XTM Inc.

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

Interim Condensed Consolidated Financial Statements

For the periods ended March 31, 2024 and 2023

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

Management's Responsibility for Financial Statements

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

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

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

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

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS
Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the consolidated condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

DATED 30th day of September 30, 2024

XTM INC.

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars	Note	As At March 31, 2024	December 31, 2023
ASSETS			
Current			
Cash	5	$ 652,667	$ 94,096
Cash - restricted	20	48,057,675	49,974,371
Trade and other receivables	18	929,611	503,370
Receivables – restricted	18	928,072	658,271
Prepaid expenses	7	764,360	454,027
Inventory	6	392,352	417,339
Contract assets	8	419,681	384,121
Sales tax receivable		70,180	37,244
		52,214,598	**52,522,839**
Property and equipment	9	427,877	479,461
Right-of-use assets	9	806,814	241,911
Prepayment option on convertible note	14	41,961	142,060
Intangible assets	10	6,827,826	7,038,555
Goodwill	4	3,127,619	3,127,619
Total Assets		**$ 63,446,695**	**$ 63,552,445**
LIABILITIES			
Current			
Trade and other payables	18	$ 7,627,768	$ 7,500,309
Program deposits	18,20	55,006,924	57,113,812
Sales tax payable		153,460	15,452
Due to related party	15	269,821	2,259,482
Loan payable	11	1,695,143	-
Unearned revenue	16	1,182,077	1,104,249
Current portion of lease liabilities	12	111,733	246,007
		66,046,926	**68,239,311**
Long term portion of lease liabilities	12	687,299	11,428
Government loan	21	60,000	60,000
Convertible debentures	14	8,224,231	1,483,204
Subscription receipts	14	1,116,942	1,088,467
Total Liabilities		**$ 76,135,398**	**$ 70,882,410**
SHAREHOLDERS' DEFICIT			
Share capital	13	26,517,183	26,474,701
Contributed surplus	13	1,402,519	1,127,791
Equity conversion feature on convertible note	13,14	174,222	589,836
Warrant reserve	13,14	61,255	53,020
Cumulative translation reserve		(18,580)	31,287
Accumulated deficit		(40,825,302)	(35,606,600)
Total Shareholders' Deficit		**(12,688,703)**	**(7,329,965)**
Total Liabilities and Shareholders' Deficit		**$ 63,446,695**	**$ 63,552,445**
Commitments and contingencies	17		
Subsequent events	23		
Going concern	1		

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

APPROVED BY THE BOARD OF DIRECTORS:

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars	*Note*	March 31, 2024	For the three months ended, March 31, 2023
Net revenues	22	**$ 1,812,397**	$ 1,427,933
Cost of sales		**1,855,290**	1,252,467
Gross (loss) profit		**(42,893)**	**175,466**
Expenses			
Salaries and employee benefits	15	**2,827,160**	1,027,710
Depreciation and amortization	9,10	**560,974**	46,659
Share-based compensation	13	**347,210**	31,409
Office and general		**478,097**	139,798
Professional fees		**305,354**	90,313
Interest on debentures	14	**172,194**	-
Consulting		**170,128**	272,094
Marketing and promotion		**76,956**	115,457
Bank charges and interest		**57,604**	13,186
Accretion on debentures	14	**26,228**	-
Public company and regulatory		**24,738**	92,344
Travel, meals and entertainment		**21,390**	14,352
Bad debt and expected credit loss		**9,072**	5,544
Other expenses		**95,244**	216,999
Total expenses		**5,172,349**	2,065,865
Loss from operations		**(5,215,242)**	**(1,890,399)**
Income taxes		-	-
Net loss for the year		**$(5,215,242)**	**$(1,890,399)**
Other comprehensive (loss) income		(49,867)	164
Net loss and comprehensive loss		**$(5,265,109)**	**$(1,890,235)**
Net loss per share - Basic and diluted		**$ (0.03)**	$ (0.01)
Weighted average number of shares outstanding - Basic and diluted		**208,834,324**	**171,839,374**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the three months ended March 31, 2024 and 2023

	Notes	Number of Common Shares	Amount	Warrant Reserve	Equity conversion feature on convertible note	Contributed Surplus	Cumulative Translation Reserve	Accumulated Deficit	Total Shareholders' Equity
Balance, January 1, 2023		**171,569,084**	**$18,084,459**	**$3,038,230**	**-**	**$612,136**	**(24,390)**	**(19,523,677)**	**2,186,758**
Prior year translation of foreign operations	*13*	-	-	-	-	-	24,390	(24,390)	-
Issue of shares	*13*	230,769	30,000	-	-	-	-	-	30,000
Warrants issued	*13*	-	-	-	-	-	-	-	-
Warrants expired	*13*	-	-	(341,739)	-	341,739	-	-	-
Exercise of stock options	*13*	-	-	-	-	-	-	-	-
Share-based compensation	*13*	-	-	-	-	31,409	-	-	31,409
Restricted stock units issued	*13*	39,521	4,879	-	-	(4,879)	-	-	-
Other comprehensive loss from translation of foreign operations		-	-	-	-	-	164	-	164
Net loss for the period		-	-	-	-	-	-	(1,890,399)	(1,890,399)
Balance, March 31, 2023		**171,839,374**	**18,119,338**	**2,696,491**	**-**	**980,405**	**164**	**(21,438,466)**	**357,932**
Balance, January 1, 2024		**208,758,818**	**26,474,701**	**53,020**	**589,836**	**1,127,791**	**31,287**	**(35,606,600)**	**(7,329,965)**
Prior year translation of foreign operations		-	-	-	-	-	-	(3,461)	(3,461)
Restricted stock units issued	*13*	171,500	28,499	-	-	(28,499)	-	-	-
Shares issued for stock options	*13*	146,875	13,983	-	-	13,923	-	-	27,906
Stock options vested	*13*	-	-	-	-	188,178	-	-	188,178
Restricted stock units vested	*13*	-	-	-	-	101,126	-	-	101,126
Convertible debentures equity component	*14*	-	-	-	(415,614)	-	-	-	(415,614)
Warrants issued from convertible debentures	*13,14*	-	-	8,235	-	-	-	-	8,235
Other comprehensive loss from translation of foreign operations		-	-	-	-	-	(46,180)	-	(46,180)
Net loss for the period		-	-	-	-	-	-	(4,932,163)	(4,932,163)
Balance, March 31, 2024		**209,077,193**	**26,517,183**	**61,255**	**174,222**	**1,402,519**	**(14,893)**	**(40,542,224)**	**(12,401,938)**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars	*Note*	For the period ended March 31, 2024	December 31, 2023
OPERATING ACTIVITIES			
Net loss for the year		**$(5,215,242)**	$(16,082,923)
Items not affecting cash:			
Accretion & Interest on convertible debentures	14	198,422	273,653
Depreciation of property and equipment	9	43,641	97,599
Depreciation of right-of-use assets	9	126,170	231,230
Amortization of intangible assets	10	394,159	604,717
Expected credit loss		9,072	51,467
Interest on lease liabilities	12	2,755	6,187
Share-based compensation	13	347,210	1,615,261
Gain/Loss on extinguishment of convertible debentures	14	(52,501)	-
Unrealized loss on prepayment option remeasurement		-	87,277
		(4,146,314)	(13,115,532)
Changes in non-cash working capital:			
Accounts payable	18	232,531	6,250,453
Cash – restricted	20	1,916,696	1,300,550
Contract assets	8	(35,560)	(136,604)
Program deposits	20	(2,106,888)	4,587,500
Prepaid expenses	7	(310,333)	(173,410)
Trade and other receivables	18	(426,241)	75,959
Receivables - restricted	18	(269,801)	(486,542)
Inventory	6	24,987	(410,566)
Unearned revenue	16	77,828	639,938
		(896,781)	11,647,278
Cash flows used by operating activities		**(5,043,095)**	(1,468,254)
INVESTING ACTIVITIES			
Additions of property and equipment	9	-	(6,824)
Disposals of property and equipment	9	17,667	11,486
Acquisition of property and equipment	9	-	(469,584)
Acquisition of right-of-use assets	9	-	(287,268)
Addition of right of use assets	9	(687,382)	(105,380)
Acquisition of intangible assets	10	-	(7,751,744)
Investments	4	-	(2,014,786)
Cash flows used by investing activities		**(669,715)**	(10,624,100)
FINANCING ACTIVITIES			
Advances (to) from related parties	15	(1,989,661)	1,776,419
Issuance of common shares	13	-	4,626,296
Addition of lease liabilities	12	534,624	170,567
Repayment of lease liabilities	12	(140,948)	-
Net proceeds from convertible debt issuance	14	6,096,991	1,483204
Subscription receipts	14	-	1,088,467
Net proceeds from loan payable	11	1,695,143	-
Net proceeds from warrants	13	8,235	53,021
Cash flows from financing activities		**6,345,332**	9,197,974
Foreign exchange affecting cash		(73,951)	300,850
Decrease in cash		558,571	(2,593,530)
Cash, beginning of period		94,096	2,687,626
Cash, end of year	5	**$ 652,667**	$ 94,096

Commented [YG1]: Ties to the Note

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 unaudited condensed consolidated interim financial statements are prepared on a going-concern basis, which contemplates the realisation of assets and the satisfaction of obligations in the normal course of business.

The unaudited condensed consolidated interim financial statements show a net loss of $4,932,163 for the three months ended March 31, 2024 (March 31, 2023 - $1,890,399) due primarily to higher expenses from the assumption of QRails expenses after acquisition on August 18, 2023. There is a working capital deficit of $13,631,520 (December 31, 2023 - $15,716,472), a trust deficit of $6,949,093 (December 31, 2023 - $7,139,441) and, as at that date, the Company had an accumulated deficit of $40,724,963 (December 31, 2023 - $35,606,600). 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

The unaudited condensed consolidated interim financial statements for the three-month period ended March 31, 2024 were prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read together with the most recent audited annual consolidated financial statements.

These unaudited condensed consolidated interim financial statements for the period ended March 31, 2024, were authorized for issue by the Company's Board of Directors on September 30, 2024.

b) Basis of presentation

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

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

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

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

c) Basis of consolidation

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

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

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

d) Critical accounting estimates and judgements

In preparing these unaudited condensed consolidated interim financial statements, management has made critical judgements, estimates and assumptions that affect the applicability of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these judgements, estimates and assumptions on an ongoing basis based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. In preparing these unaudited condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the audited annual consolidated financial statements as at and for the year ended December 31, 2023.

3. MATERIAL ACCOUNTING POLICIES

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

4. GOODWILL

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

Expressed in Canadian Dollars	As at March 31, 2024	As at December 31, 2023
Goodwill consists of the following CGUs:		
XTM Inc.	**$920,000**	**$920,000**
QRails Inc.	**2,207,619**	**2,207,619**
	$3,127,619	**$3,127,619**

5. CASH

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

Expressed in Canadian Dollars	As at March 31, 2024	As at December 31, 2023
Cash consists of:		
CAD Operating account	**$103,029**	$14,677
USD Operating account	**549,638**	79,419
	$652,667	$94,096

6. INVENTORY

Inventory is comprised of the following items:

Expressed in Canadian Dollars	**As at March 31, 2024**	**As at December 31, 2023**
Payment cards	**$335,466**	$360,992
Program collateral & envelopes	**56,886**	56,347
	$392,352	$417,339

Inventories are written down for any obsolescence or when the net realizable value considering future events and conditions is less than the carrying value. There were no write-downs in the three months ended March 31, 2024.

7. PREPAID EXPENSES

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

	As at March 31, 2024	**As at December 31,** 2023
Prepaid expenses consist of:		
Insurance premiums	**$33,586**	$39,519
Subscriptions	**297,316**	172,708
Licensing Fees	**111,062**	111,062
Program and other operating related	**158,738**	69,244
Consulting Services	**115,000**	5,421
Leasehold deposits	**48,658**	36,073
Hiring Costs	**-**	20,000
	$764,360	$454,027

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

8. CONTRACT ASSETS

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

Balance, January 1, 2023	$247,517
Additions deferred to future periods	336,168
Unearned revenue recognized in current year	(199,564)
Balance, December 31, 2023	$384,121
Additions deferred to future periods	$70,423
Unearned revenue recognized in current year	(34,863)
Balance, March 31, 2024	**$419,681**

9. PROPERTY AND EQUIPMENT

A continuity of the property and equipment, including finance leases for the period ended March 31, 2024 is as follows:

Cost	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Telephone Equipment	**Total**	Right-of-use asset
Balance as at January 1, 2023	$122,131	$139,947	$25,000	$8,707	**$295,785**	$347,310
Additions	6,825	-	-	-	**6,825**	105,380
Acquisition	432,300	-	*23,463*	-	**455,763**	280,357
Disposals	-	*(32,517)*	-	-	**(32,517)**	-
Balance as at December 31, 2023	$561,256	$107,430	$48,463	$8,707	**$725,856**	$733,047
Additions	-	-	-	-	**-**	687,382
Disposals	-	(32,517)	(25,000)	(8,707)	**(66,224)**	-
Foreign exchange effect	11,309	-	614	-	**11,923**	7,334
Balance as at March 31, 2024	**$572,565**	**$74,913**	**$24,077**	**$-**	**$671,555**	**$1,427,763**
Accumulated Depreciation						
Balance as at January 1, 2023	($72,270)	($67,505)	($19,664)	($8,126)	**($167,565)**	($259,245)
Depreciation	(77,429)	(14,208)	(5,848)	(116)	**(97,601)**	(231,891)
Derecognition	-	18,771	-	-	**18,771**	-
Balance as at December 31, 2023	($149,699)	($62,942)	($25,512)	($8,242)	**($246,395)**	($491,136)
Depreciation	(38,822)	(1,551)	(3,267)	-	**(43,640)**	(126,170)
Derecognition	-	19,051	21,264	8,242	**48,557**	**-**
Foreign exchange effect	(2,090)	-	(110)	-	**(2,200)**	(3,643)
Balance as at March 31, 2024	**($190,611)**	**($45,442)**	**($7,625)**	**$-**	**(243,678)**	**($620,949)**
Carrying Amount						
Balance as at December 31, 2023	$411,557	$44,488	$22,951	$465	$479,461	$241,911
Balance as at March 31, 2024	**$381,954**	**$29,471**	**$16,452**	**$-**	**$427,877**	**$806,814**

10. INTANGIBLE ASSETS

A continuity of the intangible assets for the period ended March 31, 2024 is as follows:

Cost	Platform
Balance as at January 1, 2023	$424,000
Acquired	7,565,272
Balance as at December 31, 2023	7,989,272
Foreign Exchange Adjustment	197,912
Balance as at March 31, 2024	**$8,187,184**

Accumulated Amortization	
Balance as at January 1, 2023	($346,000)
Amortization	(604,717)
Balance as at December 31, 2023	($950,717)
Amortization	(394,159)
Foreign Exchange Adjustment	(14,482)
Balance as at March 31, 2024	**($1,359,358)**

Carrying Amount	
Balance as at December 31, 2023	$7,038,555
Balance as at March 31, 2024	**$6,827,826**

11. LOAN PAYABLE

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

As at March 31, 2024 the Company had drawn $1,695,143 (US$1,249,000) on the credit facility as a loan payable.

12. LEASE LIABILITIES

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

Balance, January 1, 2023	**$86,867**
Addition of new leases	431,366
Repayment of lease liability	(266,985)
Interest expense on lease liability	6,187
Balance, December 31, 2023	**$257,435**
Addition of new leases	675,572
Repayment of lease liability	(140,948)
Interest expense on lease liability	2,755
Effect of foreign exchange	4,218
Balance, March 31, 2024	**$799,032**
Lease liabilities due within one year	111,733
Lease liabilities – long term	687,299
Total lease liabilities, March 31, 2024	**$799,032**

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

In Q1 2024, the Company signed a new office lease in Denver, Colorado for a term of 49 months effective March 30, 2024. The first 7 months of rent on the lease are abated, with the first payment required on November 1, 2024. The Company applied a discount rate of 12% to determine the asset value for the right-of-use asset. The total annual payments expected for this lease, inclusive of cost allocations, are as follows:

In Canadian Dollars	
2024	$ 41,117
2025	251,093
2026	257,370
2027	263,800
2028	77,683
Total lease payments – Denver office	**$ 891,063**

13. CAPITAL STOCK

Share capital

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

Shares issued and outstanding	Number of common shares	$
Shares issued and outstanding as at January 1, 2023	**171,569,084**	**18,084,459**
Shares issued for restricted stock units	2,534,215	403,891
Shares issued for directors' fees (i)	4,230,769	390,000
Options expired	-	88,829
Warrants expired	-	3,038,230
Shares issued for acquisition (ii)	28,343,750	4,222,405
Shares issued for services (iii)	2,081,000	246,887
Shares issued and outstanding as at December 31, 2023	**208,758,818**	**26,474,701**
Shares issued for restricted stock units (v)	171,500	**28,499**
Shares issued for stock options	146,875	**13,983**
Shares issued and outstanding as at March 31, 2024	**209,077,193**	**26,517,183**

Year ended December 31, 2023

(i) On January 13, 2023, the Company issued 230,769 shares at $0.13 per share for a total value of $30,000 to 3 members of the board of directors as part of the annual Board of Directors Compensation plan covering October 1, 2022 to December 31, 2022. The plan entitles each Board Member to receive compensation of $10,000 a quarter paid in shares of the Company and issued within 5 business days of the period end valued at the closing price of the prior trading day.

(ii) On August 18, 2023, the Company issued 28,343,750 at $0.16 share and cash considerations for the acquisition of QRails Inc. at a fair value of $4,222,405 (discounted for lack of marketability).

(iii) On September 19, 2023, the company issued 892,857 shares at $0.14 per share for a total value of $125,000 to a consultant for services rendered.

(iv) On December 12, 2023, the Company recorded share-based compensation pertaining to director fees of $390,000 (2022 - $90,000) during the year- Note 15(i).

Period ended March 31, 2024

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

Restricted stock units

	Number of RSU's Granted	Weighted Avg. Exercise Price ($)
Balance January 1, 2023	**415,625**	**0.25**
Granted (vi) (vii) (ix) (x) (xi) (xiii)	4,732,000	0.15
Issued	(712,984)	0.13
Canceled (viii) (xii) (xiv)	(459,375)	0.16
Settled for taxes	(26,766)	0.16
Balance December 31, 2023	**3,948,500**	**0.16**
Issued (xvi)	(171,500)	0.17
Balance March 31, 2024	**3,777,000**	**0.16**

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 24-month period. The RSUs issued had a grant date fair value of $387,500 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

(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 stock-based compensation on the consolidated statements of loss and comprehensive loss.

(viii) On June 15, 2023, 9,375 RSU’s which were previously granted on May 13, 2022, were forfeited by an employee who left the Company.

(ix) On August 1, 2023, the Company granted 200,000 RSUs to a consultant of the Company under the RSU plan which vest monthly in equal allotments over a 5-month period. The RSUs issued had a grant date fair value of $19,000 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

(x) On September 1, 2023, the Company granted 1,252,000 RSUs to employees of the Company under the RSU plan which vest quarterly in equal allotments over a 24-month period. The RSUs issued had a grant date fair value of $184,000 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

(xi) On September 1, 2023, the Company granted 80,000 RSUs to two employees of the Company under the RSU plan which vest quarterly in equal allotments over a 12-month period. The RSUs issued had a grant date fair value of $10,000 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

(xii) On July 17, 2023, 75,000 RSUs which were previously granted on May 13, 2022, were forfeited by an employee who left the Company.

(xiii) On December 13, 2023, the Company granted $200,000 RSU’s to an executive of the Company under the RSU plan, which vests quarterly in equal allotments over a 1-year period. The RSUs issued had a grant date fair value of $17,000 based on the closing price per common share. The expense is recorded in stock-based compensation on the consolidated statements of loss and comprehensive loss.

(xiv) On October 31, 2023, 375,000 RSU's which were previously granted on April 5, 2023, were forfeited by a director who left the Company.

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

Three months ended March 31, 2024

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

Stock options

	Number of Options	Weighted Average Exercise Price
Balance outstanding, January 1, 2023	**1,603,500**	**$0.18**
Granted (xvii)	16,372,000	$0.13
Expired / Forfeited (xviii)	(1,653,000)	$0.14
Balance outstanding, December 31, 2023	**16,322,500**	**$0.14**
Granted (xx) (xxi)	**200,000**	**$0.17**
Exercised (xxii)	**(146,875)**	**$0.19**
Expired / Forfeited (xxiii)	**(478,125)**	**$0.13**
Balance outstanding, March 31, 2024	**15,897,500**	**$0.14**

Year Ended December 31, 2023

(xvii) The Company granted 16,372,000 stock options to employees and officers of the Company, with 12.5% vesting every quarter from the day of the grant.

(xviii) There were 1,653,000 stock options cancelled/forfeited during the period as a result of employee turnover.

(xix) The Company recorded $$256,073 in stock-based compensation relating to stock options (December 31, 2022; $$17,819).

Three months ended March 31, 2024

(xx) The company granted 100,000 stock options on February 1, 2024, to employees of the Company, with 12.5% vesting every quarter from the day of the grant.

(xxi) The company granted 100,000 stock options on February 15, 2024, to employees of the Company, with 12.5% vesting every quarter from the day of the grant.

(xxii) On March 11, 2024, there were 146,875 stock options exercised at strike price $0.13, with fair value on exercise date of $0.19.

(xxiii) There were 390,000 options canceled and 88,125 forfeited during the period due to employee turnover.

(xxiv) The company recorded $188,178 in stock-based compensation related to stock options (March 31, 2023: $31,409).

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

Grant Date	08-Mar-22	13-May-22	08-Aug-22	30-Nov-22	01-Feb-23	01-Apr-23	01-Sep-23	01-Sep-23	02-Nov-23	31-Jan-24	14-Feb-24
Share Price	0.33	0.25	0.21	0.13	0.16	0.155	0.125	0.125	0.16	0.19	0.155
Exercise Pric	0.33	0.19	0.21	0.13	0.16	0.155	0.125	0.125	0.16	0.19	0.155
Term	3 years	3 years	3 years	3 years	3 years	3 years	3 years	1 year	3 years	3 years	3 years
Dividend Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	1.49%	2.68%	3.12%	3.64%	3.38%	3.51%	4.31%	5.07%	3.38%	3.77%	4.02%
Volatility	82%	85%	90%	94%	96%	97%	104%	181%	107%	96%	96%
Forfeiture rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Details of options outstanding as at March 31, 2024:

Expiry Date	Number of Options Outstanding	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
March 8, 2025	100,000	$0.330	0.9	100,000
May 13, 2025	600,000	$0.185	1.1	318,750
November 29, 2025	237,500	$0.130	1.7	59,750
March 31, 2026	2,000,000	$0.155	2.0	750,000
August 31, 2026	12,560,000	$0.125	2.4	3,140,000
November 1, 2026	200,000	$0.090	2.6	25,000
January 31, 2027	100,000	$0.190	2.8	-
February 15, 2027	100,000	$0.155	2.9	-
Balance	**15,897,500**	**$0.133**	**2.32**	**4,393,500**

Warrants

Summary of the warrant activity is as follows:

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

Warrants outstanding as at March 31, 2024 were as follows:

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

The weighted average life of the warrants outstanding and exercisable at March 31, 2024 is 1.2 years.

Broker Warrants

Summary of the broker warrants activity is as follows:

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

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

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

The weighted average life of the broker's warrants outstanding at March 31, 2024 is 1.3 years.

14. CONVERTIBLE DEBENTURES & SUBSCRIPTION RECEIPTS

Q2 2023 Tranche

On April 28, 2023, the Company announced that they intend to complete a non-brokered private placement of convertible debentures of the Company (each, a "Convertible Debenture Units") at a price of US$1,000 or C$1,340 per Convertible Debenture Unit for gross proceeds to the Company of up to US$5,000,000 (the "Offering" or the "Q2 2023 Tranche").

Each Convertible Debenture Unit was comprised of US$1,000 or CAD$1,340 principal amount of unsecured convertible debenture ("Convertible Debenture") and 1,000 common share purchase warrants (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one common share of XTM (a "Common Share") at a price of US$0.29 or CAD$0.40 per Common Share for a period of twenty-four (24) months from the date of issuance thereof.

The Convertible Debentures carry an interest rate of 10.0% per annum, calculated and payable quarterly in arrears, commencing September 30, 2024, and mature twenty-four (24) months following the date of issuance (the "Maturity Date"). The principal amount of each Convertible Debenture (the "Principal Amount") will be convertible into Common Shares at a conversion price of US$0.185 or CAD$0.25 per Common Share (the "Conversion Price") at the option of the holder of a Convertible Debenture ("Debenture Holder") at any time prior to the close of business on the Maturity Date. A total CAD equivalent of $1,088,467 has also been recorded as subscription receipts.

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

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

As at December 31, 2023, had received the equivalent of $1,882,700 CAD in net proceeds under the convertible debenture terms noted above, net of legal fees of $59,492 and broker commissions of $69,010. The net proceeds received for the Q2 2023 Tranche were $1,754,198. The Q2 2023 Tranche are convertible into fixed shares at amounts determined using $0.25 per share and as such, a conversion option is recorded as equity at a fair value of $589,836. There were 1,405,000 financing warrants issued at a value of $50,071 expiring May 31, 2025 and 51,500 broker warrants issued at a fair value of $2,949 expiring May 31, 2025. There is also a prepayment option available to the Company that is considered to be an embedded option (derivative asset) for the Q2 2023 Tranche which was valued at $229,337 upon recognition. A gain in fair value change of $87,277 was recognized in 2023 leaving a balance of $142,060 at December 31, 2023. The extinguishment of the debt rolled over resulted in a balance of $41,961 at March 31, 2024 remaining for the prepayment option.

The equity conversion feature on convertible note relating to the remaining Q2 2023 Tranche was $174,222 at March 31, 2024 (December 31, 2023 - $589,836).

A summary of the Q2 2023 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	(128,502)
Net proceeds	**1,754,198**
Financial instruments split out:	
Broker warrants (equity)	(2,949)
Finance warrants (equity)	(50,071)
Conversion option (equity)	(589,836)
Prepayment option on convertible note (derivative asset)	229,337
Host convertible debentures at recognition	**1,340,679**
Add: Accretion of convertible debentures for the year	142,481
Convertible debentures at December 31, 2023	**$ 1,483,160**
Extinguishment of debentures rolled over to Q1 2024 USD debentures:	
Accretion pre-rollover	26,229
Capitalized costs released on extinguishment	18,298
Carrying amount extinguished	(1,071,775)
Gain on extinguishment	(52,500)
Accretion of Q2 2023 CAD convertible debentures in Q1	6,474
Q2 2023 Tranche Remaining at March 31, 2024	**$ 409,886**

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

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

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

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 was revalued at $142,060 resulting in a loss on remeasurement of $87,277. The Q2 2023 Tranche was initially measured as an embedded derivative and bifurcated from the convertible debt and recognized as a financial asset of $229,337. 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%. At March 31, 2024, the value of the remaining Q2 2023 Tranche debentures approximated the value at December 31, 2023 and the tranches from the Q1 2024 Offering detailed below approximated the face value.

Q1 2024 Offering

On February 6, 2024, the Company announced that it completed non-brokered private placement offering for convertible debentures, previously announced and revised on December 18, 2023, for aggregate gross proceeds of US$5,579,282, net of commissions of US$114,720 and oversubscribed from the original maximum offering size of US$5,000,000. Broker warrants with a fair value of US$6,113 were also issued. The debentures were issued at a par value of 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.

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

Q2 2023 Rollover

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

Convertible Debenture Summary

In Canadian Dollars	Q1 2024 Tranche 1	Q1 2024 Tranche 2	Q1 2024 Tranche 3	Total
Proceeds	$ 5,646,091	$ 1,710,536	$ 371,273	$7,727,900
Less: Commissions	(133,766)	(21,932)	-	(155,698)
Net proceeds	5,512,325	1,688,604	371,273	7,572,202
Less: Broker warrants	(6,785)	(1,512)	-	(8,297)
Total USD convertible debentures	5,505,540	1,687,092	371,273	7,563,905
Q2 2023 Tranche				409,886
Foreign exchange effect				250,440
Total convertible debentures				**$8,224,231**

15. RELATED PARTY BALANCES AND TRANSACTIONS

(i) **Key management personnel**

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

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

	For the three month period ending March 31, 2024	2023
	$	$
Management salaries, bonuses, and other benefits	121,434	283,109
Share-based payments - Management	-	4,625
Share-based payments - Directors	-	30,000
Total	**121,434**	**317,734**

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

As at March 31, 2024, the Company had a balance payable of $269,821 (December 31, 2023 - $2,259,482) owing to the CEO of the Company.

As at December 31, 2023, the Company had a balance payable of $1,900,500 owing to a director of the Company which was settled with convertible debentures on January 26, 2024. As at March 31, 2024, the Company had a balance payable of nil to the director of the Company.

16. UNEARNED REVENUE

Balance, January 1, 2023	$464,311
Additions deferred to future periods	879,880
Unearned revenue recognized in current year	(239,942)
Balance, December 31, 2023	$1,104,249
Additions deferred to future periods	$176,141

Unearned revenue recognized in current year	(98,313)
Balance, March 31, 2024	**$1,182,077**

17. COMMITMENTS AND CONTINGENCIES

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

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

(a) Market risk

(i) *Interest rate risk*

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

(ii) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at March 31, 2024, the Company had the following balances denominated in U.S. dollars: Cash of $100,430 (December 31, 2023 - $66,537), trade and other receivables, including restricted, of $1,212,437 (December 31, 2023 - $498,283), trade and other payables of $2,565,853 (December 31, 2023 - $2,415,565), and loan payable of $1,249,000 (December 31, 2023 - $0). As at March 31, 2024, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate $339,570 increase or decrease, respectively, in net loss and comprehensive loss.

(iii) *Other price risks*

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

(b) Credit risk

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

	March 31, 2024 **$**	December 31, 2023 $
Trade receivables aging:		
0-30 days	**813,188**	447,308
31-90 days	**35,168**	23,960
Greater than 90 days	**85,848**	58,836
Trade receivables	**934,204**	530,104
Provision for expected credit losses	**(87,301)**	(67,017)
Net trade receivables	**846,903**	463,087
Other receivables	**82,708**	40,283
Net trade and other receivables	**929,611**	503,370
Receivables – Restricted	**928,072**	658,271
Total trade and other receivables	**1,857,683**	1,161,641

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

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

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

(c) Liquidity risk

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate cash reserves and loan facilities and by continuously monitoring forecast and actual cash flows. At March 31, 2024, the Company had a cash balance of $235,916 (December 31, 2023 - $94,096).

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

	At March 31, 2024	At December 31, 2023
	$	$
Trade and other liabilities	**7,627,668**	7,500,309
Due to related party	**269,821**	2,259,482
Sales Tax Payable	**153,460**	15,452
Lease liabilities (current) (note 12)	**111,733**	246,007
Loan Payable (note 11)	**1,695,143**	-
Program deposits	**55,006,924**	57,113,812
Total	**64,864,849**	67,135,062

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

	March 31, 2024	At December 31, 2023
	$	$
Government loan (note 21)	**60,000**	60,000
Subscription receipts (note 14)	**1,116,942**	1,088,467
Long term portion of lease liabilities (note 12)	**687,299**	11,428
Convertible debentures (note 14)	**8,224,231**	1,483,204
Total	**10,088,472**	2,643,099

As at March 31, 2024, the Company had negative working capital of $13,832,328 (December 31, 2023 – negative working capital of $15,716,472).

19. MANAGEMENT OF CAPITAL

At March 31, 2024, the Company's capital consists of the negative shareholders' deficit in the amount of $12,688,703 (December 31, 2023 - $7,329,965).

The Company's capital management is designed to ensure that it has sufficient financial flexibility both in the short and long-term to support its financial obligations and the future development of the business.

The Company manages its capital with the following objectives:

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

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

The Company is a fintech with operations based out of Toronto for Canada and Denver for US. In Canada, the Company is registered with the government as a money services business with FinTRAC. In the US, the Company is compliant with Payment Card Industry Data Security Standard and completes SOC 1 and 2 reports. The Company is in the business of receiving funds from customers, holding those funds for Customers and then transmitting the funds to the Customer's employees via app and prepaid Mastercard. In Canada, the Company operates using a single bank account and at least one commercial bank account. The Company, acting as a paying agent, maintains customer funds and cardholder deposits in custodial accounts which are separate from the Company's operating accounts. During the quarter ended March 31, 2024, the Company transferred funds from these custodial accounts to fund the EWA trust account and for payment of heightened operating expenses, detailed below.

During the period ending March 31, 2024, there was $47,489,997 of program deposit by customers (December 31, 2023 - $49,184,401). During the period ending March 31, 2024, certain funds from restricted cash were used by XTM for operating and program management amounting to $131,254 (December 31, 2023 – $4,931,134).

There was a deficit of $7,540,039 as at March 31, 2024 (December 31, 2023 - $7,929,411). The use of restricted cash for XTM's operating and program management purposes constitutes a breach of contract under the Customer Agreements. Where funds were used by XTM for operating and program management purposes, such amounts remained a liability of XTM and were reflected as a program deposit on the financial statements but was not reported as restricted cash or otherwise as an asset. The total estimated potential liability to the Company is currently estimated at $7,595,590.

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.

The consolidated deficit for the period ended March 31, 2024 is $6,949,093 (December 31, 2023 - $7,139,411).

	March 31, 2024	December 31, 2023
Cash - restricted	$ 47,489,997	$ 49,184,401
Program deposits	(55,006,924)	(57,113,812)
Asset (deficit)	**$ (7,516,927)**	**$ (7,929,411)**
Deficit, prior period (A)	$ (7,929,411)	$ (1,251,391)
Deficit, current period:		
Administration (B)	(131,254)	(4,931,134)
Fraud losses (C)	(12,316)	(2,023,848)
Timing differences (D)	(532,942)	276,962
Total deficit, current	389,372	(6,678,020)
Closing Deficit	**$(7,540,039)**	**$ (7,929,411)**

The difference between balance on deposit in custodial and settlement accounts and the recorded liability at March 31, 2024 and December 31, 2023 consists of:

A. The deficit at the beginning of the quarter ended March 31, 2024 of $7,139,441 consists of i) January 1, 2023 opening balance of $1,251,391 carried over from the Company's former issuing bank and commercial bank had mis-appropriately withdrawn fees from the trust account for which the Company is currently pursuing legal recourse for of $402,591 and $848,800 payable to the trust by the Company for prior period losses; ii) administration of $3,591,134; iii) fraud losses of $2,023,848; and iv) timing differences of $385,203.
B. Administration totaling $131,254 for the period ending March 31, 2024 (December 31, 2022 -$4,931,134) was withdrawn to fund operations.
C. Fraud losses of $12,316 for the period ended March 31, 2024 (December 31, 2023 - $2,023,848). These losses are ultimately recoverable through the Company's cyber insurance policy.
D. Timing difference of $532,942 for the period ended March 31, 2024 (December 31, 2023 - $(276,962) is associated with settlement of funds in transit from March 31,2024 to April 2024.

21. GOVERNMENT LOAN

On April 21, 2020, the Company received a $40,000 Canada Emergency Business Account ("CEBA") loan from the Government of Canada. On December 16, 2020, the Company received an additional $20,000 CEBA loan. Both loans are unsecured and interest-free until December 31, 2023, at which time the remaining balance converted to a 2-year term loan at an interest rate of 5% per annum.

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

22. 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 three months ended March 31, 2024, and 2023 are as follows:

	March 31, 2024	March 31, 2023
Transaction Revenue	1,598,422	1,276,157
Card revenue	150,225	117,701
Program management	63,750	34,075
Net Revenue	$1,812,397	$1,427,933
Geographical Information:		
Canada	1,692,744	1,390,539
United States	119,653	37,394
Net Revenue	$1,812,397	$1,427,933

23. SUBSEQUENT EVENTS

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

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.

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