XTM Inc.

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

Annual Audited Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Management's Responsibility for Consolidated 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 years presented by, the consolidated 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 years presented by the consolidated 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 consolidated 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 30th
day of September, 2024

XTM INC.

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

Per: *(signed)*
Name:

ABU-FARAH
Professional Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
XTM Inc.
Toront, Ontario, Canada

Opinion

We have audited the financial statements of XTM Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholder's deficiency, and consolidated statement of changes in cash flows for the year 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, 2023, and the results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit 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 relevant ethical requirements that are relevant to our audit 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 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023 and, as of that date, the Company had an accumulated deficit. As stated in Note 1 these events or conditions that 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 Matters

We draw attention to Note 23 in the consolidated financial statements, which explains use of restricted cash funds by the Company for its operating and program management resulting in a potential liability to the Company. 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.

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>
Revenue Recognition
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 3,4 and 25 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.
</td><td>
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.

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Goodwill Impairment Analysis As described in Notes 3 and 6 to the consolidated financial statements, the Company's goodwill balance was $3,127,619 as of December 31, 2023. 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.	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 Matter

The consolidated financial statements of XTM Inc. for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on August 3, 2023.

Other Information

Management is responsible for the other information, which comprises the information included in the Company’s Management Discussion & 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 IFRS 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 and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

Abufarah Professional Corporation

Chartered Professional Accountants, Licensed Public Accountant

Mississauga, Ontario
September 30, 2024

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars	*Note*	As At December 31, 2023	December 31, 2022
Assets			
Current			
Cash	*7*	$ 94,096	$ 2,687,626
Cash – restricted	*23*	49,974,371	51,274,921
Trade and other receivables	*20*	503,370	579,329
Receivables – restricted	*20*	658,271	171,729
Prepaid expenses	*9*	454,027	280,617
Inventory	*8*	417,339	6,773
Contract assets	*10*	384,121	247,517
Due from related parties	*17*	-	323,534
Sales tax receivable		37,244	-
		52,522,839	**55,572,046**
Property and equipment	*11*	479,461	128,219
Right-of-use assets	*12*	241,911	88,065
Prepayment option on convertible note	*16*	142,060	-
Intangible assets	*13*	7,038,555	78,000
Goodwill	*6*	3,127,619	920,000
Total Assets		**$ 63,552,445**	**$ 56,786,330**
Liabilities			
Current			
Trade and other payables	*20*	$ 7,500,309	$ 1,288,176
Program deposits	*20,23*	57,113,812	52,526,312
Sales tax payable	*20*	15,452	14,376
Due to related parties	*17*	2,259,482	159,529
Unearned revenue	*18*	1,104,249	464,311
Government loan	*24*	60,000	60,000
Current portion of lease liabilities	*14*	246,007	86,868
		68,239,311	**54,539,572**
Long term portion of lease liabilities	*14*	11,428	-
Convertible debentures	*16*	1,483,204	-
Subscription receipts	*16*	1,088,467	-
Total Liabilities		**$ 70,882,410**	**$ 54,599,572**
Shareholders' (Deficit) Equity			
Share capital	*15*	26,474,701	18,084,459
Contributed surplus	*15*	1,127,791	612,136
Equity conversion feature on convertible note	*16*	589,836	-
Warrant reserve	*15,16*	53,020	3,038,230
Cumulative translation reserve		31,287	(24,390)
Accumulated deficit		(35,606,600)	(19,523,677)
Total Shareholders' (Deficit) Equity		**(7,329,965)**	**2,186,758**
Total Liabilities and Shareholders' (Deficit) Equity		**$ 63,552,445**	**$ 56,786,330**
Commitments and contingencies	*19*		
Subsequent events	*29*		
Going concern	*1*		

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

APPROVED BY THE BOARD OF DIRECTORS:

"Marilyn Schaffer"	**"Olga Balanovskaya"**
Director	**Director**

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars	*Note*	Years Ended December 31, 2023	2022
Net revenues	24	$ 6,775,066	$ 4,733,727
Cost of sales		6,555,775	3,803,319
Gross profit		**219,291**	**930,408**
Expenses			
Salaries and employee benefits	17	6,871,803	3,699,393
Professional fees		1,656,822	736,089
Office and general		863,671	353,741
Marketing and promotion		452,382	305,665
Consulting		550,930	1,298,754
Share-based compensation	15	1,615,261	358,350
Public company and regulatory		327,961	770,680
Accretion on debentures	16	142,481	-
Interest on debentures	16	131,171	-
Depreciation and amortization	11,12,13	811,803	190,624
Travel, Meals and entertainment		101,220	89,307
Bank charges and interest		61,417	35,298
Bad Debt and expected credit loss		51,467	(10,145)
Other expenses	26	2,663,824	368,802
Total expenses		**16,302,214**	8,196,558
Loss from operations		**(16,082,923)**	**(7,266,150)**
Income taxes	22	-	-
Net loss for the year		**$ (16,082,923)**	**$ (7,266,150)**
Other comprehensive income (loss)		55,677	(24,390)
Net loss and comprehensive loss		**$ (16,027,246)**	**$ (7,290,540)**
Net loss per share - Basic and diluted		$ (0.08)	$ (0.04)
Weighted average number of shares outstanding - Basic and diluted		191,286,762	170,402,299

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY

		Share Capital							
Expressed in Canadian Dollars	*Note*	Number of Common Shares	Amount	Contributed Surplus	Warrant Reserve	Equity conversion feature on convertible debenture	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' (Deficit) Equity
Balance, January 1, 2022		**167,833,427**	**$ 17,366,594**	**$ 238,204**	**$ 3,262,537**	**$ -**	**$ -**	**$ (12,257,527)**	**$ 8,609,808**
Issue of shares	15	999,784	167,250	-	-	-	-	-	167,250
Warrants expired	15	-	-	166,048	(166,048)	-	-	-	-
Exercise of warrants	15	1,082,417	294,803	-	(58,259)	-	-	-	236,544
Exercise of stock options	15	1,510,422	210,692	(105,346)	-	-	-	-	105,346
Share-based compensation	15	-	-	358,350	-	-	-	-	358,350
Restricted stock units issued	15	143,034	45,120	(45,120)	-	-	-	-	-
Exchange loss on translating foreign operations		-	-	-	-	-	(24,390)	-	(24,391)
Net loss for the year		-	-	-	-	-	-	(7,266,150)	(7,266,149)
Balance, December 31, 2022		**171,569,084**	**$ 18,084,459**	**$ 612,136**	**$ 3,038,230**	**$ -**	**$ (24,390)**	**$ (19,523,677)**	**$ 2,186,758**
Balance, January 1, 2023		**171,569,084**	**$ 18,084,459**	**$ 612,136**	**$ 3,038,230**	**$ -**	**$ (24,390)**	**$ (19,523,677)**	**$ 2,186,758**
Issue of shares	15	28,343,750	4,222,405	-	-	-	-	-	4,222,405
Warrants expired	15	-	3,038,230	-	(3,038,230)	-	-	-	-
Stock options expired	15	-	88,829	(88,829)	-	-	-	-	-
Restricted stock units issued	15	2,534,215	403,891	(403,891)	-	-	-	-	-
Share-based compensation	15	4,230,769	390,000	390,000	-	-	-	-	780,000
Shares issued for services	15	2,081,000	246,887	-	-	-	-	-	246,887
Stock options vested	15	-	-	168,070	-	-	-	-	168,070
Restricted stock units vested	15	-	-	450,305	-	-	-	-	450,305
Convertible debentures equity component	16	-	-	-	-	589,836	-	-	589,836
Warrants issued from convertible debentures	15,16	-	-	-	53,020	-	-	-	53,020
Exchange loss from translation of foreign operations		-	-	-	-	-	55,677	-	55,677
Net loss for the year		-	-	-	-	-	-	(16,082,923)	(16,082,923)
Balance, December 31, 2023		**208,758,818**	**$ 26,474,701**	**$ 1,127,791**	**$ 53,020**	**$ 589,836**	**$ 31,287**	**$ (35,606,600)**	**$ (7,329,965)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars	*Note*	For the year ended December 31, 2023	2022
OPERATING ACTIVITIES			
Net loss for the year		**$ (16,082,923)**	$ (7,266,150)
Items not affecting cash:			
Accretion and interest on convertible debentures	16	273,653	-
Depreciation of property and equipment	11	97,599	138,196
Depreciation of right-of-use assets	12	231,230	-
Amortization of intangible assets	13	604,717	52,429
Expected credit loss		51,467	5,146
Interest on lease liabilities	14	6,187	17,760
Share-based compensation	15	1,615,261	358,349
Unrealized loss on prepayment option remeasurement	16	87,277	-
		(13,115,532)	(6,694,269)
Changes in non-cash working capital:			
Accounts payable	20	6,250,453	459,523
Cash – restricted	23	1,300,550	(24,205,026)
Contract assets	10	(136,604)	(247,517)
Program Deposits	23	4,587,500	24,409,923
Prepaid expenses	9	(173,410)	(173,526)
Trade and other receivables	20	75,959	126,762
Receivables - restricted	20	(486,542)	-
Inventory	8	(410,566)	-
Unearned revenue	18	639,938	464,311
		11,647,278	834,450
Cash flows used by operating activities		**(1,468,254)**	(5,859,819)
INVESTING ACTIVITIES			
Additions of property and equipment	11	(6,824)	(83,220)
Disposals of property and equipment	11	11,486	-
Additions of right-of-use assets	12	(105,380)	-
Acquisition of property and equipment	5,11	(469,584)	
Acquisition of right-of-use assets	5,12	(287,268)	
Acquisition of intangible assets	5,13	(7,751,744)	-
Investments	5	(2,014,786)	-
Cash flows used by investing activities		**(10,624,101)**	(83,220)
FINANCING ACTIVITIES			
Advances from (to) related party	17	1,776,419	(129,683)
Issuance of common shares	15	4,626,296	-
Addition (repayment) of lease liabilities	14	170,567	(107,830)
Net proceeds from convertible debt issuance	16	1,483,204	-
Subscription receipts	16	1,088,467	-
Proceeds from share issuances	15	-	167,250
Net proceeds from warrants	15	53,021	236,544
Proceeds from exercise of options	15	-	105,346
Cash flows from financing activities		**9,197,974**	271,627
Foreign exchange affecting cash		**300,850**	(24,391)
Decrease in cash		**(2,593,530)**	(5,695,803)
Cash, beginning of year		**2,687,626**	8,383,429
Cash, end of year	7	**$ 94,096**	$ 2,687,626

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 audited 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 audited consolidated financial statements show a net loss of $16,082,923 for the year ended December 31, 2023 (December 31, 2022 - $7,266,150) trust deficit of $7,929,441 the Company had an accumulated deficit of $35,606,600 (December 31, 2022 - $19,523,677). 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 audited 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 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. BASIS OF PREPARATION AND PRESENTATION

a) 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, 2023.

These audited consolidated financial statements were approved by the Board of Directors on September 30, 2024.

b) Basis of presentation:

These audited consolidated financial statements have been prepared on a historical cost basis using accounting policies and methods as described in nfote 3. Assets and liabilities acquired in a business combination are measured at fair value.

c) Basis of consolidation:

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries. 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.

Subsidiaries and investments included within these consolidated financial statements include:

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. *Note (i)*	Delaware, United States	100%	USD	Active
QRails Ltd. *Note (i)*	United Kingdom	100%	GBP	Active
QRails Ireland Ltd. *Note (i)*	Ireland	100%	EUR	Active

(i) These subsidiaries were acquired by the Company on August 18, 2023 (Note 5).

Management has determined it has a single operating segment as at December 31, 2023 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.

d) Foreign currency translation:

(i) Functional and presentation currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company determined its functional currency is CAD and that the different functional currencies for each of its subsidiaries are listed in the table in (c) basis of consolidation. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its subsidiaries if there is a change in events and conditions that determined the primary economic environment.

The Company's subsidiaries are all translated to its presentation currency for consolidated reporting. The audited consolidated financial statements are presented in Canadian dollars, and all resulting exchange differences are accounted in Currency Translation Reserve in Other Comprehensive Loss.

(ii) 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.

(iii) Translation of Company's subsidiaries' 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 income.

3. MATERIAL ACCOUNTING POLICIES

The preparation of the audited consolidated financial statements in conformity with IFRS requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies, reported amounts of assets, liabilities and contingent liabilities, revenues and expenses at the date of the audited consolidated financial statements and during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Actual outcomes can differ from these estimates, with revisions to critical accounting estimates 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 review affects both current and future periods.

Refer to note 4 for further details regarding the use of critical accounting estimates and judgements. The accounting policies set out below have been applied consistently to all periods presented in these audited consolidated financial statements.

Inventory

Inventory is comprised of payment cards and program collateral and envelopes. Inventory is valued at the lower of cost, determined on a weighted average cost basis, and net realizable value.

Net realizable value is determined as the estimated selling price less a reasonable estimate of the costs of completion, disposal, and transportation. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value. Factors considered in determining obsolescence include, but are not limited to, slow-moving inventory or products that can no longer be marketed, typically because of a program closing. As such, any identified slow moving and/or obsolete inventory is written down to its net realizable value through costs and expenses applicable to revenues on the consolidated statements of loss and comprehensive loss.

Property and Equipment

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

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

	Rate	**Method**
Computer equipment	45%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Telephone equipment	20%	Diminishing balance
Servers and hardware	-	Straight-line over 5 years
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

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any impairment losses. Amortization is recognized on a straight-line basis over the remaining estimated useful life of the asset acquired, which ranges from 3.5 – 8 years.

Software platforms with finite useful lives are 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.

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash-generating units (a "CGU") that are expected to benefit from the business combination. Each CGU represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment. Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but is subject to impairment testing at least once a year, or more frequently if events or changes in circumstances indicate the carrying amount may be impaired. Impairment losses relating to goodwill cannot be reversed in future periods. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in earnings.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation because 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

The Company receives funds as restricted cash from its customers, holds the restricted cash in a custodial account (each a "Custodial Account") on behalf of the customers, and then transmits restricted cash on an as-needed basis to the respective customer's employees via the *AnyDay™ Financial* app and prepaid card ("Loading"). The Custodial Accounts are held in a schedule 1 financial institution in Canada, and typically, the restricted cash is deposited into a bank account which is segregated from funds use for the Company's operations and working capital requirements.

Under agreements with each customer (the "Customer Agreements"), customers are required to prefund all amounts required for the loading of cardholder cards, held by each customer's employees who participate in the Company's programs, to a Custodial Account, pursuant to which the Company will act as agent and bare trustee in respect of the restricted cash for as long as they remain in the Custodial Account. The Company is contractually bound under the Customer Agreements to hold all restricted cash in a Custodial Account for the benefit of the customers. The Customer Agreements provide that pre-funded deposits by a customer shall remain the property of the Customer until the time such funds are loaded onto the respective cardholder's cards or assigned for e¬transfers at the direction of the customer and the discretion of the Company based on historical data usage. Any restricted cash deposited by the customer to the Custodial Account and not loaded on a respective cardholder's card may be required to be returned to the Customer on demand.

Restricted cash includes the funds deposited by the client and held at the relevant time in Custodial Accounts are held in accordance with the terms of the Customer Agreements.

Program deposits represents the amount of restricted cash paid to the Company under the Customer Agreements and for which the Company is liable to its customers are maintained on client digital wallets.

A detail of the sources of restricted cash, and the amount of program deposits, has been outlined in in note 23.

Cash

For presentation purposes 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, 2023 and 2022, 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 audited 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.

Costs incurred to obtain contracts, i.e. commissions paid to a third party in relation to signed customer contracts, are recognized in the profit and loss statement as a reduction to revenue if the commission is tied to the term of the contract, and as a cost of sales if the commission is a single payment, or multiple payments not tied to the contract duration. Commissions in both cases are recognized as incurred based on the underlying agreement with the third party.

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 on the transaction date.

i. *Interchange Revenue:*

Revenue is recognized, as per terms of the contract, at the point-in-time that the card holder executes a point of sale ("POS") transaction using their card in the form of interchange fees. Interchange fees are earned when a transaction is successfully completed (i.e. authorization, batching and clearing, and settlement/funding). Interchange is a fee paid by a merchant bank to the card-issuing bank through the interchange network and are set by the network based on cardholder purchase volumes.

ii. *Service Fees:*

Card holder

A service fee is charged to the card holder, as per terms of the contract, at the point-in-time the cardholder executes various transfer of funds transactions using their card, including but not limited to: ATM withdrawals, Interac transfers, and ACH deposits. This fee is recognized as revenue when the funds are transferred.

Client

A service 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 Instant self-deposit, NSF fees, wallet withdrawal fees, and expedited wallet load fees. This fee is recognized as revenue at the point in time when the particular activity occurs.

iii. 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 of its' *AnyDay™ 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. 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, exposing the Company 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 recognizes this as a fulfillment cost.

Program Management

The Company's digital ledger and associated mobile application are highly customizable, enabling it to deliver bespoke financial solutions and / or customized branding for clients. The Company is able to charge clients who require customizations a fee (recurring and / or one-time) depending on the level of work and ongoing support required.

A client may desire customization of the Company's software or physical cards in which case the Company and client enter into an agreement to deliver such requirements, or a client may select a contract term that includes fees charged for on-boarding of client on to the Company's services. Fees charged for card program set-up / on-boarding, website and card design, and mobile app customizations are recognized when services are performed satisfying the obligations set out in the contract or associated statement of work ("SOW"), or when the product is transferred to the customer where defined obligations in a contract or SOW does not exist.

A client may require customizations to the execution of the Company's services such that extensive customization via unique workflows and support are required ("changes"). In this circumstance the Company will assess the cost associated with the changes, determine the appropriate mark-up, and enter into an agreement to deliver such services at an agreed upon fee. These fees are earned so long as the client has access to / utilization of Company technology per the terms of the agreement and is charged at the frequency outlined in the agreement, or monthly in arrears if no term is specified. If the term outlined in the agreement exceeds one month, the fees are amortized and accrued monthly.

Card revenue

A card sale is comprised of two distinct but related components, 1) amounts invoiced to clients for the purchase of inactivated pre-paid debit cards, and 2) shipping fees for order fulfillment.

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.

Financial instruments

(a) Classification

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

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

Financial Instrument	**Classification /Measurement**
Cash	Amortized cost
Client and cardholder funds- Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Due from related party	Amortized cost

Trade and other payables	Amortized cost
Client and cardholder funds- deposits	Amortized cost
Due to related party	Amortized cost
Government loan	Amortized cost
Convertible debentures	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 from 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.

a) *Trade and Other Receivables*

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.

b) *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.

Compound financial instruments

Convertible debentures comprise of multiple embedded features and as a result are compound financial instruments. The various components of these instruments are accounted for as financial assets, in equity, debt and other financial liabilities according to their classification. The debt component is valued at issuance at the present value (taking into account the credit risk of the Company) of the future cash flows of an instrument with the same characteristics (maturity, cash flows, security) but without any option for conversion or redemption in shares. The component classified as equity is defined as the residual of the net proceeds from the issuance of the instrument less the fair value of the financial liability component. The inclusion of other financial instruments, such as warrants and broker warrants, are accounted according to their classification. Broker warrants are treated as an issuance cost and reduced in the determination of net proceeds. Warrants issued necessitate the use of a calibration method to determine the appropriate fair value allocated to the warrants and convertible debentures.

Share-based compensation

The Company has stock option and restricted share unit ("RSU") plans that are described in note 15. 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.

a) 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 class A 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.

b) 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. The Company does not reverse any previously recognized share-based compensation associated with cancelled or forfeited options.

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 share-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 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 party is reflected in these audited consolidated financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Segment reporting

The Company has identified its operating segments based on internal reports that are reviewed and used by the chief executive officer and the executive management team (collectively, the chief operating decision maker) in assessing performance and in determining the allocation of resources on behalf of the Company.

Adoption of new standards, amendments and interpretations

The following amended standards were adopted by the Company when they became effective on January 1, 2023:

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8

The adoption of these amendments did not have a material impact on the Company's audited consolidated financial statements.

Future changes in accounting standards

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are applicable to periods ending on or after January 1, 2024 as follows:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS

10 and IAS 28)

The Company does not anticipate any of these changes to have a material impact on the consolidated financial statements. The Company also does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these audited 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 audited consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The audited consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited 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 audited 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. Specifically, 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.

Income Taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Assessment of Cash Generating Unit ("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.

Functional currency

Certain factors need to be considered in determining the functional currency of an entity. Once the foreign entities have been identified, the Company is required to determine the currency of primary economic environment in which each foreign entity operates. An entity is required to use significant judgment in making this determination. When the indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Once determined, the functional currency is not changed unless there is a change in those underlying transactions, events and conditions.

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 31, 2023. 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 party" 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.

Business combinations

Estimates and judgments are used when calculating the purchase price allocation to the fair value of acquired net assets (specifically to the acquired intangible technology assets) in business combinations. The Company estimates the fair value of technology and brands acquired in a business combination based on the income approach. The income approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows that the asset can be expected to generate over its remaining useful life. For significant business combinations, significant estimates and judgments include forecasted cashflows, forecasted annual customer growth rate, migration rate, retention rate and the discount rates used to estimate the fair value of the acquired intangible assets. Changes in these estimates and judgments could result in significant changes to the valuation of the intangible assets.

Convertible debentures

Convertible debentures are compound financial instruments whose components may be allocated between a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement based on the interpretation of the substance in the contractual arrangement(s). Where the conversion option is fixed, the financial liability represents the discounted future obligation to repay the cash component and is initially measured at fair value with subsequent measurement at amortized cost. The conversion option and any related warrants are initially measured at fair value and reported separately as equity. Prepayment options are initially measured at fair value and reported as a derivative asset. The allocation and valuation methodology used for these instruments are calculated using the Partial Differential Equations (“PDE”) method solved by finite difference method, which values financial instruments whereby a set of differential equations are solved iteratively. In the context of financial option pricing, this approach uses random numbers, together with various market assumptions (i.e. risk free rate, expected volatility, correlation, etc.) to generate potential future outcomes for stock prices using Geometric Brownian Motion (“GBM”). GBM is an industry standard method that is generally accepted for simulating the expected future path of stock prices.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument and any derivative asset or liability is not re-measured after initial recognition. On conversion or upon expiration, the carrying value of the equity portion is transferred to common shares or contributed surplus.

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.

5. BUSINESS COMBINATIONS

On August 18, 2023, the Company acquired 100% of the issued share capital of QRails Inc. ("QRails"), a company incorporated and based in the United States that operates within the payments segment. The objective of the acquisition is to expand the Company's service offerings and accelerate its expansion into the United States. The details of the business combination are as follows:

As at August 18, 2023	
Fair value of consideration transferred	
Cash	$ 135,520
Interim funding of QRails' operations	4,609,117
Shares issued	4,222,405
Total consideration transferred	**$ 8,967,042**
Recognized amounts of identifiable net assets	
Cash and cash equivalents	$ 53,875
Cash - Restricted	397,906
Trade and other receivables	19,523
Receivable – Restricted	808,846
Inventory	404,649
Prepaid expenses	290,052
Total current assets	**1,974,851**
Property and equipment	469,584
Right-of-use assets	287,268
Intangible assets	7,751,744
Total non-current assets	**8,508,596**
Account payable and accrued liabilities	3,373,926
Unearned revenue	9,938
Current portion of lease liabilities	14,951
Total current liabilities	**3,398,815**
Long-term portion of lease liabilities	325,209
Total non-current liabilities	**325,209**
Identifiable net assets	**$6,759,423**
Goodwill on acquisition	**$2,207,619**

Goodwill

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of QRails which cannot be recognized as an intangible asset. Goodwill has been provisionally allocated to cash-generating units at August 18, 2023. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

QRails' contribution to the Company's results

From the date of the acquisition to December 31, 2023, QRails contributed $158,885 to the Company's consolidated net revenues and a total of $4,743,764 to the Company's consolidated net loss. The Company estimates that pro-forma consolidated net revenue and pro-forma consolidated net loss would have been $6,959,749 and ($26,368,112) for the year ended December 31, 2023 compared to the actual amounts reported in the consolidated statement of income. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2023. The net income from the acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisition had occurred on January 1, 2023.

6. GOODWILL

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

The XTM Inc. CGU was based on a discounted cash flow model utilizing an estimate revenue growth range of 4% to 81% through 2028 (2022 – 50% to 153%), long-term growth rate of 3.0% (2022 – 3.0%) and an after tax weighted average cost of capital of 28.4% (2022 – 25.8%).

The QRails CGU was based on a discounted cash flow model utilizing an estimate revenue growth range of 3% to 173%, long-term growth rate of 3.0% and an after tax weighted average cost of capital of 25.2%

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. Goodwill by CGU is as follows:

Expressed in Canadian Dollars	**As at December 31, 2023**	**As at December 31, 2022**
Goodwill consists of the following CGUs:		
XTM Inc.	**$920,000**	$920,000
QRails	**2,207,619**	-
	$3,127,619	$920,000

7. CASH

Cash is comprised of bank balances at major Canadian financial institutions. As at December 31, 2023, the Company held the totals below in cash, and is not currently utilizing money market instruments:

Expressed in Canadian Dollars	**As at December 31, 2023**	**As at December 31, 2022**
Cash consists of:		
CAD Operating account	**$14,677**	$2,514,985
USD Operating account	**79,419**	172,641
	$94,096	$2,687,626

8. INVENTORY

Inventory is comprised of the following items:

Expressed in Canadian Dollars	As at December 31, 2023	As at December 31, 2022
Payment cards	**$360,992**	$6,773
Program stationery & envelopes	**56,347**	-
	$417,339	$6,773

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 2023 or 2022.

9. PREPAID EXPENSES

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

Expressed in Canadian Dollars	As at December 31, 2023	As at December 31, 2022
Subscriptions	**$172,708**	$52,733
Licensing Fees	**111,062**	111,062
Program and other operating related	**69,244**	26,866
Insurance premiums	**39,519**	83,956
Leasehold deposit	**36,073**	-
Consulting services & other	**25,421**	6,000
	$454,027	$280,617

Program and other operating related prepaid expenses consist of payments for software subscriptions, licensing fees, insurance premiums, program setup costs and deposits with service providers.

10. 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 years ending December 31, 2023 and 2022, is as follows:

Expressed in Canadian Dollars	
Balance, January 1, 2022	$-
Additions	247,517
Balance, December 31, 2022	$247,517
Additions deferred to future periods	$418,569
Unearned revenue recognized in current year	(281,965)
Balance, December 31, 2023	**$384,121**

11. PROPERTY AND EQUIPMENT

A continuity of the property and equipmentfor the years ended December 31, 2023 and 2022, is as follows:

Cost	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Telephone Equipment	Total
Balance as at January 1, 2022	$88,871	$89,987	$25,000	$8,707	$212,565
Additions	33,260	49,960	-	-	83,220
Balance as at December 31, 2022	**$122,131**	**$139,947**	**$25,000**	**$8,707**	**$295,785**
Additions	6,824	-	-	-	6,824
Derecognition	-	(32,516)	-	-	(32,516)
Acquisition (note 5)	22,053	-	447,531	-	469,584
Effects of foreign exchange	(655)	-	(13,166)	-	(13,821)
Balance as at December 31, 2023	**$ 150,353**	**$107,431**	**$459,365**	**$8,707**	**$ 725,856**

Accumulated Depreciation					Total
Balance as at January 1, 2022	($45,082)	($55,169)	($17,376)	($7,981)	($125,608)
Depreciation	(27,189)	(12,337)	(2,288)	(144)	(41,958)
Balance as at December 31, 2022	**($72,271)**	**($67,506)**	**($19,664)**	**($8,125)**	**($167,566)**
Depreciation	(25,123)	(14,207)	(58,152)	(117)	(97,599)
Derecognition	-	18,770	-	-	18,770
Balance as at December 31, 2023	**($97,394)**	**($62,943)**	**($77,816)**	**($8,242)**	**($246,395)**

Carrying Amount					Total
Balance as at December 31, 2022	$49,860	$72,441	$5,336	$582	$128,219
Balance as at December 31, 2023	**$52,959**	**$44,488**	**$381,549**	**$465**	**$479,461**

12. RIGHT-OF-USE ASSETS

Cost	Total
Balance as at January 1, 2022	$388,372
Balance as at December 31, 2022	**$388,372**
Additions	105,380
Derecognition	(41,062)
Acquisition (note 5)	287,268
Effects of foreign exchange	(7,572)
Balance as at December 31, 2023	**$ 732,386**

Accumulated Depreciation	Total
Balance as at January 1, 2022	($204,069)
Depreciation	(96,238)
Balance as at December 31, 2022	**($300,307)**
Depreciation	(231,230)
Derecognition	41,062
Balance as at December 31, 2023	**($490,475)**

Carrying Amount	Total
Balance as at December 31, 2022	$88,065
Balance as at December 31, 2023	**$241,911**

13. INTANGIBLE ASSETS

A continuity of the intangible assets for the years ended December 31, 2023 and 2022, is as follows:

Cost	Software platform acquired	Software platform	Total
Balance as at January 1, 2022	-	$424,000	**$424,000**
Additions	-	-	**-**
Balance as at December 31, 2022	**-**	**$424,000**	**$424,000**
Acquisition (note 5)	7,751,744	-	7,751,744
Effects of foreign exchange	(186,472)	-	(186,472)
Balance as at December 31, 2023	**$7,565,272**	**$424,000**	**$7,989,272**

Accumulated Amortization			Total
Balance as at January 1, 2022	-	($293,571)	($293,571)
Amortization	-	(52,429)	(52,429)
Balance as at December 31, 2022	**-**	**($346,000)**	**($346,000)**
Amortization	(553,574)	(51,143)	(604,717)
Balance as at December 31, 2023	**($553,574)**	**($397,143)**	**($950,717)**

Carrying Amount			Total
Balance as at December 31, 2022	-	$78,000	$78,000
Balance as at December 31, 2023	**$7,011,698**	**$26,857**	**$7,038,555**

The Company acquired QRails internally generated asset, the *AnyDay™ Financial* software platform. The platform is amortized over 5 years.

14. LEASE LIABILITIES

The Company has agreements to lease office space in multiple locations and equipment liabilities acquired from the acquisition of QRails. A lease contract is recognized on the interim condensed consolidated statement of financial position by recognizing the right-of-use assets and corresponding lease liability. Right-of-use assets are presented in note 12 and below is a continuity of the Company's lease liabilities:

Expressed in Canadian Dollars	$
Balance, January 1, 2022	$176,937
Repayment of lease liability	(106,595)
Interest expense on lease liability	16,526
Balance, December 31, 2022	**$86,868**
Additions	$ 105,380
Acquisition (note 5)	340,160
Effects of foreign exchange	(14,175)
Repayment of lease liability	(266,985)
Interest expense on lease liability	6,187
Balance, December 31, 2023	**$257,435**
Lease liabilities due within one year	246,007
Lease liabilities – long term	11,428
Total lease liabilities	**$257,435**

The Company signed a lease extension in December 2023 for its Toronto office. Total annual payments including additional rent and hydro are $104,767, and the Company applied a discount rate of 13% to determine the asset value noted above. The current lease expires on November 30, 2024.

15. 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, 2022	**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 share-based compensation (i) (ii) (iii)	999,784	167,250
Shares issued and outstanding as at December 31, 2022	**171,569,084**	**18,084,459**
Shares issued for restricted stock units	2,534,215	403,891
Shares issued for directors' fees (iv) (v)	4,230,769	390,000
Options expired	-	88,829
Warrants expired	-	3,038,230
Shares issued for acquisition (vi)	28,343,750	4,222,405
Shares issued for services (vii) (viii)	2,081,000	246,887
Shares issued and outstanding as at December 31, 2023	**208,758,818**	**26,474,701**

Year ended December 31, 2022

(i) On August 29, 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.

(ii) On October 4, 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.

(iii) On October 4, 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.

The company recorded share-based compensation pertaining to director fees of $90,000 (2022 - $90,000) during the year- note 15(i).

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

Year ended December 31, 2023

(iv) On January 13, 2023, the Company issued 255,769 shares at $0.12 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.

(v) On December 12, 2023, the Company recorded share-based compensation pertaining to director fees of $360,000, for a total of $390,000 for the year ended December 31, 2023 (2022 - $90,000).

(vi) On August 18, 2023, the Company issued 28,343,750 shares at a market price of $0.16 per share for the acquisition of QRails. The fair value per share after a liquidity discount was $0.149 per share for a fair value of $4,222,405.

(vii) On October 13, 2023, the Company issued 2,000,000 shares at $0.12 per share pertaining to services rendered.

(viii) On December 4, 2023, the Company issued 81,000 shares at $0.085 per share pertaining to services rendered.
(ix)

Restricted stock units

	Number of RSU's Granted
Balance January 1, 2022	**-**
Granted (i) (ii) (iii) (vi)	780,500
Vested and issued	(143,034)
Settled for taxes	(46,841)
Cancelled (v)	(175,000)
Balance December 31, 2022	**415,625**
Granted (vi) (vii) (viii) (x) (xi) (xii) (xiii) (xiv)	4,732,000
Vested and issued	(712,984)
Settled for taxes	(26,766)
Cancelled (ix) (xiii)	(459,375)
Balance December 31, 2023	**3,948,500**

Year ended December 31, 2022

(i) 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 $8,500 based on the closing price per common share. The expense is recorded in share-based compensation on the consolidated statements of loss and comprehensive loss.

(ii) 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 $51,000 based on the closing price per common share. The expense is recorded in share-based compensation over the vesting period on the consolidated statements of loss and comprehensive loss.

(iii) On March 8, 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 $51,000 based on the closing price per common share. The expense is recorded in share-based compensation on the consolidated statements of loss and comprehensive loss.

(iv) On May 13, 2022, the Company granted 400,000 RSUs to its Chief Executive Officer, Chief Financial Officer and other executives of the Company. The RSUs vest quarterly in equal allotments over a twenty-four (24) month period. The RSUs issued had a grant date fair value of $74,000 based on the closing price per common share. Additionally, 5,500 RSUs were issued to a contractor in relation to services render and vested immediately for a value of $1,017. The expense was recorded in share- based compensation over the vesting period on the consolidated statements of loss and comprehensive loss.

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

Year ended December 31, 2023

(vi) 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 twenty-four (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 share-based compensation on the consolidated statements of loss and comprehensive loss.

(vii) 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 share-based compensation on the consolidated statements of loss and comprehensive loss.

(viii) On April 18, 2023, the Company granted 333,333 RSUs to a board member of the Company and 666,666 to two shareholders of the Company for consultation services under the RSU plan. All RSUs granted vest on the date of issue. The RSUs issued had a grant date fair value of $150,000 based on the closing price per common share. The expense is recorded in share-based compensation on the consolidated statements of loss and comprehensive loss.

(ix) On June 15, 2023, and July 17, 2023, 9,375 and 50,000 RSUs, respectively, which were previously granted on May 13, 2022, were forfeited to employees who left the Company.

(x) 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 share-based compensation on the consolidated statements of loss and comprehensive loss.

(xi) 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 twenty-four (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 share-based compensation on the consolidated statements of loss and comprehensive loss.

(xii) 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 twelve (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 share-based compensation on the consolidated statements of loss and comprehensive loss.

(xiii) On October 31, 2023, 375,000 RSUs which were previously granted on April 5, 2023 were forfeited by an employee who left the Company.

(xiv) On December 12, 2023, the Company granted 200,000 RSUs to an executive of the Company under the RSU plan which vest quarterly in equal allotments over a twelve (12) month 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 share-based compensation on the consolidated statements of loss and comprehensive loss.

(xv) As at December 31, 2023 the Company recorded share-based compensation of $709,306 (December 31, 2022 - $131,311) in the consolidated statements of loss and comprehensive loss.

Escrow shares

As at December 31, 2023, there were nil (December 31, 2022 – 2,465,500) common shares were subject to escrow. Under the escrow agreement, 10% of the shares were released upon the listing of the Company's securities on the CSE, and 15% are to be released every 6 months thereafter, subject to acceleration provisions provided for in NP 46-201.

Stock options

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

	Number of Options	Weighted Average Exercise Price
Balance outstanding, January 1, 2022	**3,375,000**	**$0.17**
Granted (i)	2,517,500	$0.19
Expired / Forfeited (ii)	(2,778,578)	$0.18
Exercised (ii)	(1,510,422)	$0.17
Balance outstanding, December 31, 2022	**1,603,500**	**$0.18**
Granted (iv) (v) (vi) (vii) (viii)	16,372,000	$0.13
Expired / Forfeited	(1,653,000)	$0.14
Balance outstanding, December 31, 2023	**16,322,500**	**$0.14**

During the year ended December 31, 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

$0.33, and 2,778,578 expired during the year ended December 31, 2022.

(iii) The Company recorded $227,038 in share-based compensation (December 31, 2022 - $530,703) of which $17,819 related to stock options with the remaining $209,219 related to compensation shares issued.

During the year ended 31 December 2023:

(iv) The Company granted 112,000 stock options on February 1, 2023, to employees of the Company, with 12.5% vesting every quarter from the day of the grant.

(v) The Company granted 2,000,000 stock options on April 1, 2023, to an executive of the Company, with 25% vesting on October 1, 2023, and 12.5% vesting every quarter thereafter.

(vi) The Company granted 13,840,000 stock options on September 1, 2023, to employees of the Company, with 12.5% vesting every quarter from the day of the grant.

(vii) The Company granted 220,000 stock options on September 1, 2023, to an executive of the Company, with 25% vesting every quarter from the day of the grant.

(viii) The Company granted 200,000 stock options on November 2, 2023, to an executive of the Company, with 12.5% vesting every quarter from the day of the grant.

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

Grant Date	01-Feb-23	1-Apr-23	01-Sep-23	01-Sep-23	02-Nov-23
Share Price ($)	0.16	0.155	0.125	0.125	0.09
Exercise Price ($)	0.16	0.155	0.125	0.125	0.09
Term	3 years	3 years	3 years	1 years	2 years
Dividend Rate	0%	0%	0%	0%	0%
Risk-free rate	3.38%	3.51%	4.31%	5.07%	4.93%
Volatility	96%	97%	104%	181%	130%
Forfeiture rate	0%	0%	0%	0%	0%

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	76%	79%	90%	94%
Forfeiture rate	0%	0%	0%	0%

Details of options outstanding as at December 31, 2023:

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	0.0	87,500
May 13, 2025	650,000	0.19	0.1	487,500
November 29, 2025	472,500	0.13	0.1	236,250
March 31, 2026	2,000,000	0.16	0.2	500,000
September 1, 2026	12,900,000	0.13	1.5	1,832,500
November 1, 2026	200,000	0.09	1.8	25,000
Balance	**16,332,500**	**$0.13**	**1.2**	**3,168,750**

The weighted average life of the options outstanding at December 31, 2023 is 1.2 years and weighted average exercise price of $0.13 per stock option.

Share-based compensation

The Company recorded $1,615,261 in share-based compensation (December 31, 2022 - $358,349) of which $256,073 (December 31, 2022 - $17,819) related to stock options, $709,306 related to RSUs (December 31, 2022 – 131,311), $390,000 related to directors' fees (December 31, 2022 - $60,000) and $259,882 related to services settled with shares issued (December 31, 2022 - $149,219).

Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Avg. Exercise Price ($)
Balance January 1, 2022	**34,328,912**	**0.52**
Exercised	(993,617)	0.23
Expired	(4,712,041)	0.14
Balance December 31, 2022	**28,623,254**	**0.57**
Expired	(28,623,254)	0.57
Issued with convertible debentures	1,405,000	0.40
Balance December 31, 2023	**1,405,000**	**0.40**

There were 1,405,000 financing warrants outstanding as at December 31, 2023 expiring May 31, 2025. See note 16 for fair value measurement of the warrants. .

Broker Warrants

Summary of the broker warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance January 1, 2022	**2,007,609**	**0.59**
Exercised	(88,800)	0.23
Expired	(196,949)	0.26
Balance December 31, 2022	**1,721,860**	**0.65**
Expired	(1,721,860)	0.65
Issued with convertible debentures	51,500	0.40
Balance December 31, 2023	**51,500**	**0.40**

There were 51,500 broker warrants outstanding as at December 31, 2023 expiring May 31, 2025. See note 16 for fair value measurement of the warrants.

16. CONVERTIBLE DEBENTURES & SUBSCRIPTION RECEIPTS

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 CAD$1,340 per Convertible Debenture Unit for gross proceeds to the Company of up to US$5,000,000 (the "Offering").

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.

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 has 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 CAD Tranche were $1,754,198. The CAD Tranche are convertible into fixed shares at amounts determined using C$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 CAD tranche which was valued at $229,337 upon recognition.

All USD proceeds are recorded as subscription receipts relating to convertible debentures that have not yet been issued, remaining as a liability. A total CAD equivalent of $1,088,467 has been recorded as subscription receipts.

A summary of the Convertible Debenture terms, the financial instruments recognized and the valuation methods used are as follows:

In CAD Dollars	Q2 2023 Tranche
Gross proceeds	$ 1,882,700
Less: legal and financing fees	(128,458)
Net proceeds	**1,754,252**
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	**1,340,723**
Less: Accretion of convertible debentures for the year	142,481
Convertible debentures at December 31, 2023	**$ 1,483,204**

The terms used in the valuation of each tranche and their 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:

Valuation metric description	**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 December 31, 2023, the prepayment option on the CAD Tranche, which was initially measured as an embedded derivative and bifurcated from the convertible debt and recognized as a financial asset of $229,337, was revalued at

$142,060, resulting in a loss on remeasurement of $87,277. The major valuation metric differences at December 31, 2023 volatility (low/high) of 100% / 120% and a credit spread (low / high) of 22.9% / 30.8%.

17. 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, its CFO and President.

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

	December 31, 2023	December 31, 2022
Management salaries, bonuses, and other benefits	$ 936,984	$ 545,410
Share-based payments - Management	320,023	24,092
Share-based payments - Directors	390,000	60,000
Total	**$ 1,647,007**	**$ 629,502**

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

As at December 31, 2023, the Company has a balance payable of $2,259,482 to the CEO and a board member of the Company (December 31, 2022 – payable of 159,529 to the director and the CEO and receivable of $323,534 from entities controlled by the CEO).

During 2023, the Company was advanced funds totalling $4,839,661 by one director to cover operating expenses and $3,000,000 of these funds were subsequently repaid. The Company owed the director $1,900,500 as at December 31, 2023 , the entire amount of which was converted by the director to convertible debentures on January 26, 2024 as described in note 16.

18. UNEARNED REVENUE

On July 6, 2022, the Company entered into a partnership agreement ("the VISA Agreement") with VISA for its US card program. The Agreement provided the Company $125,000 USD at signing to be earned as certain transaction dollar volumes were achieved over the three-year period from the signing date (the "Upfront Bonus"); if volumes are not met within the 3-year period, the unearned balance is repayable by XTM to VISA. As at December 31, 2023 the Company has not recognized any of the Upfront Bonus.

On September 15, 2023, the Company entered into a partnership agreement with Cyberloq ("the Cyberloq Agreement") to integrate Cyberloq's geofencing services into the *AnyDay™ Financial* platform. As at December 31, 2023, the Company has not recognized any of the revenue as the integration planning has not commenced.

The company sells cards which earn additional revenue over the period of the card's life, as described in note 10, contract assets. The portion of the card revenue relating to future periods is deferred as unearned revenue and recognized over the course of the contract specific to that customer.

Balance, January 1, 2022	$-
Additions	464,311
Balance, December 31, 2022	$464,311
Additions deferred to future periods	$879,880
Unearned revenue recognized in current year	(239,942)
Balance, December 31, 2023	**$1,104,249**

19. 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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash, trade and other receivables, government loans, due from related party, 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 carrying value of the government loan approximates its fair value as the interest rates are consistent with the current rates offered to the Company for loans with similar terms.

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

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

(a) Market risk

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

(ii) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2023, the Company had the following balances denominated in US dollars: Cash of $66,537 (December 31, 2022 - $175,413), restricted cash of $675,562 (December 31, 2022 – nil), trade and other receivables, including restricted, of $498,283 (December 31, 2022 - $60,909) and trade and other payables of $2,415,565 (December 31, 2022 - $396,780). As at December 31, 2023, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate $155,430 increase or decrease, respectively, in net loss and comprehensive loss.

The Company also had the following balances denominated in GBP as at December 31, 2023: trade and other payables of £182,977 (December 31, 2022 – nil). As at December 31, 2023, a 10% depreciation or appreciation of the

U.S. dollar against the Canadian dollar would result in an approximate $30,808 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:

	December 31, 2023 **$**	December 31, 2022 $
Trade receivables aging:		
0-30 days	**447,308**	365,489
31-90 days	**23,960**	35,121
Greater than 90 days	**58,836**	283
	530,104	400,893
Provision for expected credit losses	**(67,017)**	(5,148)
Net trade receivables	**463,087**	395,745
Other Receivables	**40,283**	183,584
Net trade and other receivables	**503,370**	579,329
Receivables - Restricted	**658,271**	171,729
Total Receivables	**1,161,641**	751,058

The Company recognizes a restricted receivable for earned wage access advances to client employees, which is paid back when client settles payroll. On average, the duration of these advances is 10 days. The Company recognizes a restricted receivable when temporary deficiencies arise between the Cash – Restricted asset balances and Program Deposits liabilities. These deficiencies can occur due to 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 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, financings such as convertible debentures, and by continuously monitoring forecast and actual cash flows. At December 31, 2023, the Company had a cash balance of $94,096 (December 31, 2022 - $2,687,626).

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

	At December 31, 2023	At December 31, 2022
	$	$
Trade and other payables	**7,500,309**	1,288,178
Due to related party	**2,259,482**	159,529
Sales Tax Payable	**15,452**	14,376
Lease liabilities (current)	**246,007**	86,868
Program deposits	**57,113,812**	52,526,312
Total	**67,135,062**	54,075,261

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

	At December 31, 2023	At December 31, 2022
	$	$
Government loan (note 24)	**60,000**	60,000
Convertible debentures (note 16)	**1,483,204**	-
Subscription receipts (note 16)	**1,088,467**	-
Long term portion of lease liabilities (note 14)	**11,428**	-
Total	**2,643,099**	60,000

As at December 31, 2023, the Company had negative working capital of $ 15,716,472 (December 31, 2022 – working capital of $1,086,664).

21. MANAGEMENT OF CAPITAL

At December 31, 2023, the Company's capital consists of the negative shareholders' deficit in the amount of $7,329,965 (December 31, 2022 – shareholders' equity of $2,186,758).

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) Ensure sufficient liquidity is available to support financial obligations and to execute its operating 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
e) Managing cash flows related to restricted cashflows that are utilized to meet withdrawals from program deposits.

22. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate as follows:

As at *In Canadian Dollars*	**December 31, 2023**	**December 31, 2022**
Net Loss before recovery of income taxes	**$ (16,082,923)**	$ (7,266,149)
Expected income tax recovery	(4,038,782)	(1,925,530)
Share-based compensation and other non-deductible expenses	348,330	134,010
Difference in tax rates	-	(14,870)
Change in tax benefits not recognized	3,690,451	1,806,390
Income taxes	**$ -**	**$ -**

Deferred Tax

As at *In Canadian Dollars*	**December 31, 2023**	**December 31, 2022**
Deferred tax assets		
Lease Liability	**$ 25,500**	$ 23,020
Operating tax losses carried forward	**1,220**	320
Total deferred tax assets	**26,720**	23,340
Deferred tax liabilities		
Right-of-use assets	**(26,720)**	(23,340)
Total deferred tax liabilities	**(26,720)**	(23,340)
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 *In Canadian Dollars*	**December 31, 2023**	**December 31, 2022**
Property and equipment	$ 306,760	$ 180,250
Intangible assets	397,140	346,000
Deferred Revenue	20,000	169,300
Government loan	165,330	20,000
Share issuance cost	485,760	801,493
Reserves	5,150	5,146
Non-capital losses carried forward – Canada	26,809,840	16,820,040
Non-capital losses carried forward – US	51,780,100	314,119
Non-capital losses carried forward - UK	9,286,410	-
Capital losses carried forward	130,700	124,960
Charitable donations carry forward	1,900	1,500
Income taxes	**$ 89,389,130**	$ 18,782,808

The Canadian, US and UK non-capital 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, US and UK non-capital income tax losses expire as follows:

Year	Canada	US	UK	TOTAL
2038	$ 816,220	-	-	$ 816,220
2039	1,925,960	-	-	1,925,960
2040	2,842,880	-	-	2,842,880
2041	5,211,700	-	-	5,211,700
2042	6,282,570	-	-	6,282,570
2043	9,730,510	-	-	9,730,510
Indefinitely		51,780,104	9,286,408	61,066,512
	$ 26,809,840	$ 51,780,104	$ 9,286,408	$ 87,876,352

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

During the year ended December 31, 2023, there was $57,113,812 of program deposit by customers (December 31, 2022 - $52,526,312). During the year ended December 31, 2023, certain funds from restricted cash were used by XTM for operating and program management amounting to $4,931,134 (December 31, 2022 – nil).

There was a deficit of $7,929,411 as at December 31, 2023 (December 31, 2022 - $1,251,391). 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. The total estimated potential liability to the Company is currently estimated at $7,984,962.

For the US operations, the Company holds trust assets in the form of restricted cash totaling $789,970 (December 31, 2022 – nil) and these assets do not offset the Canadian deficit.

	December 31, 2023	December 31, 2022
	Canada	**Canada**
Cash - restricted (CA)	$ 49,184,401	$ 51,274,921
Trust assets	49,184,401	51,274,921
Program deposits	(57,113,812)	(52,526,312)
Asset (deficit)	**$ (7,929,411)**	$ (1,251,391)
Deficit, prior period (A)	$ (1,251,391)	$ (1,046,494)
Deficit, current period:		
Administration (B)	(4,931,134)	-
Fraud losses (C)	(2,023,848)	(207,130)
Timing differences (D)	276,962	2,233
Total deficit, current	(6,678,020)	(204,897)
Closing Deficit	**$ (7,929,411)**	$(1,251,391)

The difference between balance on deposit in custodial and settlement accounts and the recorded liability at December 31, 2023 and 2022 consists of:

A. The opening deficit of $1,251,391 as at January 1, 2023 was comprised of the January 1, 2022 opening deficit of $1,046,494, merchant fraud losses of $207,130 and timing differences of $2,233. The opening deficit as at January 1, 2022 totaling $1,046,494 was comprised of:
   i. $643,903 payable to the trust by the Company for prior period losses, of which the opening deficit at January 1, 2022 totaled $47,116 relating to prior period fraud losses; 2020 and 2021 fraud losses for payments made to customers for disputes which the Company did not request reimbursement for from banks relating to e-transfer and merchant fraud totaled $390,538; and the remaining $206,249 was for general operating and working capital requirements (including unfunded ATM rebates) during the year ended 2022; and
   ii. $402,591 that was inappropriately taken from the Company by PACE Credit Union over 2021 and 2020 for which the Company is currently in litigation against PACE Credit Union, which is in liquidation. The Company owed PACE credit union for disputed processing bank fees which PACE withdrew from restricted cash, which the Company did not replenish back to restricted cash as of financial year ending 2023.

B. Administration totaling $4,931,134 for the year ended December 31, 2023 (December 31, 2022 – nil) consisted of the following:
   i. $1,340,000 of the Company's funds were moved to QRails prior to the acquisition of QRails;
   ii. $3,000,000 was used to repay a related party as described in note 17; and
   iii. $591,134 was withdrawn to fund operations.

C. $2,023,848 was depleted from the pooled funds due to fraud losses which XTM is seeking to recover, of which $791,304 is merchant credit fraud and the remaining $1,232,544 relates to e-transfer losses in 2023. XTM is pursuing recourse independently and has made a claim against its' USD$2 million crime insurance policy for $1,032,546. Fraud losses in 2022 totaled $207,130 relating entirely to merchant credit card fraud.

D. Timing difference of $273,068 is comprised of removing EWA receivables of $658,271 less $385,203 associated with settlement of funds in transit from December 31, 2023 to January 2024. Timing differences in 2022 amount to $2,233.

24. 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 were 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.

As at	**December 31, 2023 $**	**December 31,2022 $**
Opening balance	60,000	60,000
Interest accretion	-	-
Ending balance	60,000	60,000

25. NET 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 years ended December 31, 2023, and 2022 are as follows:

	December 31, 2023 $	December 31, 2022 $
Transaction revenue	5,963,091	3,946,152
Program management	204,866	214,373
Card revenue	607,109	573,202
Net Revenue	6,775,066	4,733,727
Geographical Information:		
Canada	6,496,873	4,662,360
United States	278,193	71,367
Net Revenue	6,775,066	4,733,727

26. OTHER EXPENSES

Other expenses are mostly comprised of fraud credits which have been provided to cardholders totaling $2,023,848 as described in detail in note 22. A portion of these expenses relates to a system glitch amounting to $1,032,546 that was exploited by bad actors. A claim has been filed under the Company's crime insurance policy for the full amount.

27. SEGMENTED INFORMATION

Operating segments

The Company's sole operating segment is the provision of earned wage access software platform. As such, its operating segment information is the same as that reporting in the audited consolidated financial statements.

Geographic segments

The Company operates in two geographic segments being Canada and the United States.

As at December 31	2023 $	2022 $
Non-current assets:		
Canada	351,154	294,284
United States	7,550,833	-
	$7,901,987	294,284

For the year ended	2023 $	2022 $
Net loss:		
Canada	10,901,247	6,684,450
United States	5,181,676	581,699
	16,082,923	7,266,149

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation. These reclassifications shall not have an impact on results of operations for the year ended December 31, 2023 and 2022.

29. 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:

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 U$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.

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.

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

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				409,886
Total convertible debentures				**$7,973,791**

In March 2024, the Company obtained a $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. 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.

On May 26, 2024, a holder of convertible debentures converted $219,348 worth of debentures at an exercise price of $0.15 per debenture, receiving 1,462,320 common shares and 1,462,320 warrants.