders' equity in a deficit of \$17,066,859 (December 31, 2023 – deficit of \$7,329,965).

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 strategic plans;
- b) Maintaining financial capacity and flexibility through access to capital to develop the future of the business;
- c) Minimizing its cost of capital and considering all industry, market and economic risks and conditions;
- d) Utilizing short term funding sources to manage its working capital requirements and long-term funding sources to match the long-term nature of the property, plant and equipment of the business; and
- e) Managing cash flows related to restricted cashflows that are utilized to meet withdrawals from program deposits.

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

During the period ending June 30, 2024, there was \$53,712,458 of program deposit by customers (December 31, 2023 - \$49,184,401). During the period ending June 30, 2024, certain funds from restricted cash were used by XTM for operating and program management amounting to \$1,225,469 (December 31, 2023 – \$4,931,134).

There was a deficit of \$9,232,096 as at June 30, 2024 (December 31, 2023 - \$7,929,411). The use of restricted cash for XTM's operating and program management purposes constitutes a breach of contract under the Customer Agreements. Where funds were used by XTM for operating and program management purposes, such amounts remained a liability of XTM and were reflected as a program deposit on the financial statements but was not reported as restricted cash or otherwise as an asset.

In Q1 2024 the Company obtained a term sheet for \$20,000,000 lending facility from which funds can be used for operations (with approval from the lender) and the deficit of restricted cash fully reconciled on demand, in the event a customer demands repayment of the restricted cash. Note that while the deficit of restricted cash has not been cured, the funds available under the credit facility can be used for the settlement of any demands for restricted cash in the event of such demand and there is no risk to the return of restricted cash.

	June 30, 2024	December 31, 2023
Cash - restricted	\$ 53,712,458	\$ 49,184,401
Program deposits	(62,944,554)	(57,113,812)
Asset (deficit)	\$ (9,232,096)	\$ (7,929,411)
Deficit, prior period	\$ (7,929,411)	\$ (1,251,391)
Deficit, current period:		
Administration	(1,230,932)	(4,931,134)
Fraud losses	(97,656)	(2,023,848)
Timing differences	25,903	276,962
Total deficit, current	(1,302,685)	(6,678,020)
Closing Deficit	\$ (9,232,096)	\$ (7,929,411)

21. 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 converted to a 2-year term loan at an interest rate of 5% per annum.

The balance of the government loan as at June 30, 2024 was \$60,000 (December 31, 2023 - \$60,000).

22. REVENUES

The Company generates revenue through three distinct streams:

- 1) Transaction 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) Card Revenue - Procurement and fulfillment of Today debit cards to the clients for use by card holders.

Revenues for the three and six months ended June 30, 2024, and 2023 are as follows:

	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Transaction Revenue	1,893,124	1,464,508	3,491,546	2,740,665
Program Management	163,385	51,811	313,610	85,886
Card revenue	94,958	102,869	158,595	220,570
Net Revenue	2,151,467	1,619,188	3,963,751	3,047,121
Canada	1,949,667	1,575,770	3,642,297	2,966,310
United States	201,800	43,418	321,454	80,811
Net Revenue	2,151,467	1,619,188	3,963,751	3,047,121

23. SUBSEQUENT EVENTS

On July 4, 2024, there was a full cease trade order issued by the Ontario Securities Commission halting the trading of the Company's shares. The filing of the financial statements will result in the shares resuming trading.