A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Ontario, British Columbia and Alberta but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This non-offering prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

AMENDED AND RESTATED PRELIMINARY PROSPECTUS DATED JANUARY 20, 2020 AMENDING AND RESTATING THE PRELIMINARY PROSPECTUS DATED OCTOBER 22, 2019

Non-Offering Prospectus January 20, 2020

XTM Inc.

No securities are being offered pursuant to this non-offering prospectus (this "**Prospectus**"). This Prospectus is being filed with each of the Securities Commissions in the Provinces of Ontario, British Columbia, and Alberta to enable XTM Inc. (the "**Company**") to become a reporting issuer under the applicable securities legislations in the Provinces of Ontario, British Columbia, and Alberta.

Concurrently with the filing of this Prospectus, the Company will apply to list common shares in the capital of the Company (the "**Common Shares**") on the Canadian Securities Exchange (the "**CSE**"). The listing of the Common Shares on the CSE (the "**Listing**") is subject to the Company fulfilling all of the listing requirements of the CSE, including the Company becoming a reporting issuer in a Canadian jurisdiction, which cannot be guaranteed.

As no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company from general working capital. The Company is a financial technology company. An investment in a financial technology company involves significant risk. See "*RISK FACTORS*" for further details.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America.

No underwriter was involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Unless otherwise noted, all currency amounts in the Prospectus are stated in Canadian dollars.

TABLE OF CONTENTS

GLOSSARY OF TERMS 4
CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION 8
INFORMATION PERTAINING TO XTM 10
NOTICE TO INVESTORS 10
Date of Information 10
Reporting Currencies 10
Market Data 10
SUMMARY 11
The Company 11
Interests of Insiders, Promoters or Control Persons 11
Available Funds and Principal Purposes 12
Experts 13
Risk Factors 13
CORPORATE STRUCTURE 14
Name and Incorporation 14
BUSINESS OF XTM 14
General Development of the Business 18
Market 15
Marketing Plans and Strategies 15
Future Developments 18
USE OF AVAILABLE FUNDS 20
DIVIDENDS OR DISTRIBUTIONS 21
Dividend Policy 22
CONSOLIDATED CAPITALIZATION 26
OPTIONS TO PURCHASE SECURITIES 26
ESCROWED SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER 29
PRINCIPAL SECURITYHOLDERS 30

DIRECTORS AND EXECUTIVE OFFICERS 30
EXECUTIVE COMPENSATION 37
Director Compensation 42
AUDIT COMMITTEE AND CORPORATE GOVERNANCE 43
Corporate Governance 43
Audit Committee 47
RISK FACTORS 49
Risks Relating to XTM's Business 50
Risks Relating to the Ownership of Common Shares 56
PROMOTERS 59
LEGAL PROCEEDINGS 59
AGENT FOR SERVICE OF PROCESS 60
AUDITORS, TRANSFER AGENT AND REGISTRAR 60
MATERIAL CONTRACTS 60
OTHER MATERIAL FACTS 61
EXPERTS 62
Interests of Experts 62
GENERAL MATTERS 62
Sponsorship 62
Board Approval 62
Acknowledgement – Personal Information 62
CERTIFICATE OF XTM INC. 63
CERTIFICATE OF THE PROMOTER 64
SCHEDULE A 65
UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019 65
SCHEDULE B 66
MANAGEMENT DISCUSSION & ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2019 66
SCHEDULE C 67
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018 67
SCHEDULE D 68
MANAGEMENT DISCUSSION & ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018 68
SCHEDULE E 69
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017 69
SCHEDULE F 70

MANAGEMENT DISCUSSION & ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017 70
SCHEDULE G 71
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016 71
SCHEDULE H 72
AUDIT COMMITTEE CHARTER 72

GLOSSARY OF TERMS

Unless the context otherwise requires or where otherwise defined, the following words and terms will have the meanings set forth below when read in this Prospectus, including the Schedules hereto.

"**2017 MD&A**" refers to the analysis of the Company's financial results for the year ended December 31, 2017, attached as Schedule "F".

"**2018 MD&A**" refers to the analysis of the Company's financial results for the year ended December 31, 2018, attached as Schedule "D".

"**Affiliate**" means a company that is affiliated with another company as described below:

A company is an "Affiliate" of another company if:

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person, or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**Associate**" means when used to indicate a relationship with a Person:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,

(b) any partner of the Person,

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,

(d) in the case of a Person who is an individual, a relative of that Person, including (i) that Person's spouse or child, or (ii) any relative of the Person or of his spouse who has the same residence as that Person, but

(e) where the CSE determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D in the CSE Rule Book and Policies with respect to that Member firm, Member corporation or holding company.

"**Audit Committee**" means the audit committee of the Company attached as Schedule "H".

"**Audit Committee Charter**" means the charter of the Audit Committee.

"**Board**" means the board of directors of the Company, as constituted from time to time.

"**Broker Warrants**" means Warrants issued to brokers as consideration for their services in relation to the Unit Private Placements.

"**CEO**" means the Chief Executive Officer of the Company.

"**CFO**" means the Chief Financial Officer of the Company.

"**Chairperson**" means the chairperson of the Board.

"**Closing**" means the completion of the listing of the Common Shares on the CSE described herein.

"**Closing Date**" means the date upon the completion of Closing.

"**Common Shares**" means the common shares in the capital of XTM.

"**Company**" means XTM Inc., a corporation incorporated under the OBCA.

"**Control Person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**CSA**" means the Canadian Securities Administrators.

"**CSE**" means the Canadian Securities Exchange.

"**CSE Approval**" means the final approval of the CSE in respect of the listing of the Common Shares on the CSE as evidenced by the issuance of the final approval bulletin of the CSE in respect thereof.

"**CSE Requirements**" means and includes the articles, by-laws, policies, circulars, rules (including the Universal Market Integrity Rules), guidelines, orders, notices, rulings, forms, decisions and regulations of the CSE as from time to time enacted, any instructions, decisions and directions of a Regulation Services Provider or the CSE (including those of any committee of the CSE as appointed from time to time), and all applicable provisions of the Securities Laws of any other jurisdiction.

"**Director**" or "**Directors**" means a director, or the directors, of the Company, respectively.

"**Escrow Agent**" and "**Transfer Agent**" means Computershare Investor Services Inc.,

"**Escrow Agreement**" means the escrow agreement in the form required by NP 46-201 dated [•] 2019 among the Company, Computershare Investor Services Inc., as Escrow Agent, and the Escrow Holders.

"**Escrow Holders**" has the meaning set out under the heading "*Escrowed Securities Subject To Contractual Restrictions On Transfer*".

"**IFRS**" means International Financial Reporting Standards.

"**Insider**" means (i) a director or senior officer of XTM; (ii) a director or senior officer of a company that is an Insider or subsidiary of XTM; (iii) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of XTM; or (iv) XTM itself, if it holds any of its own securities.

"**Interim Financial Statements**" means the unaudited interim financial statements of the Company as of September 30, 2019.

"**Interim MD&A**" refers to the analysis of the Company's financial results for the six months ended September 30, 2019, attached as Schedule "B".

"**Member**" means a Person who has executed the Members' agreement among the CSE, as amended from time to time, and each Person who, from time to time, is accepted as and becomes a member of the CSE under the CSE Requirements.

"**NEOs**" means the named executive officers of the Company, being Marilyn Schaffer and Olga Balanovskaya.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings*.

"**OBCA**" means the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, as from time to time amended or re-enacted and includes any regulations heretofore or hereafter made pursuant thereto.

"**Operating Loan**" means the loan agreement entered into between the Company, Samper Developments Ltd. and Sky Ascent Financial Group Inc. dated September 17, 2019 as amended on December 31, 2019.

"**Options**" means the options to purchase Common Shares pursuant to the Stock Option Plan.

"**Person(s)**" means a company or individual.

"**Personal Information**" means any information about an identifiable individual and includes information contained in any items in this Prospectus.

"**Private Placements**" means all of the Subscription Receipt Private Placements and the Unit Private Placements.

"**Promoter**" has the meaning specified in Section 1(1) of the *Securities Act* R.S.O. 1990, c. s-5 (Ontario).

"**Prospectus**" means this non-offering amended and restated preliminary Prospectus statement dated January 20, 2020.

"**Regulation Services Provider**" has the meaning ascribed in National Instrument 21-101-*Marketplace Operations* and refers to the Investment Industry Regulatory Organization of Canada or any successor retained by the CSE.

"**RSUs**" means restricted share units of the Company to exchange for Common Shares.

"**Securities Laws**" means the securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders, in force from time to time in the Provinces of Ontario, British Columbia, and Alberta.

"**Shareholder**" means a holder of one or more Common Shares.

"**Stock Option Plan**" means the stock option plan of XTM which was adopted by the Board on February 26, 2018.

"**Subscription Receipt**" means the subscription receipts of the Company issued and certified pursuant to the Subscription Receipt Agreement, each Subscription Receipt entitling the holder to receive, immediately upon Closing, on or before January 31, 2020, without any further action by the holder, one Common Share and one Warrant at an exercise price of $0.24 and expiring 24 months from the date of issuance.

"**Subscription Receipt Agent**" means Aluvion Professional Corporation.

"**Subscription Receipt Agreement**" means the subscription receipt agreement entered into between the Company and the Subscription Receipt Agent dated September 19, 2019.

"**Subscription Receipt Private Placements**" means the brokered private placement of Subscription Receipts completed by the Company on September 19, 2019, September 30, 2019 and November 29, 2019 pursuant to prospectus and registration exemptions in Canada.

"**Subscription Unit**" means the units issued pursuant to the Unit Private Placements, each of which are comprised of one Common Share and one Warrant.

"**Unit Private Placements**" means the completed brokered private placements of Subscription Units pursuant to prospectus and registration exemptions in Canada and "**Unit Private Placement**" means any one completed brokered private placement of Subscription Units pursuant to prospectus and registration exemptions in Canada.

"**Voting Share**" means a security of an issuer that:

(a) is not a debt security, and

(b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

"**Warrants**" means Common Share purchase warrants on such terms described herein in respect of such warrants.

"**XTM**" means XTM Inc., a corporation incorporated under the OBCA.

"**Zoom**" means Zoompass Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus contains forward-looking statements concerning the business, operations and financial performance and conditions of XTM. All statements other than statements of historical fact contained in this Prospectus are forward-looking statements, including, without limitation, projected costs, plans and objectives of or involving XTM, Hope Well or XTM.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or similar words or the negative of these terms.

Forward-looking statements relating to XTM and XTM include, among other things, statements relating to:

- XTM's expectations regarding its expenses, sales and operations;
- XTM's ability to anticipate the future needs of its customers;

- XTM's ability to attract new customers and obtain or increase purchases from repeat customers;

- XTM's plans for broadening the scope of products offered to potential customers;

- XTM's plans to increase awareness of its brands through marketing and promotional activities;

- XTM's plans to manage new and existing technologies and sales channels, including mobile device offerings; and

- XTM's anticipated trends and challenges in the markets in which it operates.

These statements reflect XTM's current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Although XTM believes that the assumptions underlying the statements related to XTM are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements.

While XTM believes its plans, intentions and expectations reflected in the forward-looking statements relating to are reasonable, it cannot assure you that these plans, intentions or expectations will be achieved. XTM's actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements relating to XTM contained in this Prospectus as a result of various factors, including the risks, uncertainties and assumptions discussed under "*RISK FACTORS*", which include, but are not limited to, the following:

- limited operating history of XTM;

- XTM's negative operating cash flow;

- stability and operation of the XTM platform and mobile applications, and damage to XTM's reputation;

- availability of new qualified developers;

- disruption in customers service;

- change of interchange rates;

- customer concentration; and

- online security breaches and disruption as well as reliance on data centers.

These risks, uncertainties, assumptions and other factors could cause XTM's actual results, performance, achievements and experience to differ materially from XTM's expectations, future results, performances or achievements expressed or implied by the forward looking statements.

The forward looking statements made in this Prospectus relate only to events or information as of the date on which the statements are made in this Prospectus. XTM undertake no obligation to update or revise publicly any forward looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this Prospectus with the understanding that XTM's actual future results may be materially different from what is expected.

INFORMATION PERTAINING TO XTM

The information contained or referred to in this Prospectus with respect to XTM and its industry has been provided by the management of XTM and is the responsibility of XTM.

NOTICE TO INVESTORS

Date of Information

Unless otherwise stated, the information contained in this Prospectus is given as of January 16, 2020.

Reporting Currencies

All dollar amounts set forth in this Prospectus are in Canadian dollars, except where otherwise indicated. In this Prospectus, references to "$", "dollars" or "Canadian dollar" are to Canadian dollars.

Market Data

Unless otherwise indicated, information contained in this Prospectus concerning XTM's industry and the markets in which it operates, including its general expectations, market position and market opportunity, is based on information from industry publications and reports generated by several third parties and management estimates. Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from XTM's internal research, and are based on assumptions made by XTM based on such data and its knowledge of such industry and markets, which XTM believes to be reasonable. These industry publications and reports generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. XTM has not independently verified the data in such publications, reports or resources, and such information is inherently imprecise. In addition, projections, assumptions and estimates of XTM's and XTM's future performance and the future performance of the industry in which XTM operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under "*RISK FACTORS*".

SUMMARY

The following is a summary of certain information relating to XTM and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

The Company

XTM was incorporated pursuant to the laws of the Province of Ontario on December 1, 2005. XTM's registered and head office is located at 67 Mowat Avenue, Suite 437, Toronto, ON M3K 3E3.

XTM is a Toronto based financial technology company specializes in designing, building and maintaining payment and ecommerce solutions customized for business and consumers. XTM has proprietary mobile wallet solutions and feature rich online applications. Launched in 2005, XTM currently provides services to users across Canada and in some states in the United States and employs 15 people as well as some consultants.

For more detailed information regarding XTM, see "*BUSINESS OF XTM*".

Interests of Insiders, Promoters or Control Persons

On the Closing Date it is anticipated that:

- the directors of XTM will be Marilyn Schaffer, Cameron Chell and Paul Haber;
- the officers of XTM will be:
  - Marilyn Schaffer, CEO and Chairperson; and
  - Olga Balanovskaya, CFO; and
- Marilyn Schaffer will be a Promoter.

Available Funds and Principal Purposes

Available Funds

The following table sets forth the funds anticipated to be available to the Company upon Closing and the proposed use of such funds over the next 12 months and contains forward-looking information developed for this Prospectus:

Cash	$73,757.02
Prepaid Expenses	$64,348.17
Receivables	$451,656.09
Funds from Subscription Receipt Offering (net)	$599,980.00
Available funds from Operating Loan	$750,000
Total Available Funds	**$1,939,741.28**
Principal Purposes for the Available Funds	
General and Administrative Expenses for 12 Months	$1,007,620
Estimated expenses for the listing (including legal, audit and listing fees)	$100,000
Total Uses of Funds	**$1,107,620**

For further information, see "*USE OF AVAILABLE FUNDS*".

Financial Information

The following table sets out selected financial information for XTM. The following information should be read in conjunction with the unaudited interim financial statements of XTM for the nine month period ended September 30, 2019 and the audited financial statements of XTM as at December 31, 2018, December 31, 2017 and December 31, 2016 attached hereto as Schedule "A", Schedule "C", Schedule "E" and Schedule "G", respectively. The following information should be read in conjunction with those financial statements and the accompanying notes found elsewhere in this Prospectus. See "*USE OF AVAILABLE FUNDS*".

	For the nine month period ended September 30, 2019 ($) (unaudited)	**For the year ended December 31, 2018 ($) (audited)**	**For the year ended December 31, 2017 ($) (audited)**	**For the year ended December 31, 2016 ($) (audited)**
Revenue	$670,822	$663,875	$1,057,825	$939,086
Gross Profit	$138,743	$49,787	$637,169	$611,876
Net Income (Loss)	$ (1,434,729)	$ (1,134,187)	$85,453	$ (65,163)
Current Assets	$874,612	$1,213,544	$307,423	$316,792
Total Assets	$2,378,126	$3,109,284	$350,237	$338,804
Total Liabilities	$553,417	$255,573	$242,230	$316,250
Shareholders' Equity (Deficiency)	$1,824,709	$2,853,711	$108,007	$22,554

Experts

Except as disclosed herein, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus holds any beneficial interest, direct or indirect, in any securities or property XTM or of an Associate or Affiliate of XTM, respectively, and no such person is expected to be elected, appointed or employed as a director, officer or employee of XTM or of an Associate or Affiliate of XTM.

Risk Factors

XTM's future development and operating results may be very different from those expected as at the date of this Prospectus. An investment in securities of XTM is highly speculative and involves a high degree of risk and should only be made by investors who can afford to lose their entire investment. Prior to making an investment decision, investors should carefully consider the risks summarized below and those described elsewhere in this financing statement, which are in addition to the usual risks associated in a business at an early stage of development.

The risks, uncertainties and other factors, many of which will be beyond the control of XTM, that could influence actual results include, but are not limited to, the following: limited operating history; negative operating cash flow and absence of profits; competition; reduction in consumer confidence; ownership and protection of intellectual property; laws and regulations related to XTM's business; dependence on XTM's management team; growth-related risks; online security breaches and service disruption; reliance on data centers; future financing requirements; completion of the listing of the shares; price volatility of Common Shares and lack of liquidity; XTM has no record of paying dividends and does not expect to do so in the near future; and shareholder investments may be subject to dilution.

For a complete discussion of the risks associated with XTM's business; and the ownership of Common Shares; see "*RISK FACTORS*".

CORPORATE STRUCTURE

Name and Incorporation

XTM was incorporated under the Business Corporations Act of Ontario on December 1, 2005 under the name "Extreme Corp Makeover Inc." On October 23, 2006, articles of amendment were filed to change the name of Extreme Corp Makeover Inc. to XTM Inc. XTM's registered office is located at 67 Mowat Avenue, Suite 437, Toronto, ON M3K 3E3.

BUSINESS OF XTM

Description of the Business

XTM is a Toronto based financial technology company specializes in designing, building and maintaining payment and ecommerce solutions customized for business and consumers. XTM has proprietary mobile wallet solutions and feature rich online applications. Launched in 2005, XTM currently provides services to users across Canada, the United States, Europe and Jamaica.

Product / Services Summary

XTM has leveraged the assets and agreements acquired from the acquisition of Zoom and has expanded these offerings to provide a full suite of digital banking solutions, all available via one application programming interface from XTM. Through the use of XTM's products and services, users are able to decide the best method of sending and receiving money based on speed and cost.

These services include the following:

1. Pre-Authorized Debit - provides billers and or service providers to withdraw money from bank accounts at a predetermined date and time.

2. Direct Deposit Account - allows the assignment of a routing and account number for the purposes of accepting automatic clearing house and electronic funds transfers without the need of a dedicated bank account.

3. Visa Direct and Mastercard Send - enables fast, near real time payments and funds delivery directly to financial accounts using credit, prepaid and debit Visa and Mastercard credentials.

4. Automated Clearing House and Electronic Funds Transfer - bank to bank electronic payments.

5 Remittance Application Programming Interface - interoperability between end user accounts and remittance providers via a mobile application.

Market

XTM's market niches and targets include the following: (i) companies that make payments to contracted workers or independent contractors; (ii) businesses that want a loyalty and or reward payment programs; and (iii) wage disbursement services to full-time and part-time employees such as tips for hospitality workers, hair stylists and earnings payout.

The potential customers of XTM include any organization which makes a significant number of payments to individuals who are independent contractors or employees where disbursing cash or earnings is difficult. XTM provides a free full featured mobile banking solution.

Marketing Plans and Strategies

XTM intends to market its products and services using a multifaceted marketing strategy which includes leveraging relationships with existing customers as well as integrating and leveraging large acquirers like First Data, Moneris and other large independent sales organizations (ISOs) and point of sale (POS) platforms like Touch Bistro and Clover. XTM's marketing focus is on expanding its existing offerings and expanding the offering outside of its existing contracted customers in including but not limited to hourly workers both full and part time, as well as other countries and vertices.

Specialized Skill and Knowledge

XTM's business requires the skillset and knowledge of prepaid card issuing programs and related setup, operating secure and compliant systems, transaction processing. XTM has and continues to provide services leveraging these skillsets and knowledge.

Competitive Conditions

As an enterprise and software business with a focus on full service mobile banking applications along with instant access to tips and earnings, XTM competes with a relatively small number of providers. XTM's major competitors are as follows:

- Koho.ca ("**Koho**") is a pro-consumer financial technology company with a mission to reinvent personal banking for the masses. Koho provides a mobile wallet and a prepaid Visa card. Koho is a business direct to consumer marketer and a Visa prepaid card issuer.

- Getstack.ca – is very similar to Koho but has layered on rewards and discounts. They provide a mobile wallet and a prepaid Visa card. Users can get cash back and discounts when they use the Visa card through card link offers.

Employees

During and at the end of 2019, XTM employed 15 individuals, as well as retained the services of consultants.

Narrative Description of XTM's Revenue

Most of XTM's recurring revenue in 2018 can be attributed to the following sources, as described in more detail below:

- Monthly minimum revenue thresholds in contracts with XTM's clients
- Set up or development fees charged to XTM clients
- Interchange Fees
- Transaction Fees

a. Monthly Minimums

XTM has certain contractual arrangements whereby customers must meet monthly gross billing minimums. Setting up new customers can be time consuming and rather than charge very large setup fees, the Company in certain circumstances charges minimum gross billing amounts after a ramp up period of three to six months depending on the program.

b. Set up or Development Fees

Customers are charged a setup fee for onboarding new programs, to cover XTM's due diligence costs, IT setup resources and pass through of other costs like Visa and Mastercard BIN setup fees. As well, all customers are charged development fees for any new program changes, additions or requirements they request.

c. Interchange Fees

Since XTM is the card issuer, the Company is entitled to interchange fees that are being charged to merchants. Depending on the network (Visa or Mastercard), the type of program (consumer-loaded or business-loaded and use) and the country of issuance (Canada or USA), the interchange fees can range from 1.25% to 2.6% of the amount charged to cards on which XTM is entitled to such interchange fees.

d. Transaction Fees

> **Interac e-Transfer Transactions –** Interac e-Transfers allow users to transfer money from their mobile wallet to most Canadian bank accounts in real time by adding a recipient, recipient email address and specify the amount to transfer. Recipients will then receive a link via email and can deposit the funds to a bank account. XTM charges a $1.50 fee per transfer, which is in line with the fee charged by the big five Canadian banks. XTM earns a fee net revenue for this service of between $0.75 and $1.00.
>
> **ATM (Automated Teller Machine) Transactions –** XTM allows Canadian and U.S. users to use their cards at any ATM. All off-network locations are subject to a XTM ATM fee of $2.50. XTM earns a net fee for these transactions ranging from $1.00 to $1.25 after negative interchange and network fees.
>
> **Load Fee Transactions –** XTM may, depending on the program charge a small fee in order to load funds onto a card or a user's XTM mobile wallet. This fee is generally between $0.50 to $1.00 depending on the program and country.
>
> **Peer to Peer Transactions –** XTM can instantly move money across its own platform from wallet to wallet, or wallet to bank, or bank to wallet. XTM earns a transaction fee for such transactions of up to $2.50, depending on the program, amount and country.
>
> **Foreign Exchange Transactions –** Like most credit card providers, XTM charges a mark-up fee equal to 2.5% of the foreign currency exchange on the value of the transaction.

Account Maintenance Fee – XTM charges a fee for dormant or inactive accounts ranging between $3.95 and $9.95 per month.

Cycles

XTM's business is not cyclical nor is it subject to seasonality.

Regulatory Framework

XTM is a registered money service business with the Financial Transactions and Reports Analysis Centre of Canada and the Financial Crimes Enforcement Network.

XTM is Payment Card Industry compliant through the Payment Card Industry Data Security Standard.

Changes to Contracts

XTM does not expect any aspect of its business to be affected during 2020 by renegotiation or termination of contracts that it is currently a party to.

Foreign Operations

XTM provides services to users in the United States, Europe and Jamaica. Revenue's provided by foreign operations represents a small portion of XTM's revenue, and as such, XTM does not have any dependence on its foreign operations.

Future Developments

XTM's product is at the commercial stage and the Company currently generates revenues from its product offerings. XTM intends to continue evolving its technology platform, based on its operational experience and comments from current and potential customers, to maintain its strategic differentiation and competitive positioning. XTM is planning to add new features, such as cash back rewards, overdraft and micro lending. All of the aforementioned features will increase POS transaction interchange, which generates the highest revenue for XTM. Other programs that XTM is planning to adopt, include a referral fee program, credit reporting program, and location based advertising.

General Development of the Business

XTM was founded by Marilyn Schaffer in 2005 to provide digital branding and marketing services to emerging technology companies.

In 2006, XTM signed its first clients including but not limited to Adlib Software, MyScreen Mobile and Thomson Rogers. XTM's primary business strength was building web sites including delivered digital design, web site build, content development and search engine optimization.

In 2009 leveraging the success of the original business and customers XTM expanded its offerings to include full service marketing, advertising and branding. The first non-digital customers were Polar Wireless, ACH Foods and Korhani Furnishings to name a few. The business continued to grow organically and through referrals. XTM staff and resources grew and garnered a reputation in Toronto as an affordable value driven boutique advertising agency. The typical contract terms were focused around specific projects and with a 6-12 months minimum contract term and a minimum spend of $100,000 over the period of the particular contract or project.

In 2014, XTM won the contract with Rovio Entertainment to market the first of its kind prepaid Angry Birds VISA branded prepaid card. This was the Company's first experience with prepaid network branded financial products. XTM was successful in raising a significant amount of awareness of the product across Canada. Through Rovio, XTM was introduced to PayMobile Inc. ("**Paymobile**") who was the underlying technology provider for the Angry Birds Visa branded prepaid card and associated applications. This led to Marilyn Schaffer making an equity investment in Zoom and XTM signing a marketing and branding contract with Zoom. XTM was instrumental in assisting ZOOM with a successful private placement offer of over $5 million of the securities of Zoom, as well as signing and launching new programs such as The PanAm Games You are Welcome Card, Pivot Petro Canada Card, and The First Card, among others. In 2016 Zoom and XTM mutually agreed to terminate their relationship.

Later in 2016 leveraging its new strength in the financial technology space, XTM engaged with Payfare Inc. a new startup providing corporate prepaid products to on-demand workers in the gig industry. In late 2016 and 2017, XTM also signed contracts with established companies such as French's Foods, Canada Post, Humber College and ING Direct.

Zoom Asset Purchase

In 2018 XTM was informed that Zoom had signed a deal with a third party to sell all of the assets of Zoom relating to prepaid financial products. XTM negotiated with the acquirer to purchase the assets that were to be acquired from Zoom including Zoom's then intellectual property assets, systems, servers, software, contracts, bank accounts and revenue.

Zoom was originally created by EnStream LP which was a joint venture set up by Canada's three largest mobile phone companies Rogers, Telus and Bell Mobility. After investing $40 million and developing the Zoom mobile wallet and realtime peer-to-peer money transfer platform using mobile and online devices, the assets were spun out and sold to Paymobile. Paymobile subsequently changed its name to ZoomPass Inc. In March 2018, XTM signed a letter of intent to acquire all of the assets of Zoom.

On April 15, 2018, XTM completed the acquisition of the Zoom assets through an all stock transaction whereby XTM issued 42,000,000 Common Shares. XTM, as part of the transaction, hired 6 key people from Zoom, including three from IT, one from accounting, one from operations and one from client relations. XTM spent the next several months identifying the current and future opportunities and streamlining its operations. During that period XTM terminated costly redundant banking relationships, processors and unneeded supplier contracts with monthly minimums. XTM also did a full audit of the entire customer portfolio and increased prices or cancelled certain customer contracts that were not profitable.

XTM immediately began leveraging the newly acquired assets and finalized development of the TipsToday and the Today card programs.

Private Placements

Unit Private Placements

XTM completed Unit Private Placements on November 27, 2018, December 5, 2018, January 31, 2019, February 28, 2019, April 30, 2019 and December 27, 2019 for aggregate gross proceeds of $1,353,500. For further details, see "*PRIOR SALES*".

Use of Proceeds

The aggregate gross proceeds of the Unit Private Placements were used primarily to support general working capital requirements and the development of XTM's information technology.

Subscription Receipt Private Placements

XTM completed Subscription Receipt Private Placements on September 19, 2019, September 30, 2019 and November 29, 2019 for aggregate gross proceeds of $650,250. For further details, see "*PRIOR SALES*".

Use of Proceeds

The aggregate gross proceeds of the Subscription Receipt Private Placements, if released to XTM pursuant to the Subscription Receipt Agreement, will be used to pay for professional expenses associated with this Prospectus, finance fees associated with the Subscription Receipt Private Placements, sales and marketing expenditures, and general working capital expenditures.

Remaining proceeds will be used for general administrative expenses of the Company for the 12 months following Closing.

USE OF AVAILABLE FUNDS

This is a non-offering prospectus. The Company is not raising any funds in conjunction with this Prospectus and accordingly, there are no proceeds to be raised by the Company pursuant to this Prospectus.

There is no assurance that additional capital or other types of financing will be available if need or that these financings will be terms at least as favourable to the Company as those previously obtained, or at all. See "*RISK FACTORS*".

The following table sets forth the funds anticipated to be available to the Company upon Closing and the proposed use of such funds over the next 12 months and contains forward-looking information developed for this Prospectus:

Cash	$73,757.02
Prepaid Expenses	$64,348.17
Receivables	$451,656.09
Funds from Subscription Receipt Offering (net)	$599,980.00
Available funds from Operating Loan	$750,000
Total Available Funds	**$1,939,741.28**
Principal Purposes for the Available Funds	
General and Administrative Expenses for 12 Months	$1,007,620
Estimated expenses for the listing (including legal, audit and listing fees)	$100,000
Total Uses of Funds	**$1,107,620**

The general business objectives of the Company are to grow its existing customer base and to enter into new agreements with new customers. The Company does not have any new projects anticipated for the 12 months following the date of this Prospectus, and it is expected that all available funds will be used for general and administrative expenses.

DIVIDENDS OR DISTRIBUTIONS

The Company has not declared or paid dividends in the financial years ended December 31, 2016, December 31, 2017 or December 31, 2018.

Dividend Policy

It is not anticipated that XTM will pay any cash dividends in the foreseeable future. It is expected that XTM will use its earnings to finance further business development. Any future determination to pay dividends will be at the discretion of the Board and will depend on, among other things, XTM's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant. There are no restrictions on XTM's ability to pay dividends.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table sets out selected financial information for XTM. The following information should be read in conjunction with the unaudited interim financial statements of XTM for the nine month period ended September 30, 2019 and the audited financial statements of XTM as at December 31, 2018, December 31, 2017 and December 31, 2016 attached hereto as Schedule "A", Schedule "C", Schedule "E" and Schedule "G", respectively. The following information should be read in conjunction with those financial statements and the accompanying notes found elsewhere in this Prospectus.

	For the nine month period ended September 30, 2019 ($) (unaudited)	For the year ended December 31, 2018 ($) (audited)	For the year ended December 31, 2017 ($) (audited)	For the year ended December 31, 2016 ($) (audited)
Revenue	$670,822	$663,875	$1,057,825	$939,086
Gross Profit	$138,743	$49,787	$637,169	$611,876
Net Income (Loss)	$ (1,434,729)	$ (1,134,187)	$85,453	$ (65,163)
Current Assets	$874,612	$1,213,544	$307,423	$316,792
Total Assets	$2,378,126	$3,109,284	$350,237	$338,804
Total Liabilities	$553,417	$255,573	$242,230	$316,250
Shareholders' Equity (Deficiency)	$1,824,709	$2,853,711	$108,007	$22,554

Attached to this Prospectus as Schedule "B" is the Interim MD&A. The Interim MD&A provides an analysis of the Company's financial results for the nine months ended September 30, 2019, which should be read in conjunction with the financial statements of the Company for the corresponding period, and the notes thereto respectively.

Attached to this Prospectus as Schedule "D" is the 2018 MD&A. The 2018 MD&A provides an analysis of the Company's financial results for the year ended December 31, 2018, which should be read in conjunction with the financial statements of the Company for the corresponding period, and the notes thereto respectively.

Attached to this Prospectus as Schedule "F" is the 2017 MD&A. The 2017 MD&A provides an analysis of the Company's financial results for the year ended December 31, 2017, which should be read in conjunction with the financial statements of the Company for the corresponding period, and the notes thereto respectively.

Certain information included in the Interim MD&A, 2018 MD&A and the 2017 MD&A are forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one ore more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION*".

DESCRIPTION OF SECURITIES

The authorized capital of XTM consists of an unlimited number of Common Shares, Class A Special Shares, Class B Special Shares, and Class C Special Shares. As of the date of this Prospectus, the Company has an aggregate of 82,477,353 Common Shares issued and outstanding.

Common Shares

The holders of the Common Shares are entitled to: (a) vote at all meetings of shareholders; (b) receive cumulative dividends, including (in the discretion of the directors) dividends exclusive of other classes of shares of the Company; and (c) receive on a share-for-share basis, all remaining property and assets of the Company upon dissolution or liquidation.

Common Shares carry no pre-emptive rights, conversion or subscription rights, or redemption or sinking fund provisions.

Class A Special Shares

As of the date of this Prospectus, there are no Class A Special shares in the capital of the Company (the "**Class A Special Shares**") issued and outstanding.

The holders of Class A Special Shares are entitled to: (a) vote at all meetings of shareholders; (b) receive non-cumulative dividends at the discretion of the directors; and (c) receive on an equal basis with other holders of Class A Special Shares without preference or distinction, all remaining property and assets of the Company upon dissolution or liquidation.

Class B Special Shares

As of the date of this Prospectus, there are no Class B Special shares in the capital of the Company (the "**Class B Special Shares**") issued and outstanding.

The holders of Class B Special Shares are entitled to: (a) receive non-cumulative dividends at the discretion of the directors; and (b) to receive on a equal basis with other holders of Class B Special Shares without preference or distinction, all remaining property and assets of the Company upon dissolution or liquidation.

Class C Special Shares

As of the date of this Prospectus, there are no Class C Special shares in the capital of the Company (the "**Class C Special Shares**") issued and outstanding.

The holders of Class C Special Shares are entitled to: (a) receive non-cumulative dividends at a rate prescribed by the directors at time of issue; and (b) to receive on a equal basis with other holders of Class C Special Shares without preference or distinction, all remaining property and assets of the Company upon dissolution or liquidation.

Options

As of the date of this Prospectus, under the Stock Option Plan, the Company has an aggregate of 5,905,000 Options issued to officers, directors, employees, advisors and consultants. See "*OPTIONS TO PURCHASE SECURITIES*".

RSUs

As of the date of this Prospectus, the Company has an aggregate of 2,925,000 RSUs outstanding.

Broker Warrants

In connection for services performed by the agents under the Unit Private Placements, the Company issued an aggregate of 3,461,000 Broker Warrants. Each Broker Warrant is exercisable for 24 months from the date of issuance and entitles the holder to purchase one Common Share at varying exercise prices depending on the terms of the Unit Private Placement such Broker Warrant is issued pursuant to.

Warrants

As of the date of this Prospectus, the Company has an aggregate of 21,542,353 Warrants outstanding. Each Warrant is exercisable for 24 months from the date of issuance and entitles the holder thereof to purchase one Common Share at a range of exercise prices.

Additionally, see "*DESCRIPTION OF SECURITIES – Subscription Receipts*".

Subscription Receipts

As of the date of this Prospectus, 3,825,000 Subscription Receipts are issued and outstanding which were issued pursuant to the Subscription Receipt Private Placements. Each Subscription Receipt entitles the holder to receive, immediately upon the satisfaction of the Company meeting all requirements of the CSE listing and trading of the Common Shares on the CSE on or before January 31, 2020 without any further action by the holder, one Common Share and one Warrant. Each Warrant is exercisable to acquire one Common Share at a price of $0.23 for 24 months from the date of issuance.

No penalty shares are required to be issued if this Prospectus is not receipted by a specified date nor is the Company subject to any similar mechanism resulting in the issuance of shares as a penalty upon a trigger event.

Pursuant to the Finder's Agreement dated July 29, 2019 between XTM and Foster & Associates Financial Services Inc. ("**Fosters**"), upon Closing XTM shall issue 306,000 Warrants to Foster with an exercise price of $0.22, with 104,000 Warrants expiring on September 18, 2021, 40,000 Warrants expiring on September 29, 2021 and 162,000 Warrants expiring on November 28, 2021.

Convertible Loan

Pursuant to the Operating Loan, Samper Developments Ltd. and Sky Ascent Financial Group Inc. shall have the option, in its sole discretion, to convert all or any outstanding principal amounts under the Operating Loan into Common Shares at a price equal to $0.17 per Common Share. See "*MATERIAL CONTRACTS*".

CONSOLIDATED CAPITALIZATION

The following table sets forth the share capital of the Company as of the dates below. The table should be read in conjunction with and is qualified in its entirety by the Interim Financial Statements.

	Authorized Capital	**Outstanding as of the date of this Prospectus**
Common Shares	Unlimited	82,477,353
Options	20% Fixed Plan	9,030,000(1)
Warrants	N/A	25,003,3531)
Shareholder Loan	N/A	126,430
Loan Facility(2)	N/A	250,000

Notes:
(1) See "*OPTIONS TO PURCHASE SECURITIES*".
(2) See "*MATERIAL CONTRACTS*".

OPTIONS TO PURCHASE SECURITIES

The following table summarizes the allocation of Options granted by the Company up to the date of this Prospectus:

Optionholder	**Number of Options**	**Exercise Price**	**Expiry Date**
Executive officers and past executive officers of the Company as a group(1)	500,000	$0.05	March 1, 2021

Executive officers and past executive officers of the Company as a group(1)	50,000	$0.10	June 15, 2031
Directors and past directors of the Company as a group(2)	300,000(6)	$0.01	October 8, 2021
Directors and past directors of the Company as a group(2)	400,000	$0.20	October 8, 2021
Employees and past employees of the Company as a group(3)	830,000	$0.10	March 1, 2021
Consultants of the Company as a group(4)	1,500,000	$0.05	March 1, 2021
Consultants of the Company as a group(5)	2,625,000	$0.10	November 1, 2020
Consultants of the Company as a group(5)	2,625,000(6)	$0.01	November 1, 2020
TOTAL:	8,830,000		

Notes:

(1) This information applies to one executive officer of the Company.
(2) This information applies to two directors of the Company.
(3) This information applies to eleven employees of the Company.
(4) This information applies to three consultants of the Company.
(5) This information applies to one consultant of the Company.
(6) RSUs.

PRIOR SALES

The following table summarizes details of the securities issued by the Company during the 12-month period prior to the date of this Prospectus:

Date of Issuance/Grant	Type of Security	Number of Securities	Issue/Exercise Price
January 31, 2019	Common Shares	1,355,000(1)	$0.10
January 31, 2019	Warrants	1,355,000 (2)	$0.13
January 31, 2019	Broker Warrants	104,400(3)	$0.10
February 28, 2019	Common Shares	1,020,000(4)	$0.10
February 28, 2019	Warrants	1,020,000(5)	$0.13
February 28, 2019	Broker Warrants	81,600(6)	$0.10
April 30, 2019	Common Shares	2,250,000(7)	$0.10

Date of Issuance/Grant	Type of Security	Number of Securities	Issue/Exercise Price
April 30, 2019	Warrants	2,250,000(8)	$0.13
April 30, 2019	Broker Warrants	180,000(9)	$0.10
July 9, 2019	RSUs	400,000(10)	$0.01
July 9, 2019	Options	500,000(11)	$0.20
September 18, 2019	Warrants	5,000,000(12)	$0.17
September 19, 2019	Subscription Receipts	1,300,000(13)(14)	$0.17
September 30, 2019	Subscription Receipts	500,000(15)(16)	$0.17
November 29, 2019	Subscription Receipts	2,025,000 (17)(18)	$0.17
December 27, 2019	Common Shares	882,353(19)	$0.17
December 27, 2019	Warrants	882,353(20)	$0.23

Notes:

(1) Issued pursuant to a non-brokered private placement of Subscription Units of the Company.

(2) Issued pursuant to a non-brokered private placement of Subscription Units of the Company. Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.13, expiring on January 31, 2021.

(3) Issued in connection with a non-brokered private placement of Subscription Units of the Company. Each Broker Warrant entitles the holder to purchase one Common Share at an exercise price of $0.10, expiring on January 31, 2021.

(4) Issued pursuant to a non-brokered private placement of Subscription Units of the Company.

(5) Issued pursuant to a non-brokered private placement of Subscription Units of the Company. Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.13, expiring on February 28, 2021.

(6) Issued in connection with a non-brokered private placement of Subscription Units of the Company. Each Broker Warrant entitles the holder to purchase one Common Share at an exercise price of $0.10, expiring on February 28, 2021.

(7) Issued pursuant to a non-brokered private placement of Subscription Units of the Company.

(8) Issued pursuant to a non-brokered private placement of Subscription Units of the Company. Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.13, expiring on April 30, 2019.

(9) Issued in connection with a non-brokered private placement of Subscription Units of the Company. Each Broker Warrant entitles the holder to purchase one Common Share at an exercise price of $0.10, expiring on April 30, 2019.

(10) Issued pursuant to director compensation. RSUs expire on October 8, 2021

(11) Issued pursuant to director compensation. Options expire on October 8, 2021.

(12) Issued pursuant to Operating Loan between the Company, Samper Developments Ltd. and Sky Ascent Financial Group Inc. Each Warrant entitles Samper Developments Ltd. and Sky Ascent Financial Group Inc. to purchase one Common Share at an exercise price of $0.17, expiring on September 18, 2021. See "*MATERIAL CONTRACTS*".

(13) Issued pursuant to a private placement of Subscription Receipts, which closed on September 19, 2019. See "*DESCRIPTION OF SECURITIES – Subscription Receipts*".

(14) 104,000 Warrants to be issued to Fosters upon Closing in connection with the Subscription Receipt Private Placement closed on September 19, 2019, at an exercise price of $0.23 and expiring on September 18, 2021. See "*DESCRIPTION OF SECURITIES – Subscription Receipts*".

(15) Issued pursuant to a private placement of Subscription Receipts, which closed on September 30, 2019. See "*DESCRIPTION OF SECURITIES – Subscription Receipts*".

(16) 40,000 Warrants to be issued to Fosters upon Closing in connection with the Subscription Receipt Private Placement closed on September 30, 2019, at an exercise price of $0.23 and expiring on September 29, 2021. See "*DESCRIPTION OF SECURITIES – Subscription Receipts*".

(17) Issued pursuant to a private placement of Subscription Receipts, which closed on November 29, 2019. See "*DESCRIPTION OF SECURITIES – Subscription Receipts*".

(18) 162,000 Warrants to be issued to Fosters upon Closing in connection with the Subscription Receipt Private Placement closed on November 29, 2019, at an exercise price of $0.23 and expiring on November 28, 2021. See "*DESCRIPTION OF SECURITIES – Subscription Receipts*".

(19) Issued pursuant to a non-brokered private placement of Subscription Units of the Company.

(20) Issued pursuant to a non-brokered private placement of Subscription Units of the Company. Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.23, expiring on December 26, 2021.

ESCROWED SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

In the event that the Common Shares become listed on the CSE, the Company anticipates that it will be classified as an "emerging issuer", as defined under NP 46-201 upon such listing. Each of the persons named below (collectively, the "**Escrow Holders**") would fall within the definition of "principal" of an emerging issuer under NP 46-201. In accordance with applicable securities rules, the Escrow Holders will execute an escrow agreement with the Company and the Escrow Agent substantially in the form attached as an Appendix to NP 46-201 (Form 46-201F1) (the "**CSE Escrow Agreement")** in respect of an aggregate of 5,910,000 Common Shares, 950,000 Options and 300,000 RSUs prior to the filing of a final prospectus and a listing on the CSE.

10% of such securities held in escrow will be released from escrow on the date the Common Shares are listed on the CSE, and 15% every 6 months thereafter, subject to acceleration provisions provided for in NP 46-201.

Securities held by the following persons will be subject to escrow pursuant to the CSE Escrow Agreement:

Name of the Securityholder	Designation of Securities	Number of Securities to be held in escrow	Percentage of class at the date of Prospectus
Marilyn Schaffer	Common Shares Options	5,000,000 500,000	6.06%(1) 8.47%(2)
Olga Balanovskaya	Common Shares Options	10,000 50,000	0.01%(1) 0.85%(2)
Paul Haber	Common Shares Options RSUs	450,000 150,000 100,000	0.55%(1) 2.54%(2) 3.42%(3)
Cameron Chell	Common Shares Options RSUs	450,000 250,000 200,000	0.55%(1) 4.23%(2) 6.84%(3)

Notes:

(1) Percentage is based on 82,477,353 Common Shares issued and outstanding as of the date of this Prospectus.

(2) Percentage is based on 5,905,000 Options issued outstanding as of the date of this Prospectus.

(3) Percentage is based on 2,925,000 RSUs issued outstanding as of the date of this Prospectus.

The CSE Escrow Agreement provides that the CSE Escrow Securities are held in escrow pursuant to its terms and the beneficial ownership thereof may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with other than in accordance with the terms of the CSE Escrow Agreement. In the event of the bankruptcy of an escrow shareholder, in accordance with the CSE Escrow Agreement, the CSE Escrow Securities held by such escrow shareholder may be transferred to the trustees in the bankruptcy or such person legally entitled to the CSE Escrow Securities, which shares will remain in escrow subject to the CSE Escrow Agreement. In the event of the death of an escrow shareholder, in accordance with the CSE Escrow Agreement, the CSE Escrow Securities held by the escrow shareholder will be released from escrow.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the Company's directors and senior officers, no Person beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares, carrying more than 10% of all voting rights attached to all outstanding shares of the Company as of the date of this Prospectus.

DIRECTORS AND EXECUTIVE OFFICERS

A majority of the XTM Board shall be independent from the Company within the meaning of NI 58-101. A director is independent for the purposes of NI 58-101 if he or she is independent within the meaning of NI 52-110. Subject to certain exceptions, a director is "independent" within the meaning of NI 52-110 if he or she has no direct or indirect material relationship with the issuer. A "material relationship" is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The following table sets out, for each director and officer of XTM, the individual's name, municipality of residence, position(s) to be held with XTM, age, principal occupation(s) within the five preceding years, the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction will be exercised, and, if a director, the year in which the individual became a director of XTM. XTM's directors will be elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of Shareholders.

Name and Municipality of Residence	Proposed Position(s) with XTM	Age	Principal Occupation(s) for the past five years	Director/Officer of XTM Since	Number (and %) of Common Shares to be Owned (2) (8)
Marilyn Schaffer,(1) Mississauga, ON, Canada	CEO and Director	58	CEO of XTM, Inc.; CMO at Paymobile from 2014 -2015.	Dec, 2005	5,000,000 (6.06%)(3)
Olga Balanovskaya, Oakville, ON, Canada	CFO	43	CFO of XTM, Inc.; CFO of Organic Potash Corporation since March 2016; CFO of Adex Mining Inc. since October 2017; Senior Associate at	May, 2019	10,000 (0.01%)(4)

			MNP LLP from 2012-2013.		
Cameron Chell (1)(7) Venice, California, USA	Director	55	Director of XTM, Inc.; CEO Business Instincts group since 2014.	April, 2019	450,000 (0.55%)(5)
Paul Haber,(1)(7) Ajax, ON, Canada	Director	48	Director OF XTM, Inc.; Executive of Gunpowder Capital Corp. since 2015.	April, 2019	450,000 (0.55%)(6)

Notes:

(1) Member of Audit Committee.

(2) Percentage is based on 82,477,353 Common Shares issued and outstanding, on a non-dilutive basis, on the date of this Prospectus.

(3) Ms. Schaffer also holds 500,000 XTM Options exercisable at $0.05 and expiring on March 1, 2021.

(4) Ms. Balanovskaya also holds 50,000 XTM Options exercisable at $0.10 and expiring on June 15, 2031.

(5) Mr. Chell also holds 200,000 XTM Options exercisable at $0.01 and 250,000 XTM Options exercisable at $0.20, all expiring on October 9, 2021.

(6) Mr. Haber also holds 100,000 XTM Options exercisable at $0.01 and 150,000 XTM Options exercisable at $0.20, all expiring on October 9, 2021.

(7) Independent director.

(8) No Insider participated in either the Subscription Receipt Private Placements or the Unit Private Placements.

Biographies

The following are brief profiles of the executive officers and directors of the Company, including a description of each individual's principal occupation within the past five years:

Marilyn Schaffer. Chief Executive Officer

Marilyn Schaffer, age 58, has served as CEO of the Company since December, 2005.

As CEO, Ms. Schaffer is responsible for overseeing all operations of the Company, and developing and devising the means to implement general strategies for the direction and growth of the Company as instructed by the Board. In her capacity as CEO, Audit Committee member, and director of the Company, she devotes approximately 50% of her time to the business and affairs of the company.

Ms. Schaffer is a serial entrepreneur. Ms. Schaffer built her reputation by building the businesses and reputations of others. She founded NEO Communications in the late 90s that was acquired by Omnicom (NYSE: OMC) shortly thereafter. After her earnout was completed the non-compete expired Ms. Schaffer founded XTM, Inc where her team worked with a number of mid-size and large brands including Bell Canada, Bell Mobility, Rogers, Tangerine, Canada Post and AT&T.

In the fall of 2013 XTM launched Rovio's Angry Birds prepaid Visa Card in Canada leading to

Marilyn landing a senior management position with Paymobile which was the company responsible for supplying the Angry Birds Visa Card. Marilyn became an integral part of the turnaround team driving the reinstatement of Paymobile as a Canadian contender in the prepaid financial space.

In April 2018, Marilyn's company XTM Inc. acquired the assets of Zoom (formerly Paymobile and Fintech Holdings Inc.) putting Marilyn and XTM squarely into the Fintech payment space.

Ms. Schaffer is an employee of the Company and has entered into an employment agreement with the Company containing confidentiality, non-solicitation and non-competition provisions.

Olga Balanovskaya, Chief Financial Officer

Olga Balanovskaya, age 43, has served as CFO of the Company since May 2019.

As CFO, Ms. Balanovskaya is responsible for financial matters, including providing monthly, quarterly and annual financial reports to the Board of Directors and senior management of the Company. In her capacity as CFO, Ms. Balanovskaya devotes approximately 50% of her time to the business and affairs of the company.

Ms. Balanovskaya is a CPA, CGA and ACCA and she has an extensive background with over 18 years in financial management of privately owned and public companies, M&A, tax, and financing. Ms. Balanovskaya has extensive experience with fast paced, fast growth companies; she is currently acting as the CFO of two public companies, Organic Potash Corporation (CNSX: OPC) and Adex Mining Inc. (TSXV: ADE). She is also a co-founder of Koral Financial Inc., the company that provides outsourced CFO and consulting services for public and privately owned companies. She is a member of the Chartered Professional Accountants of Ontario as well as the Association of Chartered Certified Accountants (UK) and has a Diploma in International Accounting Standards from the Institute of Financial Accountants (UK).

Ms. Balanovskaya is a consultant of the Company and as of the date of this Prospectus has entered into a non-solicitation and confidentiality agreement with the Company.

Paul Haber, Lead Director

Paul Haber, age 48, has served as Lead Director of the Company since April 2019.

As Lead Director and chair of the Audit Committee member, Mr. Haber devotes approximately 50% of his time to the business and affairs of the company.

Mr. Haber has been involved in corporate finance and capital markets for over 18 years. He has helped many companies navigate the IPO/RTO process and has participated in numerous M&A and financing transactions. Mr. Haber currently has held positions on the board of directors for multiple publicly traded companies on the TSX and TSXV. Mr. Haber is also active in the TSX Venture Capital Pool Company program having helped found the Black Birch Capital Acquisition series of CPCs as well as many others. Mr. Haber started his career with Coopers & Lybrand (now PricewaterhouseCoppers LLP). He is both a Chartered Accountant and a Certified Public Accountant, with an Honours Bachelors of Arts Degree in Management from the University of

Toronto. Paul was awarded his Chartered Director designation from the DeGroote School of Business in partnership with the Conference Board of Canada.

Mr. Haber is an independent director of the Company and has entered into an independent director agreement with the Company containing confidentiality, non-solicitation, and non-competition provisions.

Cameron Chell, Director

Cameron Chell, age 55, has served as a Director of the Company since April 2019.

In his capacity as a Director and Audit Committee member, Mr. Chell devotes approximately 50% of his time to the business and affairs of the company.

Mr. Chell is the CEO of Business Instincts Group, a Venture Creation Services Firm whose focus is building high-tech startups. Mr. Chell's success as both a serial entrepreneur and investor has been built on the founding principles of clarity, alignment and measurement. He spends his time working with entrepreneurs and investors' determining what is most important in projects and specifically how to get it done. He is the founder of ten different companies, which include: TruTrace Technologies, Inc., UrtheCast Corp. and ICOX Innovations, Inc. Mr. Chell has been at the helm of ten different companies and presently is Non-Executive Chairperson for ICOX Innovations, Inc. (which he founded in 2010), Chairperson & Secretary at Ryde Holding, Inc., Chairperson at TruTrace Technologies, Inc. (which he founded in 2011), Chairperson & Chief Executive Officer at Pounce Technologies, Inc. (which he founded in 2007), Chairperson & Chief Executive Officer for Draganfly, Inc., Chairperson & Secretary at Wenn Digital, Inc., Chief Executive Officer & Tax Director at Business Instincts Group, Inc. (which he founded in 2009), Chief Executive Officer of Trace Live Network, Inc. (which he founded in 2014) and Chief Financial Officer & Director at Trax One, Inc.

Mr. Chell is an independent director of the Company and has entered into an independent director agreement with the Company containing confidentiality, non-solicitation, and non-competition provisions.

Corporate Cease Trade Orders or Bankruptcies

No proposed director or officer of XTM is, or within the ten years prior to the date of this Prospectus has been, a director, officer, or Promoter of any person or company that, while that person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under applicable Securities Laws, for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

Other than as provided herein, no proposed director or officer of XTM, nor any security holder anticipated to hold a sufficient number of securities of XTM to materially affect the control of XTM, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision concerning an investment in the Company.

Pursuant to a settlement agreement (the "**Settlement Agreement**") dated November 6, 1998 among Cameron Chell and the Alberta Stock Exchange (the "**ASE**"), Mr. Chell agreed to the following sanctions:

- prohibition against ASE Approval (as defined in the General By-law of the ASE) in any capacity for a period of five years commencing November 6, 1998;
- a fine in the sum of $25,000;
- strict supervision for a period of two years following re-registration in any capacity; and
- close supervision for a period of one year following the period of strict supervision described above.

The matters respecting the Settlement Agreement are as set forth in an ASE Notice to Members dated November 12, 1998, which provides that:

- representations were made by the promoter of a company to one of Mr. Chell’s clients that he would only be permitted to purchase securities in the initial public offering of that company if he would agree to purchase additional securities in the secondary market following the listing on the ASE and, in or around March or April, 1996, Mr. Chell disclosed confidential information to the promoter of that company concerning a client’s account with respect to a cheque returned NSF to Mr. Chell’s employer;
- the investment objectives for two of Mr. Chell’s clients were amended without prior knowledge or consent of such clients and purchases and sales of securities were subsequently executed in the accounts of such clients which were unsuitable for the clients given the stated investment objectives for the accounts prior to the amendment of such investment objectives;
- Mr. Chell executed a total of 21 transactions in the accounts of two of Mr. Chell’s clients without prior knowledge or authorization of such clients;
- the signature on the new client account form for one of Mr. Chell’s clients, which purported to be that of the client was not in fact the signature of the client nor did such client have any knowledge of any changes made to the investment objectives for his account(s);

- on or about June 10, 1996, the address for the account of one of Mr. Chell's clients was changed to Mr. Chell's local post office box address without such client's knowledge and while the client was resident in Ontario. As a result, during the period of June 10 to and including September, 1996, the client did not receive any trade confirmations or accounts statements with respect to her accounts with Mr. Chell;

- on or about March 19, 1996, Mr. Chell permitted one of his clients to acquire approximately 4% of the total initial public offering by a company, contrary to the rules of the ASE;

- on or about October 19, 1996, Mr. Chell purchased securities of a company in the account of one of his clients without disclosing the involvement of his brother as president of that company;

- on or about June 23, 1996, the private placement questionnaire & undertaking completed in connection with the purchase by one of Mr. Chell's clients and filed with the ASE disclosed that Mr. Chell's client was a resident of Alberta when in fact such client was a resident of Ontario. Mr. Chell knew or ought to have known that it contained a misstatement of fact in that regard;

- during the period of the summer, 1996 to and including May 1997, Mr. Chell's day to day involvement as the president and chairman of Coffee.Com Interactive Café Corp. ("**Coffee.Com**") as well as being a shareholder was not disclosed to Mr. Chell's employer.

- Mr. Chell purchased securities offerings via private placement by Coffee.Com for certain of his clients without fully disclosing his involvement with that company to such clients;

- on or about March 18 and June 19, 1996, Mr. Chell executed purchase of securities for Ontario residents. At the time of such purchases, Mr. Chell knew or ought to have known that he was not registered in the province of Ontario;

- during the summer of 1996, Mr. Chell represented to the ASE that certain purchasers of securities offered via private placement were close friends and business associates when he knew or ought to have known that such representations were untrue; and

- during the period of June 19, 1996 and to and including May 1, 1997, Mr. Chell failed to obtain the prior approval of his employer for advertisements and sales literature distributed by Mr. Chell regarding Coffee.Com.

Personal Bankruptcies

Other than as provided herein, no proposed director or officer of XTM, nor security holder anticipated to hold a sufficient number of securities of XTM to affect materially the control of XTM, nor a personal holding company of any such person has, within the ten years before the date of the Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director or officer, or personal holding company of any such person.

On November 6, 2006, Cameron Chell filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act (Canada). RSM Richter Inc. was appointed as Mr. Chell's trustee. Mr. Chell was absolutely discharged from bankruptcy on May 18, 2010. Mr. Chell's bankruptcy related to the calling of a $3 million personal guarantee Mr. Chell made to HSBC with respect to an operating line of credit granted by HSBC to Logicorp Data Systems, Ltd. ("**Logicorp**"). HSBC had initially granted Logicorp the line of credit without requiring a personal guarantee. However, Logicorp subsequently became subject to a number of reseller rebate claims that adversely affected its financial position and, once this became known to HSBC, HSBC attempted to reduce the operating level amount available upon which Logicorp could draw under the line of credit. At the time, Mr. Chell was a significant shareholder of Logicorp's parent company, Chell Group Corporation, as well as a director and officer of Logicorp. In negotiations with HSBC, it was agreed that Mr. Chell would provide a personal guarantee to HSBC in order to maintain the previous operating level under the line of credit. Ultimately, Logicorp defaulted on the line of credit and HSBC called on Mr. Chell's personal guarantee.

Conflicts of Interest

To the best of XTM's knowledge, there are no known existing or potential conflicts of interest among XTM and a proposed director or officer of XTM as at the date hereof.

Other Reporting Issuer Experience

The following table sets out the proposed directors and officers of XTM that are, or have been within the last five years, directors, officers or Promoters of other reporting issuers in any Canadian jurisdiction:

Name	Name and Jurisdiction of Reporting Issuer	Market or Exchange Traded On	Position	From	To
Paul Haber	Chinapintza Mining Corp.	TSXV	Chairperson and Director	June 2013	Present
Paul Haber	GTEC Holdings Ltd.	TSXV	CEO, CFO, Corporate Secretary and Director	September 2012	June 2018
Paul Haber	Minco Base Metals Corporation	TSXV	Director	March 2011	January 2018

Paul Haber	TriMetals Mining Inc.	TSX	Director	December 2006	May 2016
Olga Balanovskaya	Organic Potash Corporation	CSE	CFO	March 2016	Present
Olga Balanovskaya	Adex Mining Inc.	TSXV	CFO	October 2017	Present
Cameron Chell	Pounce Technologies Inc.	TSXV	CEO and Director	October 2017	Present
Cameron Chell	TruTrace Technologies Inc.	CSE	Chairperson and Director	December 2017	Present
Cameron Chell	CurrencyWorks Inc.	TSXV	Chairperson and Director	October 2017	Present

EXECUTIVE COMPENSATION

In this section "Named Executive Officer" ("**NEO**") means each individual who acted as CEO, or acted in a similar capacity, for any part of the most recently completed financial year, each individual who acted as CFO, or acted in a similar capacity, for any part of the most recently completed financial year, and the most highly compensated executive officer, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was more than $150,000, as well as any individual for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Company. In accordance with applicable securities legislation, the Company currently has two NEOs; being Marilyn Schaffer, CEO and a director, and Olga Balanovskaya, CFO.

Overview

The Board is responsible for setting the overall compensation strategy of XTM and for evaluating and approving the compensation of directors and executive officers based on recommendations of management. It is the objective of XTM's executive compensation program to attract and retain highly qualified executives and to link incentive compensation to performance and shareholder value.

XTM's executive compensation program currently consists of: (i) a base salary, (ii) discretionary cash bonuses, and (iii) Options granted pursuant to the Stock Option Plan.

Base Salary

Base salary of NEOs is established based on their responsibilities, competencies and prior relevant experience, while taking into account compensation paid in the market for similar positions. Base salary is not contingent on short-term variations in operating performance, and therefore sustains individual performance and competency development.

Short-Term Incentive

Historically, NEOs were eligible to receive a discretionary cash bonus as determined by the Board from time to time. In anticipation of the completion of the listing of Common Shares, the Board adopted a compensation program providing for eligibility for annual cash bonuses for NEOs providing for up to 50% of their base salary annually, calculated and paid on a monthly basis, up to a maximum of $4,300 per month as already adopted by the existing the Board. Every month, in order to calculate the portion of the annual bonus payable (if any) XTM will determine its net new subscribers. The bonus is payable depending on the percentage of growth (if any) in that month. If net subscriber growth for the month is achieved, up to 100% of the total monthly bonus is payable, on a pro rata basis, with no bonus being payable at no new net subscriber growth and 100% of the monthly bonus being payable at 15% or more net new subscriber growth.

The target amounts for which NEOs are entitled under the annual bonus plan will be approved by the Board on an annual basis, and the Board will maintain the discretion at all times to grant discretionary bonuses or commissions, including in the context of acquisitions, to modify, amend or terminate short term incentive plans at all times, and to deviate from the plans or grant individual exceptions.

Stock Option Plan

Incentive stock options are governed by the Stock Option Plan which is a 20% fixed stock option plan. The purpose of the Stock Option Plan is to offer to XTM's directors, officers, employees and consultants (and those of XTM's affiliates) the opportunity to acquire a proprietary interest in the Company, thereby providing an incentive to such persons to promote the best interests of the Company, and to provide us with the ability to attract qualified persons as directors, officers and employees. The Stock Option Plan is administered by XTM's directors; the material terms of which are as follows:

1. A maximum of 16,319,000 options may be granted under the Stock Option Plan, unless later amended by shareholders.

2. The term of any options granted under the Stock Option Plan will be fixed by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of ten years, with the exception of any options extended due to a Blackout Period (as defined in the Stock Option Plan).

3. The exercise price of any options granted under the Stock Option Plan will be determined by the board of directors, in its sole discretion and subject to the policies of the Exchange, but shall not be less than $0.01 per Share.

4. The board of directors may impose vesting periods on any options granted.

5. All options will be non-assignable and non-transferable (except upon the death of an option holder, in which case any outstanding options may be exercised by the option holder's successors).

6. If an option expires or terminates for any reason without having been exercised in full, the unexercised options shall again be available for granting under the Stock Option Plan.

7. The board of directors shall not grant options to any one person in a 12 month period which will, when exercised, exceed 5% of the issued and outstanding Shares of the Company (calculated at the date such options are granted); or to any one consultant or to those persons employed by the Company who perform investor relations services which will, when exercised, exceed 2% of the issued and outstanding Shares of the Company, calculated at the date such options are granted. Options granted to Eligible Charitable Organizations (as that term is defined in the Stock Option Plan) shall not at any time exceed 1% of the issued and outstanding Shares of the Company, calculated at the date such options are granted.

8. If the option holder ceases to be a director of the Company (other than by reason of death, disability or termination for just cause), then the option granted shall expire on no later than the 30th day following the date that the option holder ceases to be a director of the Company, subject to the terms and conditions set out in the Stock Option Plan. If the option holder is engaged in investor relations activities or ceases to be an employee, consultant or management company employee of the Company (other than by reason of death or termination for just cause), then the option granted shall expire on no later than the 30th day following the date that the option holder ceases to be employed or contracted by the Company, subject to the terms and conditions set out in the Stock Option Plan. If the option holder's position as a director, officer, employee or consultant is terminated for just cause, then the option granted shall expire the date of termination for just cause.

9. Disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the option holder is an insider; (ii) any grant of options to insiders or any increase in the number of Shares reserved for issuance pursuant to options previously granted, within a 12 month period, exceeding 10% of the Company's issued Shares at the time of the grant of the options; (iii) any grant of options to any one individual, within a 12 month period, exceeding 5% of the Company's issued Shares; and (iv) any individual option event that would result in the limitations set out in items (ii) or (iii) being exceeded.

10. Options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares.

As of the date hereof, there are an aggregate of 16,319,000 stock options available for grant under the Stock Option Plan.

Long-Term Incentive

To date, XTM has not used any deferred or long-term incentive compensation arrangements with NEOs. Upon completion of the CSE listing, the Board intends to evaluate and adopt appropriate equity-based awards programs to supplement Stock Option Plan in order to incentivize and retain NEOs for their sustained contribution to XTM.

In anticipation of the listing of Common Shares, it is expected that the Board may grant Options to purchase Common Shares to each of NEOs prior to Closing of at an exercise price to be determined at the time of grant. XTM anticipates that XTM will adopt a program whereby it will grant each XTM NEO a percentage of his/her base salary in long-term incentives on an annual basis.

Benefits

XTM offers certain benefits to its employees, including NEOs, as part of a group insurance plan.

Perquisites

Certain NEOs are eligible for car allowance and expense reimbursement for business expenses reasonably incurred while fulfilling their duties.

Koral Memorandum of Agreement

The Company entered into a Memorandum of Agreement with Koral Financial Inc. ("**Koral**"), an Ontario Corporation, whereby the Company engaged Koral, as of May 1, 2019, to provide CFO services to the Company, including financial, managerial, and administrative services (the "**CFO Agreement**"). The term of the CFO Agreement is for six months, with an automatic renewal for an additional 12 months unless termination of the agreement occurs. The Company will compensate Koral $5,000 per month for services rendered, in addition to reimbursement for expenses incurred in connection with Koral's services to the Company. In addition, Koral is entitled to participate in the Company's security-based compensation arrangements, on such terms and conditions as determined by the Board.

The CFO Agreement can be terminated as follows:

1. By Koral, at any time, on the giving of three months written notice.
2. By the Company, at any time without notice or pay in lieu thereof, for cause, including:
    a. Any material breach of the CFO Agreement
    b. Any conduct by Koral which tends to bring the Company into disrepute

c. The commission of an act of Bankruptcy
d. The conviction of Koral of a criminal offence; and
e. Any and all omissions, commissions or other conduct which would constitute cause at law.

Summary Compensation Table

Table of Compensation Excluding Compensation Securities

The following table sets out information concerning the compensation paid by XTM to its NEOs for the financial years ended December 31, 2017 and December 31, 2018.

Name and Position	Fiscal Year	Salary, consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting fees ($)	Value of perquisites ($)	Value of all other compensation ($)	Total Maximum Compensation
Marilyn Schaffer, CEO and director	2017	$90,000	Nil	NIL	$16,200	Nil	$106,200
	2018	$150,000(1)	Nil	NIL	$16,200(2)	Nil	$166,200
Cameron Chell, director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Paul Haber, director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Olga Balanovskaya, CFO	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil

Notes:
(1) Annual salary of $180,000.
(2) Corporate vehicle leased at $1,350/month.

Compensation Securities

The following table sets summarizes all compensation securities granted or issued to each director and XTM NEO for the financial year ended December 31, 2018.

Name and Position	Fiscal Year	Type of security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price ($)	Closing price of security or underlying security on date of grant ($)	Closing price of security or underlying security at year end ($)	Expiry Dates
Marilyn Schaffer, CEO and director	2018	Option	500,000 (8.33%)	March 1, 2018	$0.05	$0.05	$0.05	March 1, 2021
Olga Balanovskaya, CFO	2018	Option	50,000 (0.833%)	June 15, 2018	$0.10	$0.10	$0.10	June 15, 2031

Exercise of Compensation Securities by Directors and NEOs

As of the date of the Prospectus, no compensation securities have been exercised by a director of XTM or a NEO.

Director Compensation

The directors of XTM are Marilyn Schaffer and Paul Haber and Cameron Chell. Marilyn Schaffer did not receive additional compensation for serving as a director of XTM. Paul Haber and Cameron Chell are each issued Options and RSUs as compensation for serving as directors of XTM (see "*PRIOR SALES*") and shall be paid a cash compensation amount of $1000 paid annually.

All directors are entitled to be reimbursed for expenses reasonably incurred by them in their capacity as directors.

Upon completion of the listing on CSE, the Board intends to implement a director compensation program designed to attract and retain qualified individuals who possess the relevant experience of board membership with other successful Canadian and U.S. listed corporations, and align the compensation of the directors with the interests of XTM's Shareholders through equity-based compensation.

Directors will be entitled to be reimbursed for reasonable travel and other expenses incurred by them in carrying out their duties as directors. There are currently no service contracts or agreements, or predetermined plans or arrangements, between the Company and any of the directors with respect to payments upon termination of their services as a director.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director, executive officer or employee of the Company or their respective Associates or Affiliates is indebted to the Company as of the date of this Prospectus or at any time during the most recently completed financial year of the Company.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Corporate Governance

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with day-to-day management of the Company. National Instrument 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

In accordance with NI 58-101, XTM's corporate governance practices are summarized below. The Board will continue to monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

Board of Directors

The Company's Board is currently composed of three directors – Marilyn Schaffer, Paul Haber, and Cameron Chell. The Board facilitates its exercise of independent supervision over management by ensuring sufficient representation by directors independent of management.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, NI 58-101 suggests that the board of directors should include a number of directors who do not have interests in either the company or the significant shareholder. The independent directors would exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary. Two-thirds of the Board is independent. Each of Paul Haber and Cameron Chell are considered to be "independent" within the meaning of NI 58-101. Marilyn Schaffer, as CEO of XTM, is not considered "independent" within the meaning of NI 58-101**.**

The independent directors will meet separately from the non-independent directors, as determined necessary from time to time, in order to facilitate open and candid discussion among the independent directors. Given the Company's relatively small size and nature, the Board is satisfied as to the extent of independence of its members. The Board is satisfied that it is not constrained in its access to information, in its deliberations, or in its ability to satisfy the mandate established by law to supervise the business and affairs of the Company, and that there are sufficient systems and procedures in place to allow the Board to have a reasonable degree of independence from day-to-day management.

Board Mandate

The Board does not presently have a written mandate describing how the Board delineates its role and responsibilities. The Board considers that management is effectively supervised by the independent directors on an informal basis as the independent directors have regular and full access to management. Further supervision is performed through the Audit Committee which is composed of a majority of independent directors who meet with the Company's auditors without management being in attendance.

Position Descriptions

Chairperson of the Board

Marilyn Schaffer will be the Chairperson, and in such role, she is principally responsible for overseeing the operations and affairs of the Board, as well as reviewing notices of meetings, overseeing meeting agendas, conducting and chairing meetings in accordance with good practices, and reviewing minutes of meetings.

Lead Director

Paul Haber will be the lead director of the Board and ensures that the Board discharges its responsibilities, that the Board evaluates performance of management objectively and that the Board understands the boundaries between the responsibilities of the Board and of management.

CEO

The duties and responsibilities for the Company's CEO are commensurate with the position of CEO of a fintech company comparable in size to the Company and include overseeing all operations of the Company, and developing and devising the means to implement general strategies for the direction and growth of the Company as instructed by the Board.

Meetings of Independent Directors

The Board will hold regularly-scheduled quarterly meetings as well as ad hoc meetings from time to time. In the course of meetings of the Board or of committees of the Board, the independent directors hold meetings, or portions of such meetings, at which neither non-independent directors nor officers of XTM are in attendance.

If a director or officer holds an interest in a transaction or agreement under consideration at a Board meeting or a Board committee meeting, that director or officer shall not be present at the time the Board or the Board committee deliberates such transaction or agreement and shall abstain from voting on the matter, subject to certain limited exceptions provided for under applicable law.

Chairperson of the Board

Marilyn Schaffer will be the Chairperson, and in such role, she is principally responsible for overseeing the operations and affairs of the Board.

Lead Director

Paul Haber will be the lead director of the Board and ensures that the Board discharges its responsibilities, that the Board evaluates performance of management objectively and that the Board understands the boundaries between the responsibilities of the Board and of management.

Board Mandate

It is expected that the Board will implement adopt a written charter describing, *inter alia*, the Board's role and overall responsibility to supervise the management of the business and affairs of XTM following completion of the listing of Common Shares.

Position Descriptions

It is expected that the Board will develop and implement written descriptions for the Chairperson, the lead director, and the chair of each committee of the Board, as well as a written position description for the role of the CEO following completion of the listing of Common Shares.

Directorships

The following table sets out the proposed directors of XTM that are, as of the date of this Prospectus, directors of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Market or Exchange Traded On	Position	From	To
Paul Haber	Chinapintza Mining Corp.	TSXV	Chairperson and Director	June 2013	Present
Paul Haber	Franchise Holdings International	OTC:QB	Director	March 2016	Present
Cameron Chell	Pounce Technologies Inc.	TSXV	CEO and Director	October 2017	Present

Cameron Chell	TruTrace Technologies Inc.	CSE	Chairperson and Director	December 2017	Present
Cameron Chell	CurrencyWorks Inc.	TSXV	Chairperson and Director	October 2017	Present

Orientation and Continuing Education

Each new director is given an outline of the nature of the Company's business, its corporate strategy, and current issues within the Company. New directors are encouraged to review the Company's public disclosure records and are also required to meet with management of the Company to discuss and better understand the Company's business and are given the opportunity to meet with counsel to the Company to discuss their legal obligations as directors of the Company.

In addition, management of the Company will take steps to ensure that its directors and officers are continually updated as to the latest corporate and securities policies which may affect the directors, officers and committee members of the Company as a whole. The Company's legal counsel continually reviews the latest securities rules and policies and is on the mailing list of the Exchange to receive updates to any of those policies. Any such changes or new requirements are then brought to the attention of the Company's directors and management.

Ethical Business Conduct

The Board has not established a Corporate Governance Committee, but plans do so in the future. XTM's directors must comply with the conflict of interest provisions of applicable corporate law, as well as the relevant securities regulatory instruments, in order to ensure that they exercise independent judgment in considering transactions and agreements in respect of which they may have a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke any such conflict.

The Board plans to establish a code of ethical conduct policy pursuant to the requirements of National Policy 58- 201. The full text of this policy will be posted for review under the Company's profile on SEDAR at www.sedar.com.

Nomination of Directors

The Company's management is continually in contact with individuals involved with public sector issuers. From these sources management has made numerous contacts and in the event that the Company requires any new directors, such individuals will be brought to the attention of the Board. The Company conducts due diligence, reference and background checks on any suitable candidate. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, integrity of character and a willingness to serve.

Compensation

The Board has not yet formed a Compensation Committee to monitor and review the salary and benefits of its executive officers. The Board will periodically review the Company's general compensation structure, policies and programs in consideration of industry standards and the Company's financial situation until a Compensation Committee is formed.

Committees of the Board

The Board will establish an audit committee following the completion of the listing of Common Shares.

Assessments

Neither the Company nor the Board has determined formal means or methods to regularly assess the Board, its committees or the individual directors with respect to their effectiveness and contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director is informally monitored by the other Board members, having in mind the business and other strengths of the individual and the purpose of originally nominating the individual to the Board.

Audit Committee

Pursuant to Exchange policies and NI 52-110, XTM is required to have an audit committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company. The audit committee must operate pursuant to the provisions of a written charter, which sets out its duties and responsibilities. The Audit Committee's charter is attached as Schedule "H".

Composition of the Audit Committee

The Audit Committee will be comprised of Paul Haber, Marilyn Schaffer and Cameron Chell, each of whom have a working familiarity with governance, human resources and compensation matters. Mr. Haber and Mr. Chell meet the requirements for independence under NI 58-101. Ms. Schaffer is not independent, as CEO, under NI 58-101.

Paul Haber will be the chair of the Audit Committee. For the education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, see "*AUDIT COMMITTEE AND CORPORATE GOVERNANCE – Audit Committee – Relevant Education and Experience*".

Each of the proposed members of the Audit Committee is financially literate within the meaning of NI 52-110. A director is "financially literate" within the meaning of NI 52-110 if they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Additionally, a majority of the members of the Audit Committee are independent within the meaning of NI 52-110. Subject to certain exceptions, a director is "independent" within the meaning of NI 52-110 if he has no direct or indirect material relationship with the issuer. A "material relationship" is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his/her responsibilities as a member of the Audit Committee is highlighted below.

Paul Haber

Mr. Haber is both a Chartered Accountant and a Certified Public Accountant, with an Honours Bachelors of Arts Degree in Management from the University of Toronto. Paul was awarded his Chartered Director designation from the DeGroote School of Business in partnership with the Conference Board of Canada.

Marilyn Schaffer

Ms. Schaffer is a serial entrepreneur. Ms. Schaffer founded NEO Communications, which was acquired by Omnicom (NYSE: OMC). Ms. Schaffer subsequently founded XTM where her team worked with a number of mid-size and large brands including Bell Canada, Bell Mobility, Rogers, Tangerine, Canada Post and AT&T. As part of her role founding and managing a variety of businesses, Ms. Schaffer has worked directly with external accounting firms to prepare annual reports and filings.

Cameron Chell, Director

Mr. Chell is the chief executive officer of Business Instincts Group, a Venture Creation Services Firm whose focus is building high-tech startups. Mr. Chell's success as both a serial entrepreneur and investor has been built on the founding principles of clarity, alignment and measurement. He spends his time working with entrepreneurs and investors' determining what is most important in projects and specifically how to get it done. He is the founder of ten different companies, which include: TruTrace Technologies, Inc., UrtheCast Corp. and ICOX Innovations, Inc. Mr. Chell has been at the helm of ten different companies and presently is Non-Executive Chairperson for ICOX Innovations, Inc. (which he founded in 2010), Chairperson & Secretary at Ryde Holding, Inc., Chairperson at TruTrace Technologies, Inc. (which he founded in 2011), Chairperson & Chief Executive Officer at Pounce Technologies, Inc. (which he founded in 2007), Chairperson & Chief Executive Officer for Draganfly, Inc., Chairperson & Secretary at Wenn Digital, Inc., Chief Executive Officer & Tax Director at Business Instincts Group, Inc. (which he founded in 2009), Chief Executive Officer of Trace Live Network, Inc. (which he founded in 2014) and Chief Financial Officer & Director at Trax One, Inc. Through this experience, Mr. Chell has gained and developed an understanding of financial statements.

External Auditor Service Fees

The audit fees incurred to the Company's external auditors, Foley Broderick, LLP, for the last two completed fiscal years are as follows:

Nature of Service	Fees Paid (or accrued) to Auditor in respect of the financial year ended December 31, 2018	Fees Paid (or accrued) to Auditor in respect of the financial year ended December 31, 2017
Audit Fees(1)	$5000	$5000
Audit Related Fees(2)	-	-
Tax Fees(3)	-	$2950
All Other Fees(4)	$3150	-
Total	**$8150**	**$7950**

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include aggregate fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include fees for services that are traditionally performed by the auditor. These audit-related services may include aggregate fees for due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes aggregate fees for tax compliance, tax planning and tax advice.

(4) "All Other Fees" include all other non-audit services, in the aggregate.

RISK FACTORS

AN INVESTMENT IN SECURITIES OF THE XTM IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this Prospectus, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of XTM consider the risks set forth below to be the most significant, but do not consider them to be all of the risks associated with an investment in securities of XTM. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with XTM's business, actually occur, XTM's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects are likely to be materially and adversely affected. In such circumstances, the price of XTM's securities could decline and investors may lose all or part of their investment. Most of the risk factors set forth below are those applicable to XTM and thus will be applicable to XTM.

Risks Relating to XTM's Business

Limited Financial Technology Operating History

XTM has relatively limited financial technology operating history. XTM is therefore subject to all of the business risks and uncertainties associated with any new stage business enterprise, including uncertainty of revenues, markets and profitability as well as the need to raise additional funding. There can be no assurance that XTM or XTM will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the risks, expenses and difficulties frequently encountered in early stage of operations.

Limited Operating Cash Flow and Absence of Profits in 2018

XTM did not earn any profits in 2018 since the acquisition of the Zoom assets and there is no assurance that it will earn any profits in the future, or that profitability, if achieved, will be sustained. XTM had negative operating cash flows for the year ended December 31, 2018. If XTM continues to have negative operating cash flow into the future finances may need to be allocated to funding this negative operating cash flow, XTM may require additional financing to fund its operations to reach the point where it is generating positive operating cash flows. Continued negative operating cash flow may restrict XTM's ability to pursue its business objectives.

Competition

The financial technology industry is highly competitive and XTM competes with many well-established competitors, including those with greater financial, technological and marketing resources, stronger brand recognition, and longer operating histories. In addition, there can be no assurance that new competitors will not enter the various markets in which XTM is active. There can be no assurance that XTM will be able to compete successfully against current or future competitors or that competitive pressures faced by XTM in the markets in which it operates will not have a material adverse effect on its business.

Reduction in Consumer Confidence

XTM's business is built on consumer's confidence and its ability to provide reliable service. Any erosion in consumers' confidence in XTM's business could adversely impact its business, revenue and results of operations. A number of factors could adversely affect consumers' confidence in the XTM's business, many of which are beyond its control, including:

- any significant interruptions in XTM's systems, including by fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses;
- any breach of XTM's security policies or applicable legal requirements resulting in a compromise of consumer data;

- dissemination of inaccurate information about XTM on social media platforms; and
- regulatory, supervisory or enforcement actions as a result of non-compliance with applicable laws and regulations.

Ownership and Protection of Intellectual Property

XTM has not filed any patent applications for its payment and processing technology, which means that XTM cannot preclude or inhibit competitors from entering the same market if they independently develop the same or similar technology. While XTM has taken steps to protect its technology through the use of confidentiality and license agreements, there can be no assurance that the steps taken will prevent misappropriate use of its technology or that agreements entered into for that purpose will be enforceable.

XTM does not have any pending trademark registrations for the word XTM and the XTM logo in Canada or the United States.

XTM may be subject to claims alleging that its technology or business methods infringe patents owned by others, both in and outside Canada and the United States. Costly and time-consuming litigation could be necessary to determine and enforce the scope of XTM's proprietary rights and the outcome of such litigation can not be guaranteed. Unfavorable resolution of these claims could require XTM to change how it delivers a service, result in significant financial consequences which could adversely affect its business, financial position and results of operations.

Regulatory Compliance

XTM's business is subject to a wide variety of laws and regulations across all jurisdictions in which it operates, including, but not limited to, financial services regulations, consumer disclosure and consumer protection laws, currency control regulations, money transfer and payment instrument licensing regulations and laws covering consumer privacy, data protection and information security. Additional laws and regulations, or amendments to current laws and regulations could have a material adverse impact on XTM and cause increases in expenditures and costs, or restrict XTM's existing operations and ability to expand operations. Failure by XTM to comply with applicable laws and regulations could result in the imposition of civil and criminal penalties, including fines, assessments, and injunctions, which in turn could adversely affect reputation, operations or financial condition or performance of XTM.

Reliance on Management

The success of XTM is highly dependent upon the ability, expertise, judgment, discretion and good faith of its limited number of senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Failure to attract and retain qualified employees or the loss or departure in the short-term of any member of the senior management, may result in a loss of organizational focus, poor operating execution or an inability to identify and execute potential strategic initiatives. This could, in turn, materially and adversely affect XTM's business, financial condition and results of operation.

Management of Growth

XTM may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of XTM to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of XTM to deal with this growth may have a material adverse effect on XTM's business, financial condition, results of operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, there can be no assurance that revenues will continue to increase at the same pace. XTM's growth strategy can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors as well as the following:

- reliability of systems, processes and back end servers;
- delays in obtaining, or conditions imposed by, regulatory approvals including but not limited to bank approvals and network approvals such as Visa and Mastercard;
- non-performance by third party contractors;
- increases in processing costs or labour costs;
- failure of equipment or processes;
- contractor or operator errors;
- change of interchange rates;
- inability to attract sufficient numbers of qualified workers; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that XTM may not have the capacity to meet customer demand or to meet future demand when it arises. In order to manage its current operations and any future growth effectively, XTM will to continue to expend substantial financial and other resources on:

- personnel, including significant increases to the total compensation as XTM pays its employees as it grows employee headcount;
- business development, including expenses relating to expansion in new markets and verticals;
- office space, as XTM increases the space it needs for its growing employee base; and
- general administration, including legal, accounting and other compliance expenses related to being a public company.

There can be no assurance that XTM can manage growth effectively, that its management, personnel or systems will be adequate to support its operations or that it will be able to achieve the increased levels of revenue commensurate with the interest levels of operating expenses associated with this growth.

Online Security Breaches and Service Disruption

XTM receives, transmits and stores consumer data as part of its business, including credit or debit card numbers and personally identifiable information. These activities are subject to laws and regulations in Canada, the United States and other jurisdictions in which XTM's services are available. These requirements, which often differ materially among the jurisdictions, are designed to protect the privacy of consumers' Personal Information and to prevent that information from being inappropriately disclosed. XTM develops and maintains technical and operational safeguards designed to comply with applicable legal requirements; however, XTM cannot guarantee absolute protection against unauthorised attempts by third parties or current or former employees to access its systems or improperly obtain or disclose data about XTM's costumers. Any breach of security policies or applicable legal requirements resulting in a compromise of consumer data could expose XTM and XTM to regulatory enforcement action, limit its ability to provide services, subject XTM to litigation and/or damage its reputation. In addition, certain Canadian provinces have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause XTM's customers to lose confidence in the effectiveness of its data security measures. Moreover, if a high profile security breach occurs with respect to a competitor of XTM, customers may lose trust in the security of XTM and the business model generally, which could adversely impact XTM's ability to conduct business. Any security breach, whether actual or perceived, would harm XTM's reputation and could result in a loss of customers.

XTM's website and platform may be subject to distributed denial of service ("**DDoS**"), attacks in the future, a technique used by hackers to take an internet service offline by overloading its servers. XTM cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms and other procedures are or will be adequate to prevent network and service interruption, system failure or data loss. Moreover, XTM's platform could be breached if vulnerabilities in ita platform are exploited by unauthorized third parties. Since techniques used to obtain unauthorized access change frequently and the size of DDoS attacks is increasing, XTM may be unable to implement adequate preventative measures or stop the attacks while they are occurring. A DDoS attack or security breach could delay or interrupt service to customers. In addition, any actual or perceived DDoS attack or security breach could damage XTM's reputation and brand, expose XTM to a risk of litigation and possible liability and require significant capital and other resources to alleviate problems caused by the DDoS attack or security breach.

Reliance on Data Centers

XTM serves customers using third-party cloud-based and traditional data center facilities. The continuous availability of XTM's products and services depends on the operations of these facilities, variety of network service providers, third-party vendors and on data center and cloud operations staff. In addition, XTM depends on the ability of third-party facility providers to protect the facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. If there are any lapses of service or damages to the facilities, XTM could experience lengthy interruptions in its services as well as delays and additional expenses in arranging new facilities and services. Even with current and planned disaster recovery arrangements, the business of XTM and XTM could be harmed.

Open Source License Compliance

XTM incorporates open source software into its proprietary platform and other processes supporting its business. Such open source software may include software covered by licenses like the GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that limits use of the software, inhibits certain aspects of the platform and negatively affects XTM's business operations.

Some open source licenses contain requirements that all modifications or derivative works created based on the type of open source are generally made available. If portions of XTM's intellectual property are determined to be subject to an open source license, or if the license terms for the open source software that XTM incorporates changes, XTM could be required to publicly release the affected portions of the source code, reengineer all or a portion of its platform or change its business activities. In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated, and could adversely affect XTM's business.

Future Capital Requirements

XTM's capital requirements will depend upon many factors, including industry and market conditions, its ability to successfully implement XTM's branding and marketing initiative, and expansion of its business. XTM anticipates that it may need to raise additional funds in order to grow its business and implement its business strategy.

XTM anticipates that such additional funds would be raised through public or private debt or equity financings. In addition, XTM may enter into a revolving credit facility or a term loan facility with one or more syndicates of lenders. There can be no assurance that XTM will be able to raise additional capital, if available at all, on commercially reasonable terms to finance its growth objectives. Even if XTM is able to raise capital through equity or debt financings, as to which there can be no assurance, the interest of existing Shareholders may be diluted, and the securities XTM may issue may have rights, preferences and privileges that are senior to those of Common Shares or may otherwise materially and adversely affect the holdings or rights of existing Shareholders. Furthermore, capital raised through debt financing would require XTM to make periodic interest payments and may impose restrictive covenants on the conduct of XTM's business.

Operating Risk and Insurance Coverage

XTM maintains insurance to protect its assets, operations and employees against certain risks in such amounts as it considers reasonable. XTM's insurance is subject to coverage limits and exclusions and may not be available for certain risks and hazards associated with XTM's operations. In addition, no assurance can be given that such insurance will be adequate to cover XTM's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If XTM were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if XTM or XTM were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Conflicts of Interest

Certain proposed directors and officers of XTM may be or may become directors and officers of other companies. Accordingly, conflicts of interest may arise between their duties as officers and directors of XTM and as officers and directors of such other companies. Conflicts, if any, will be subject to the procedures and remedies under OBCA.

Litigation

XTM may, from time to time, become involved in various claims, legal proceedings and complaints arising in the ordinary course of business. XTM cannot reasonably predict the likelihood or the outcome of these actions. Adverse outcomes in some, or all of these, claims may result in significant monetary damages or injunctive relief that could adversely affect XTM's ability to conduct its business. Even if XTM prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from XTM's operations and ability to make distributions to Shareholders.

Foreign Exchange

Foreign exchange risk is the risk that the future cash flows or fair value of XTM's financial instruments will fluctuate due to changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that XTM incurs in its operations and revenues that XTM receives in its operations. A strengthening of the Canadian dollar against these currencies decreases revenues when reported in Canadian dollars.

Changes in Technology

XTM's ability to compete in the markets it serves may be threatened by change, including changes in technology, changes with respect to consumer needs, competition and industry standards. XTM actively seeks solutions that respond in a timely manner to new technology-based money transfer services. Failure to respond well to these challenges could adversely impact XTM's business, financial position and results of operations.

Strategic Alliances

XTM's growth and marketing strategies are based, in part, on seeking out and forming strategic alliances and working relationships. There can be no assurance that existing strategic alliances and working relationships will not be terminated or modified in the future, nor can there by any assurance that new relationships, if any, will afford XTM the same flexibility under which it currently operates.

Systems Interruptions

XTM's ability to provide reliable service largely depends on the efficient and uninterrupted operation of its computer information systems. Any significant interruptions could harm its business and reputation and result in a loss of consumers. XTM's systems and operations could be exposed to damage or interruptions from fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or other causes, many of which may be beyond XTM's control. Although XTM has taken steps to prevent a system failure, the measures taken may not be successful and the Company may experience problems other than system failures. XTM may also experience software defects, development delays, installation difficulties and other systems problems, which would harm its business and reputation and expose it to potential liability which may not be fully covered by its business interruption insurance. XTM's data applications may not be sufficient to address technological advances, changing market conditions or other developments.

Catastrophic Events

Events beyond the control of XTM and XTM may damage its ability to accept customers' orders, maintain its platform or perform its servicing obligations. In addition, these catastrophic events may negatively affect customers' demand for XTM's products and services. Such events include, but are not limited to, fires, earthquakes, terrorist attacks and natural disasters. Despite any precautions XTM and XTM may take, system interruptions and delays could occur if there is a natural disaster, if a third party provider closes a facility XTM uses without adequate notice for financial or other reasons, or if there are other unanticipated problems at XTM's leased facilities, and such disruptions could harm XTM's ability to run its business and cause lengthy delays which could harm business, results of operations and financial condition of XTM and XTM.

Risks Relating to the Ownership of Common Shares

Volatility of Publicly Traded Securities

The offering price for the Private Placements was determined by negotiation between XTM, agents associated with selling XTM securities and subscribers based on several factors and may bear no relationship to the price at which Common Shares will trade in the public market subsequent to Closing. The market price of Common Shares may materially decline below the offering price of the Private Placements. Furthermore, the market price may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond XTM's control, including, but not limited to, the following: actual or anticipated fluctuations in XTM's quarterly results of operations; recommendations by securities research analysts; changes in the economic performance or market valuations of other issuers that investors deem comparable to XTM; addition or departure of XTM's executive officers and other key personnel; sales or anticipated sales of additional Common Shares; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving XTM or its competitors; and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in XTM's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if XTM's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the trading price of Common Shares may be materially adversely affected.

Lack of Liquidity for Common Shares

Upon XTM satisfying the CSE listing conditions, Common Shares will be listed on the CSE. There can be no assurance that an active and liquid market for Common Shares will develop or be maintained. If an active public market does not develop or is not maintained, the liquidity of Common Shares may be limited and the value of these shares may decline.

Lack of Dividends

XTM has no earnings or dividend record, and does not anticipate paying any dividends on Common Shares in the foreseeable future. Dividends paid by XTM would be subject to tax and, potentially, withholdings. XTM expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Global Financial Conditions

Global financial conditions have always been subject to volatility. This volatility may impact the ability of XTM to obtain equity or debt financing in the future and, if obtained, on terms favourable to XTM. Increased levels of volatility and market turmoil can adversely impact XTM's operations and the value and the price of Common Shares could be adversely affected.

Financial Reporting and Internal Controls

Upon the completion of the listing, XTM will become subject to reporting and other obligations under applicable Canadian Securities Laws and exchange rules. These reporting and other obligations will place significant demands on XTM's management, administrative, operational and accounting resources. In order to meet such requirements, XTM is working with its legal, accounting and financial advisors to identify areas in which changes should be made to XTM's financial management control systems. These areas include corporate governance, corporate controls, internal audit, disclosure controls and procedures and financial reporting and accounting systems. XTM has made, and will continue to make, changes in these and other areas, including XTM's internal controls over financial reporting. If XTM is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause XTM to fail to meet its reporting obligations or result in material misstatements in its financial statements. If XTM cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the reported financial information, which could lower share prices.

There can be no assurance that internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Furthermore, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within the Company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future Sales of Common Shares by Existing Shareholders

Sales of a substantial number of Common Shares in the public market could occur at any time following, or in connection with, the completion of the listing of the shares on the CSE. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of Common Shares.

Risk of Dilution

XTM will be authorized to issue an unlimited number of Common Shares for the consideration and on those terms and conditions established by the Board without shareholder approval. Shareholders will have no pre-emptive rights in connection with such further issues.

Publication of Inaccurate or Unfavourable Research and Reports

Following the listing of Common Shares, the trading market for Common Shares will rely in part on the research and reports that securities analysts and other third parties choose to publish about XTM. XTM will not control these analysts or other third parties. The price of Common Shares could decline if one or more securities analysts downgrade Common Shares or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about XTM or cease publishing reports about XTM. If one or more analysts cease coverage of XTM or fail to regularly publish reports on XTM, XTM could lose visibility in the financial markets, which in turn could cause the price of Common Shares or trading volume to decline.

PROMOTERS

Marilyn Schaffer, CEO and a director of the Company, is considered to be a Promoter of the Company. Ms. Schaffer owns 5,000,000 Common Shares, representing 6.13% of the issued and outstanding Common Shares on an undiluted basis.

Other than as disclosed in this section and under "Executive Compensation" or elsewhere in this Prospectus, no person who was a Promoter of the Company within the last two years:

1. received anything of value directly or indirectly from the Company or a subsidiary;

2. sold or otherwise transferred any asset to the Company or a subsidiary;

3. has been a director, officer or Promoter of any company that during the past ten years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;

4. has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;

5. has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or

6. has within the past ten years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

LEGAL PROCEEDINGS

The Company has been named as a defendant, together with Rounault “Roy” Gomez and 2420286 Ontario Inc., in a litigation filed on September 6, 2019 with the Ontario Superior Court of Justice (Commercial List File# CV-19-00626961-00CL) by DCR Strategies Inc. (“**DCR**”), as plaintiff. DCR alleges in the action against the Company inducing breach of contract and breach of fiduciary duty, knowingly assisting in the breach of duty, knowing receipt, conversion, unjust enrichment, intentional interference with economic relations and conspiracy. In addition to damages in an amount to be determined at trial, DCM is seeking against XTM an order in the form of an interim, interlocutory and permanent injunction enjoining XTM from using or disclosing confidential information of DCR, among other things. The Company denies the allegations made by DCR and has retained counsel to defend XTM in the matter. On December 4, 2019 a statement of defence was filed denying the allegations.

Investor Relations Arrangements

XTM has not entered into any agreements or understandings, either written or oral, with any person to provide promotional or investor relations services.

Management

Information regarding each proposed director and officer of XTM is set forth above under the heading "*Directors and Executive Officers*".

AGENT FOR SERVICE OF PROCESS

Cameron Chell, a director of the Corporation resides outside of Canada. Cameron Chell has appointed the following agent for service of process:

Name of Person	**Name and Address of Agent**
Cameron Chell	Marylin Schaffer, 67 Mowat Ave., Suite 437, Toronto, ON M6K 3E3

AUDITORS, TRANSFER AGENT AND REGISTRAR

XTM's independent auditors will be MNP, LLP located at 50 Burnhamthorpe Road West, Suite 900, Mississauga ON L5B 3C2.

The Transfer Agent and registrar for Common Shares will be Computershare located at 100 University Ave, Toronto, ON M5J 2Y1.

MATERIAL CONTRACTS

There are no contracts of the Company that are material to the Company, other than as set forth below:

Card Program Management Agreement – Pace Savings & Credit Union Limited

On July 12, 2018, the Company entered into a Card Program Management Agreement (the "**Card Program Agreement**") with Pace Savings & Credit Union Limited ("**Pace**"). The Card Program Agreement has a term of 36 months, and is automatically renewed for successive three-year periods thereafter. Pace acts as issuer under the Card Program Agreement, managing relationships with credit card networks (e.g. VISA, MasterCard, Cirrus, etc.) and offering BIN/ICA provision, operating, and maintenance. The Company agreed to develop and market prepaid credit card programs ("**Card Programs**") to prospective clients, distributors, and retailers. The Company also agreed to manage the purchase and distribution of prepaid credit cards to clients, distributors, and retailers. Under the Card Program Agreement, the Company is compensated 85% of Card Program transaction fees. Pace is entitled minimum monthly fees ranging from $7,500 to $15,000, plus 15% of Card Program transaction fees.

Asset Purchase Agreement – Fintech Holdings North America, Inc.

On April 1, 2018, the Company entered into an Asset Purchase Agreement (the "**FHNA Asset Purchase Agreement**") with Fintech Holdings North America, Inc. ("**FHNA**"). Pursuant to the FHNA Asset Purchase Agreement, FHNA agreed to sell all of its assets related to FHNA's stored value card business to the Company in exchange for 42,000,000 Common Shares. The parties agreed to close the sale on May 1, 2018, after which FHNA agreed not to engage in any business competitive with the stored value card business for three years.

Operating Loan

The Company is a party to a loan agreement (the "**Loan Agreement**") dated September 17, 2019 as amended December 31, 2019 among Samper Developments Ltd. and Sky Ascent Financial Group Inc. (collectively, the "**Lenders**") whereby the Lenders provided the Company a loan facility of up to a maximum amount of $1,000,000.00 (the "**Credit Facility**"). The Credit Facility is payable 18 months from the date of the first advance subject to permitted extensions. Interest only payments shall be made by the Company monthly, with balloon payment of all amounts outstanding at the end of the term of the Credit Facility.

The Lenders have the option to convert any or all of their outstanding loan debt into Common Shares at a price equal to $0.17 per Common Share. Under the Loan Agreement, the Company was required to issue 5,000,000 Warrants to the Lenders, which were issued effective September 18, 2019.

As at the date of this Prospectus, the Company has accessed $250,000 of the Credit Facility.

Copies of these contracts may be inspected at no cost for a period of 30 days following the date of this Prospectus at XTM's office located at 67 Mowat Avenue, Suite 437, Toronto, ON M3K.

OTHER MATERIAL FACTS

There are no material facts about XTM, or the listing that are not disclosed within this Prospectus and which are necessary in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to XTM.

EXPERTS

The following professional persons have prepared reports or have provided opinions that are either included or referenced within this Prospectus:

1. Foley Broderick, LLP auditor's reports for the audited financial statements of XTM for the financial years ended December 31, 2018 and December 31, 2017.

2. Fareed Sheik & Co. auditor's report for the audited financial statement of XTM for the financial year ended December 31, 2016.

Interests of Experts

Foley Brodrick, LLP are the auditors of XTM. Foley Brodrick, LLP are deemed to be independent of XTM within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

GENERAL MATTERS

Sponsorship

XTM submitted a letter to the CSE with confirmation contemplated by Section 3.4 of the Sponsorship Policy in support of XTM's application for an exemption from the sponsorship requirements.

Board Approval

The Board has approved this Prospectus. Where information contained in this Prospectus rests particularly within the knowledge of a person other than XTM, XTM has relied upon information furnished by such person.

Acknowledgement – Personal Information

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the CSE pursuant to this Prospectus; and

(b) the collection, use and disclosure of Personal Information by the CSE for purposes described in Appendix 6B of CSE Form 3B2 or as otherwise identified by the CSE from time to time.

CERTIFICATE OF XTM INC.

Dated: January 20, 2020

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to securities previously issued by the issuer as required by the securities legislation of the provinces of Ontario, Alberta and British Columbia.

/signed/ Marilyn Schaffer	*/signed/ Olga Balanovskaya*
Marilyn Schaffer President and Chief Executive Officer	Olga Balanovskaya Chief Financial Officer

On behalf of the Board

/signed/ Paul Haber	*/signed/ Cameron Chell*
Paul Haber Director	Cameron Chell Director

CERTIFICATE OF THE PROMOTER

Dated: January 20, 2020

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to securities previously issued by the issuer as required by the securities legislation of the provinces of Ontario, Alberta and British Columbia.

/signed/ Marilyn Schaffer

Marilyn Schaffer

<u>SCHEDULE A</u>

UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

X T M I N C.

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
(Unaudited)

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 interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The management of XTM Inc. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor. These unaudited financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the interim financial position, results of operations and cash flows.

"Marilyn Schaffer"

Marilyn Schaffer

Director

X T M I N C.

Statements of Financial Position
(In Canadian dollars)
(Unaudited)

As at		September 30, 2019		December 31, 2018
Assets				
Current				
Cash (note 5)	**$**	**209,407**	$	368,937
Accounts receivable		**102,528**		139,800
Prepaid expenses (note 6)		**64,348**		59,872
Loans receivable		**194,675**		44,675
Due from related parties (note 15)		**303,654**		600,260
		874,612		1,213,544
Capital assets (note 7)		**1,297,264**		1,648,240
Intangible assets (note 8)		**206,250**		247,500
Total Assets	**$**	**2,378,126**	$	3,109,284
Liabilities				
Current				
Accounts payable and accrued liabilities (note 9)	**$**	**170,980**	$	107,384
Due to shareholders (note 15)		**126,428**		126,616
Taxes payable (note 11)		**6,009**		21,573
		303,417		255,573
Loan payable (note 10)		**250,000**		-
Total Liabilities		**553,417**		255,573
Shareholders' Equity				
Share capital (note 12)		**4,285,718**		3,879,991
Retained earnings		**(2,461,009)**		(1,026,280)
		1,824,709		2,853,711
Total Liabilities and Shareholders' Equity	**$**	**2,378,126**	$	3,109,284

APPROVED BY THE SOLE DIRECTOR:

"Marilyn Schaffer"
Director

XTM INC.

Statements of Loss
(In Canadian dollars)
(Unaudited)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	**$ 286,596**	$ 211,885	**$ 670,822**	$ 455,442
Cost of sales	54,197	219,171	532,079	320,786
Gross profit (loss)	**232,399**	(7,286)	**138,743**	134,656
Expenses				
Automobile	14,330	31,404	31,038	65,368
Bank charges and interest	5,993	1,879	12,985	8,580
Insurance	4,002	3,797	11,391	10,845
Meals and entertainment	5,026	4,455	8,989	11,856
Office and general	36,616	22,031	107,208	70,477
Professional fees	68,609	18,651	106,264	66,976
Consulting	63,887	14,827	123,981	32,123
Rent	36,523	31,596	109,423	61,699
Salaries and employee benefits	230,144	137,959	649,455	325,633
Telephone	2,677	3,055	12,755	11,423
Amortization	121,180	71,051	399,983	248,023
	588,987	340,705	**1,573,472**	880,880
Income (loss) from operations	**(356,588)**	(347,991)	**(1,434,729)**	(746,224)
Loss before income taxes	**(356,588)**	(347,991)	**(1,434,729)**	(746,224)
Income taxes	-	-	-	-
Net income (loss)	**$ (356,588)**	$ (347,991)	**$ (1,434,729)**	$ (746,224)

X T M I N C.

Statements of Changes in Shareholders' Equity
(In Canadian dollars)
(Unaudited)

	Common Shares	Retained Earnings
Balance, January 1, 2018	$ 100	$ 107,907
Net income (loss) for year	-	(1,134,187)
Issue of shares (note 12)	3,879,891	-
Balance, December 31, 2018	**$ 3,879,991**	**$ (1,026,280)**
Net income (loss) for period	-	(1,434,729)
Issue of shares (note 12)	405,727	-
Balance, September 30, 2019	**$ 4,285,718**	**$ (2,461,009)**

X T M I N C.

Statements of Cash Flow
(In Canadian dollars)
(Unaudited)

		Nine months ended September 30, 2019		2018
OPERATING ACTIVITIES				
Net income (loss)	**$**	**(1,434,729)**	$	(746,224)
Items not affecting cash:				
Amortization of capital assets (note 7)		358,733		227,398
Amortization of intangible assets (note 7)		41,250		20,625
		(1,034,746)		(498,201)
Changes in non-cash working capital:				
Accounts receivable		37,271		(80,727)
Taxes recovarable		-		(9,187)
Prepaid expenses (note 6)		(4,476)		(50,000)
Loan receivable		(150,000)		(50,085)
Accounts payable and accried liabilities (note 9)		63,596		27,467
Taxes payable (note 11)		(15,564)		(25,617)
		(69,173)		(188,149)
Cash flow iused by operating activities		**(1,103,919)**		(686,350)
INVESTING ACTIVITIES				
Purchase of capital assets (note 7)		(7,756)		(1,897,859)
Purchase of intangible assets (note 8)		-		(275,000)
Cash flow used by investing activities		**(7,756)**		(2,172,859)
FINANCING ACTIVITIES				
Advance from (to) related parties (note 15)		296,606		(10,000)
Advances from (to) shareholders (note 15)		(188)		(30,122)
Loan payable (note 10)		250,000		-
Issuance of shares (note 112)		405,727		2,850,000
Cash flow from financing activities		**952,145**		2,809,878
Increase (decrease) in cash		(159,530)		(49,331)
Cash, beginning of year/period		368,937		95,929
Cash, end of year/period	**$**	**209,407**	$	46,598

1. Nature of Operations

XTM Inc. (the "Company") was incorporated under the Ontario Business Corporations Act on December 1, 2005. The Company's principal business activities include operating as a prepaid card program manager and network branded card issuer. The Company provides the necessary support systems including mobile and web applications and ancillary banking services. The address of the Company's registered office is 67 Mowat Avenue, Suite 437, Toronto, Ontario, M6K 3E3, Canada.

2. Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including International Accounting Standards ("IAS") 34, Interim Financial Reporting. These unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS and IFRIC as issued by the IASB in effect as of December 31, 2018.

These interim financial statements are presented in Canadian funds.

The interim financial statements were approved by the director on December 31, 2019.

The accounting policies and methods of computation remain the same as presented in the audited annual consolidated financial statements for the year ended December 31, 2018.

There are no new IFRS and/or IFRIC pronouncements issued that are effective for the first time for this interim period that would be expected to have a material impact on the Company.

The significant judgments, estimates and assumptions used in applying the Company's accounting policies, could significantly affect the reported results or financial position, are as follows:

Impairment

The Company should consider the possibility that the carrying amounts of capital assets may not be recoverable. Impairment tests are done when there is an indication that capital assets are impaired. In accordance with the Company's policy for impairment, the Company determines the recoverable amount of an asset at the higher of fair value less costs to sell and value in use. The determination of fair value, value in use and present value requires management to make estimates and assumptions about expected selling prices and expected use of the assets.

Going Concern

In preparing the financial statements on a going concern basis, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

3. **Summary of Significant Accounting Policies**

The accounting policies below have been applied consistently by the Company.

(a) Foreign Currency Translation

The Company's interim financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period. Exchange differences arising from operating transactions are recorded in operating profit for the period.

(b) Financial Instruments

The Company initially recognizes a financial asset or a financial liability on the date it becomes a party to the contractual provisions of the instrument. The Company's financial instruments consists of cash, accounts receivables, loans receivable, amounts due from related parties, accounts payable and accrued liabilities, loan payable, and amounts due to shareholders. The Company initially measures financial assets and liabilities at fair value. Subsequently, financial instruments are measured at amortized cost on the basis that amortized cost of these instruments approximate their fair values because of their nature and relatively short maturity dates or durations.

The Company through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. Management is responsible for setting risk levels and reviewing risk management activities as they determine to be necessary.

Credit Risk

The Company is exposed to credit risk arising from the possibility that the cash held and receivables are non-recoverable. However, the Company believes that its exposure to credit risk in relation to the cash, receivables and amounts due from related parties is low. All of the cash held by the Company was held with reputable financial institutions and the Company monitors the credit worthiness of its customers.

Liquidity Risk

The Company is exposed to the risk that the Company will not be able to meet its obligations as they fall due. The Company is exposed to liquidity risk on its accounts payable and liabilities. The Company manages liquidity risk through the monitoring of its cash balances and cash flows generated from operations.

(continues)

3. **Summary of Significant Accounting Policies** *(continued)*

(c) Capital Assets

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

Amortization 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 amortization are as follows:

	Rate	Method
Computer equipment	45%	Diminishing-balance
Furniture and fixtures	20%	Diminishing-balance
Servers and hardware	30%	Diminishing-balance
Software	30%	Diminishing-balance
Leasehold improvements	5 years	Straight line
Telephone equipment	20%	Diminishing-balance

Amortization 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.

(d) Intangible Assets

Agreements and customer relationships with finite useful lives are measured at acquisition cost. They are amortized on a straight-line basis over their useful life, which is five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

(e) Income Taxes

The tax expense includes current tax and is recognized in profit or loss. Current tax assets and liabilities are made using tax rates and laws enacted or substantively.

(f) Share Capital

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.

(g) Revenue Recognition

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. The Company's revenues are primarily generated from financial service fees charged to cardholders and merchants accepting the cards for payment. Revenue from financial services is generated from multiple sources including transaction fees, cardholder fees, load fees and interchange fees. These fees are recognized on the transaction date. Funds received from customers are held in trust and the corresponding amount of funds available for use are recorded as a liability. Fees charged for card program, website and card design are recognized when services are performed or when the product is transferred to the customer.

4. Accounting Pronouncements Adopted and Not Yet Adopted

IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 14, 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 (Financial Instruments – recognition of measurement). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment of financial assets and new hedge accounting guidance. Adoption of this standard had no impact on the Company's condensed consolidated financial statements.

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. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance has no impact on the Company's unaudited condensed consolidated financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018, as a result of adopting IFRS 9 (along with a comparison to International Accounting Standards ("IAS 39").

Classification	**IFRS 9**	**IAS 39**
Cash	FVTPL	FVTPL
Accounts receivable (amortized cost)	Amortized cost	Loans & receivables
Accounts payable & accrued liabilities	Amortized cost	Other liabilities (amortized cost)
Short-term and long-term debt	Amortized cost	Other liabilities (amortized cost)

As a result of the adoption of IFRS 9, the accounting policy for financial instruments has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets and measured at FVTPL.

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's accounts receivables are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable & accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments (carried at FVTPL) are expensed as incurred. Transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the simplified method impairment model had no impact on the Company's financial statements as at January 1, 2018.

The Company assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

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 assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

IFRS 15 Revenue from Contracts with Customers
Effective January 1, 2018, the Company adopted IFRS 15. The standard clarifies the principles of recognizing revenue from contracts with customers and results in enhanced disclosures about revenue, provides guidance from transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improves guidance for multiple-element arrangements. Adoption of this standard did not have a material effect on the Company's condensed consolidated financial statements and related disclosures.

New standards and interpretations not yet adopted

New standards and interpretations that are not yet effective for the nine months period ended September 30, 2019, and have not been applied in preparing of these interim financial statements:

IFRS 16 - Leases sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers. The Company preliminarily has assessed that IFRS 16's impact will not be material to the financial statements.

5. **Cash**

		As at September 30, 2019		As at December 31, 2018
Cash consists of:				
RBC - Operating account	**$**	**210,026**	$	351,513
RBC - USD account		**2,459**		139
Funds in transit		**(3,078)**		17,285
	$	**209,407**	$	368,937

6. **Prepaid Expenses**

		As at September 30, 2019		As at December 31, 2018
Prepaid expenses consist of:				
Prepaid insurance	**$**	**7,770**	$	3,294
Prepaid consulting services		**50,000**		50,000
Deposit		**6,578**		6,578
	$	**64,348**	$	59,872

7. Capital Assets

	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Software	Leasehold Improvements	Telephone Equipment	Total
Cost							
Balance as at January 1, 2018	$ 15,596	$ 50,879	$ -	$ -	$ 54,179	$ 8,707	$129,361
Acquisitions	16,401	7,330	25,000	1,860,000	-	-	1,908,731
Balance as at December 31, 2018	31,997	58,209	25,000	1,860,000	54,179	8,707	2,038,092
Acquisitions	-	7,756	-	-	-	-	7,758
Balance as at September 30, 2019	$ 31,997	$ 65,965	$ 25,000	$ 1,860,000	$ 54,179	$ 8,707	$ 2,045,848
Accumulated Amortization							
Balance as at January 1, 2018	$ (11,479)	$ (35,405)	$ -	$ -	$ (32,698)	$ (6,965)	$ (86,547)
Amortization	(5,543)	(3,828)	(3,750)	(279,000)	(10,836)	(348)	(303,305)
Balance as at December 31, 2018	(17,022)	(39,233)	(3,750)	(279,000)	(43,534)	(7,313)	(389,852)
Amortization	(4,674)	(3,248)	(4,542)	(337,939)	(8,127)	(202)	(358,732)
Balance as at September 30, 2019	$ (21,696)	$ (42,481)	$ (8,292)	$ (616,939)	$ (51,661)	$ (7,515)	$ (748,584)
Carrying Amount							
Balance as at December 31, 2018	$ 14,975	$ 18,976	$ 21,250	$ 1,581,000	$ 10,645	$ 1,394	$1,648,240
Balance as at September 30, 2019	$ 10,301	$ 23,484	$ 16,708	$ 1,243,061	$ 2,518	$ 1,192	$1,297,264

8. Intangible Assets

	Agreements	Total
Cost		
Balance as at January 1, 2018	-	-
Acquisitions	$ 275,000	$ 275,000
Balance as at December 31, 2018	275,000	275,000
Acquisitions	-	-
Balance as at September 30, 2019	$ 275,000	$ 275,000
Accumulated Amortization		
Balance as at January 1, 2018	-	-
Amortization	$ 27,500	$ 27,500
Balance as at December 31, 2018	27,500	27,500
Amortization	41,250	41,250
Balance as at September 30, 2019	$68,750	$68,750
Carrying Amount		
Balance as at December 31, 2018	$ 247,500	$ 247,500
Balance as at September 30, 2019	$ 206,250	$ 206,250

The intangible assets valued on the balance sheet include agreements with clients, issuers, suppliers, processors and existing cardholders.

9. Accounts Payable and Accrued Liabilities

		As at September 30, 2019		As at December 31, 2018
Accounts payable and accrued liabilities consist of:				
Accounts payable	**$**	**136,906**	$	42,136
Accrued liabilities		**20,571**		34,012
Credit cards payable		**13,503**		31,236
	$	**170,980**	$	107,384

10. Loan payable

On September 17, 2019, the Company signed the loan agreement for bridge financing up to a maximum amount of $1,000,000. Advances from the maximum amount shall be available in the form of draws from the credit facility. The initial advance of $250,000 was received on September 20, 2019. Each subsequent advance should be in the amount of at least $100,000. The credit facility is payable 18 months from the initial advance.

The interest is calculated at the rate per annum as set out below:

Period:	**Interest rate**
to March 18, 2020	12.00%
March 19, 2020 to September 18, 2020	14.00%
September 19, 2020 to March 18, 2021	16.00%
As of March 19, 2021	18.00%

11. Taxes payable

Taxes payable consist of $6,009 (2018 - $21,508) in government payable for sales tax and $Nil (2018 - $65) for corporate income taxes payable.

12. Share Capital

Authorized:
Unlimited Common shares

		Number of common shares	$
Issued:			
	Share capital as at January 1, 2018	100	100
	Issue of share capital	76,970,000	3,879,891
	Share capital as at December 31, 2018	76,970,100	3,879,991
	Issue of share capital	4,625,000	405,727
	Share capital as at September 30, 2019	$ 81,595,100	$ 4,285,718

Share capital is comprised of an unlimited number of common shares without par value. All the common shares have the same rights in respect of the distribution of dividends and the repayment of capital. The Company issued 4,625,000 common shares during the period through multiple private placements. This increase in capital generated gross cash proceeds of $462,500 net of issuance costs, filing fees, commissions and legal costs of $56,773.

13. Income Taxes

	For the period ended September 30, 2019	For the year ended December 31, 2018
Income taxes	**$ -**	$ 299

The reconciliation of the income tax expense, calculated using the statutory income tax rates prevailing in Canada, with the income tax expense reported in the financial statements is as follows:

Income (loss) before income taxes	**$ (1,434,729)**	$ (1,133,888)
Canadian federal and provincial income tax rates	**12.50%**	13.50%
Income taxes on earnings before income taxes	**-**	-
Increase resulting from:		
Accrued interest and penalties	**-**	299
Effective tax expense	**$ -**	$ 299

14. Trust Assets and Liabilities

	As at September 30, 2019	As at December 31, 2018
The Company holds funds in trust for customers as follows:		
Cash	**$ 2,197,391**	$ 2,801,010
Liabilities to customers for funds held in trust	**$ 2,197,391**	$ 2,801,010

15. Related Party Transactions

The Company's related parties consist of the Company's director and shareholders and the companies associated with them. The following transactions occurred between related parties:

	Nine months ended September 30, 2019	Year ended December 31, 2018
Expenses paid on behalf of related party	**$ 3,582**	$ 3,627
Advances/repayments of loans	**(300,000)**	540,300
	$ (296,418)	$ 543,927

Related Party Balances

	$	$
Due from related parties	**303,654**	600,260
Due to shareholders	**126,428**	126,616

At September 30, 2019, the Company has a balance owing of $303,654 (Dec 31, 2018 - $600,260) from the entities controlled by the sole director of the Company.

At September 30, 2019, the Company has a balance owing of $126,428 (at December 31, 2018 - $126,616) to the Company’s shareholders.

The amounts due from and to related parties in the normal course of business are unsecured, non-interest bearing and have no specific terms of repayment.

16. **Subsequent Events**

On October 24, 2019, XTM filed a preliminary non-offering long form prospectus dated October 22, 2019 with the Ontario Securities Commission ("OSC"). The Company received the first comment letter from the OSC dated November 6, 2019 in respect of the preliminary non-offering long form prospectus which was addressed on November 12, 2019. The second comment letter was received on December 20, 2019 and the Company is currently working on the responses.

Between September 19, 2019 and December 31, 2019, a total of 3,835,294 subscription receipts (the "Subscription Receipts") were issued pursuant to a private placement for aggregate gross proceeds of $652,000 which proceeds (less agent's commission, an advisory fee and the expenses of the agents incurred in connection with the private placement) have been deposited with Escrow Agent (the "Subscription Receipt Agent") pending satisfaction of certain escrow release conditions as outlined in the subscription receipt agreement (the "Subscription Receipt Agreement") dated July 27, 2019 among XTM, the Subscription Receipt Agent and the Lead Agent (the "Escrow Release Conditions"). Upon satisfaction of the Escrow Release Conditions prior to the Escrow Release Deadline January 31, 2020, each Subscription Receipt will be automatically converted and the holders thereof shall, without payment of additional consideration or any further action on the part of the holders thereof, be entitled to one unit of XTM ("XTM Unit"). Each XTM Unit is comprised of one common share of XTM and one warrant to acquire one common share of XTM. Each warrant entitles the holder thereof the right to purchase one XTM Share subject to certain adjustments, at an exercise price of $0.26 for a period of 24 months from the closing of the Subscription Receipts.

If the Escrow Release Conditions are not satisfied by January 31, 2020 or XTM provides a termination notice to the Subscription Receipt Agent and the Lead Agent, the Subscription Receipts will be cancelled and each holder will be entitled to receive the greater of: (i) the aggregate subscription price paid for their Subscription Receipts, and (ii) their pro rata share of the Escrowed Proceeds plus Earned Interest (as such terms are defined in the Subscription Receipt Agreement), less applicable withholding taxes, if any.

On December 27, 2019, the Company completed the non-brokered private placement for gross proceeds of $150,000 comprising of 882,353 units at a purchase price of $0.17 per unit. The funds were subsequently deposited into the Company's operating bank account.

SCHEDULE B

MANAGEMENT DISCUSSION & ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

XTM Inc.

Management's Discussion & Analysis
For the nine month period ended September 30, 2019

December 31, 2019

Introduction

The following Management's Discussion & Analysis ("MD&A") of XTM Inc. (the "Company" or "XTM") for the nine month period ended September 30, 2019 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2018 and unaudited interim financial statements for the nine months ended September 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. The unaudited condensed financial statements have been prepared in accordance with International Standard 34, Financial Reporting. Accordingly, information contained herein is presented as at September 30, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Forward-Looking Statements

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Corporate Overview

The Company is a global fintech company providing mobile banking solutions and card issuing solutions for loyalty, reward, and corporate payouts including tips and wages. XTM's technology solutions and partnership with Mastercard and Vise are driving financial inclusion and empowerment to millions of next-generation workers around the globe by providing a full-service mobile bank account with instant access to their earnings. Founded in 2014, the Company is now planning to launch instant payment and mobile banking solutions to employees of some of North America's largest employers. The head office, principal address and registered office of the Company is located at 67 Mowat Avenue, Suite 437, Toronto, Ontario, Canada, M6K 3E3.

Results of Operations

Comparison of the three and nine months ended September 30, 2019 and 2018

	Three months ended September 30		**Nine months ended September 30**	
	2019	2018	**2019**	2018
Revenue	**$286,596**	$211,885	**$670,822**	$455,442
Cost of sales (1)	**$54,197**	$219,171	**$532,079**	$320,786
Gross Profit (Loss)	**$232,399**	$(7,286)	**$138,743**	$134,656
Adjusted EBITDA (2)	**$(235,408)**	$(276,940)	**$(1,034,746)**	$(498,201)
Net Income (Loss)	**$(356,588)**	$(347,991)	**$(1,434,729)**	$(746,224)
Basic and Diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.02)**	$(0.01)

(1) See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"
(2) See "Adjusted EBITDA" for a reconciliation of net loss to Adjusted EBITDA

Revenue

During the three months ended September 30, 2019 the Company's revenue was $286,596 compared to $211,885 for the three months ended September 30, 2018.

During the nine month period ended September 30, 2019 the Company's revenue was $670,822 compared to $455,442 during the nine month period ended September 30, 2018.

During the third quarter of fiscal 2019, the Company's financial performance in its core line of business improved, the revenue increased due to mobile banking and instant payment solutions business growth.

Gross profit (loss)

During the three months ended September 30, 2019 the Company's gross profit was $232,399 compared to gross loss of $7,286 during the three months ended September 30, 2018. During the three month period ending September 30, 2018 the Company incurred higher than normal one time processing and issuing costs related to the setup of new programs including the Today Mastercard program.

During the nine month period ended September 30, 2019 the Company's gross profit was $138,743 compared to gross profit of $134,656 during the nine month period ended September 30, 2018.

The increase is driven by the Company's continued growth and investments made in its mobile banking and instant payment solutions business which supported the growth in revenue.

While processor charges, interest on its funding facility, and increase in customer support expenses to service the Company's larger customer base were still significant, the gross margin significantly increased which indicates that management controls and monitors costs more effectively.

Net loss

Net loss was $356,588 for the three months ended September 30, 2019 compared to a net loss of $347,991 for the three months ended September 30, 2018. While the revenue increased, the operating expenses were also higher- $588,987 during the three months ended September 30, 2019 compared to $340,705 during the three months ended September 30, 2018.

Net loss was $1,434,729 for the nine months ended September 30, 2019 compared to a net loss of $746,224 for the nine months ended September 30, 2018. During the nine months ended September 30, 2019, the operating expenses were $1,573,472 compared to $880,880 during the nine months ended September 30, 2018.

The overall increase in operating expenses was mainly due to an increase in office and general expenses caused by higher marketing expenses to aid in the launch and growth of the Company's mobile banking and tip payment solution business, higher professional fees associated with the Company's go public transaction, increased amortization expense due to significant capital expenditures during the year associated with Zoompass acquisition in 2018, and increased salaries, consulting fees and occupancy costs.

The Company has a budget and works toward controlling expenditures and optimizing costs.

Adjusted EBITDA

Adjusted EBITDA was $(235,408) for the three months and $(1,034,746) for the nine months ended September 30, 2019 compared to $(276,940) for the three months and $(498,201) for the nine months ended September 30, 2018. The change is mainly driven by higher salaries, professional fees and related costs outlined above. An increase in computer and software costs, marketing, rent and insurance costs also contributed to the change in Adjusted EBITDA.

The table below reconciles net loss to Adjusted EBITDA [(1)] for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30		**Nine months ended September 30**	
	2019	2018	**2019**	2018
Net Income (loss)	**$(356,588)**	$(347,991)	**$(1,434,729)**	$(746,224)
Income taxes	**-**	-	-	-
Other income (expenses)	**-**	-	-	-
Net Income (loss) from operations	**(356,588)**	(347,991)	**(1,434,729)**	(746,224)
Add:				
Amortization of capital assets	**107,430**	64,176	**358,733**	227,398
Amortization of intangible assets	**13,750**	6,875	**41,250**	20,625
Bad debt expense	**-**	-	**-**	-
Adjusted EBITDA [(1)]	**$(235,408)**	$(276,940)	**$(1,034,746)**	$(498,201)

(1) See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"

Amortization and depreciation

For the three months ended September 30, 2019, amortization of intangible assets and depreciation of property and equipment was $121,180 compared to $71,051 for the three months ended September 30, 2018.

For the nine months ended September 30, 2019, amortization of intangible assets and depreciation of property and equipment was $399,983 compared to $248,023 for the nine months ended September 30, 2018.

The increase is mainly attributed to significant capital expenditures associated with Zoompass acquisition and internally generated assets related to the Company's mobile banking and instant payment solution.

<u>Liquidity and Capital Resources</u>

The Company intends to use its funds to meet funding requirements for business development and new customer deployments based on anticipated market demand. Actual funding requirements will vary depending on a variety of factors, including our success in executing our business plan, the progress of our product and business development efforts, our sales and our ability to manage our working capital requirements. Our existing cash balances and cash generated from operations, cash proceeds from new debt and equity financing will be required to meet our anticipated cash needs for working capital, growth capital and capital expenditures for the foreseeable future.

On September 17, 2019, the Company signed the loan agreement for bridge financing up to a maximum amount of $1,000,000. Advances from the maximum amount shall be available in the form of draws from the credit facility. The initial advance of $250,000 was received on September 20, 2019. Each subsequent advance should be in the amount of at least $100,000. The credit facility is payable 18 months from the initial advance.

The interest is calculated at the rate per annum as set out below:

Period:	Interest rate:
to March 18, 2020	12.00%
March 19, 2020 to September 18, 2020	14.00%
September 19, 2020 to March 18, 2021	16.00%
As of March 19, 2021	18.00%

On October 24, 2019, XTM filed a preliminary non-offering long form prospectus dated October 22, 2019 with the Ontario Securities Commission ("OSC"). Between September 19, 2019 and December 31, 2019, a total of 3,835,294 subscription receipts (the "Subscription Receipts") were issued pursuant to a private placement for aggregate gross proceeds of $652,000 which proceeds (less agent's commission, an advisory fee and the expenses of the agents incurred in connection with the private placement) have been deposited with Escrow Agent (the "Subscription Receipt Agent") pending satisfaction of certain escrow release conditions as outlined in the subscription receipt agreement (the "Subscription Receipt Agreement") dated July 27, 2019 among XTM, the Subscription Receipt Agent and the Lead Agent (the "Escrow Release Conditions"). Upon satisfaction of the Escrow Release Conditions prior to the Escrow Release Deadline January 31, 2020, the funds will be released and each Subscription Receipt will be automatically converted and the holders thereof shall, without payment of additional consideration or any further action on the part of the holders thereof, be entitled to one unit of XTM ("XTM Unit").

On December 27, 2019, the Company completed the non-brokered private placement for gross proceeds of $150,000 comprising of 882,353 units at a purchase price of $0.17 per unit. The funds were subsequently deposited into the Company's operating bank account.

The management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

The table below is a summary of cash inflows and outflows by activity for the nine months ended September 30, 2019 and 2018:

	Nine months ended September 30	
	2019	2018
Cash inflows and (outflows) by activity:		
Operating activities	**$(1,103,919)**	$(686,350)
Investing activities	**(7,756)**	(2,172,859)
Financing activities	**952,145**	2,809,878
Net cash (outflows) inflows	**(159,530)**	(49,331)
Cash (deficiency), beginning of period	**$368,937**	$95,929
Cash (deficiency), end of period	**$209,407**	$46,598

Operating activities

During the nine months ended September 30, 2019, cash used in operating activities was $1,103,919 compared to cash of $686,350 used during the nine month period ended September 30, 2018. The increase in cash used in operating activities is mainly due to lower Adjusted EBITDA, partially offset by favorable changes in non-cash working capital.

Investing activities

During the nine months ended September 30, 2019, cash used in investing activities was $7,756 compared to $2,172,859 during the nine months ended September 30, 2018.

On March 5, 2018, the Company completed the asset purchase of the Zoompass stored value card business from Fintech Holdings North America, Inc. This resulted in a change of operations to a full service card issuance and program manager that offers building and servicing network branded card programs and supported mobile and web applications.

The higher level of cash used in investing activities during 2018 primarily attributed to Zoompass acquisition and internally generated assets related to the Company's mobile banking and instant payment solution.

Financing activities

During the nine months ended September 30, 2019, cash generated from financing activities was $952,145 compared to $2,809,878 during the nine months ended September 30, 2018. The higher level of cash generated during the nine months in 2018 was due to the issuance of more shares. During the nine months ended September 30, 2019, the cash flow from financing activities as comprised of advances from the related parties, proceeds from issuance of more shares, and new credit facility of $250,000 that was received on September 20, 2019.

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Going public transaction

On October 24, 2019, XTM filed a preliminary non-offering long form prospectus dated October 22, 2019 with the Ontario Securities Commission ("OSC"). The Company received the first comment letter from the OSC dated November 6, 2019 in respect of the preliminary non-offering long form prospectus which was addressed on November 12, 2019. The second comment letter was received on December 20, 2019 and the Company is currently working on the responses.

Between September 19, 2019 and December 31, 2019, a total of 3,835,294 subscription receipts (the "Subscription Receipts") were issued pursuant to a private placement for aggregate gross proceeds of $652,000 which proceeds (less agent's commission, an advisory fee and the expenses of the agents incurred in connection with the private placement) have been deposited with Escrow Agent (the "Subscription Receipt Agent") pending satisfaction of certain escrow release conditions as outlined in the subscription receipt agreement (the "Subscription Receipt Agreement") dated July 27, 2019 among XTM, the Subscription Receipt Agent and the Lead Agent (the "Escrow Release Conditions"). Upon satisfaction of the Escrow Release Conditions prior to the Escrow Release Deadline January 31, 2020, each Subscription Receipt will be automatically converted and the holders thereof shall, without payment of additional consideration or any further action on the part of the holders thereof, be entitled to one unit of XTM ("XTM Unit"). Each XTM Unit is comprised of one common share of XTM and one warrant to acquire one common share of XTM. Each warrant entitles the holder thereof the right to purchase one XTM Share subject to certain adjustments, at an exercise price of $0.26 for a period of 24 months from the closing of the Subscription Receipts.

If the Escrow Release Conditions are not satisfied by January 31, 2020 or XTM provides a termination notice to the Subscription Receipt Agent and the Lead Agent, the Subscription Receipts will be cancelled and each holder will be entitled to receive the greater of: (i) the aggregate subscription price paid for their Subscription Receipts, and (ii) their pro rata share of the Escrowed Proceeds plus Earned Interest (as such terms are defined in the Subscription Receipt Agreement), less applicable withholding taxes, if any.

Share capital

XTM's authorized share capital consists of an unlimited number of common shares. As at September 30, there were 81,595,100 common shares outstanding (76,970,100 – as at December 31, 2018).

Off balance sheet arrangements

Trust Assets and Liabilities

	As at September 30, 2019	As at December 31, 2018
The Company holds funds in trust for customers as follows:		
Cash	**$ 2,197,391**	$ 2,801,010

Liabilities to customers for funds held in trust	**$ 2,197,391**	$ 2,801,010

At the date of this MD&A, the Company had no other material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Contractual obligations

There are no significant contractual obligations.

Risk Factors

XTM is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. The summary of material risks that could significantly affect the financial condition, operating results or business of XTM can be found in section "Part I - Risk Factors" of the Filing Statement, of which this MD&A forms a part.

Accounting Pronouncements Adopted in 2018

(a) IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 14, 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 (Financial Instruments – recognition of measurement). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment of financial assets and new hedge accounting guidance. Adoption of this standard had no impact on the Company's interim condensed financial statements.

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. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance has no impact on the Company's unaudited condensed financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018, as a result of adopting IFRS 9 (along with a comparison to International Accounting Standards ("IAS 39").

Classification	IFRS 9	IAS 39
Cash	FVTPL	FVTPL

Accounts receivable	Amortized cost	Loans & receivables (amortized cost)
Accounts payable & accrued liabilities	Amortized cost	Other liabilities (amortized cost)
Short-term debt	Amortized cost	Other liabilities (amortized cost)

As a result of the adoption of IFRS 9, the accounting policy for financial instruments has been updated as follows:

Financial assets
Financial assets are classified as either financial assets at FVTPL, amortized cost or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at FVTPL
Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets and measured at FVTPL.

Amortized cost
Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's accounts receivables are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost
Financial liabilities are classified measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable & accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs
Transaction costs associated with financial instruments (carried at FVTPL) are expensed as incurred. Transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement
Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the simplified method impairment model had no impact on the Company's financial statements as at January 1, 2018.

The Company assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

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 assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(b) IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted IFRS 15. The standard clarifies the principles of recognizing revenue from contracts with customers and results in enhanced disclosures about revenue, provides guidance from transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improves guidance for multiple-element arrangements. Adoption of this standard did not have a material effect on the Company's interim condensed financial statements and related disclosures.

New standards and interpretations not yet adopted

New standards and interpretations that are not yet effective for the nine months period ended September 30, 2019, and have not been applied in preparing of the interim financial statements:

IFRS 16 - Leases sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers. The Company preliminarily has assessed that IFRS 16's impact will not be material to the interim financial statements.

Critical Accounting Estimates

The Company's unaudited condensed financial statements are in compliance with International Accounting Standard 34 ("IAS 34"), Financial Reporting. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

The preparation of financial statements in accordance with IAS 34 also requires management to exercise judgement in applying the Company's accounting policies.

The Company's critical accounting estimates include those related to the valuation of share based payments, recoverability of internally generated intangible assets, provision for loss allowances on its accounts receivable, assessment of contingent liabilities, recognition of deferred tax assets, the useful lives of property and equipment and the fair values of financial instruments.

These accounting estimates have been applied in a manner consistent with that in prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the assumptions utilized in these condensed financial statements.

Going Concern

In preparing the financial statements on a going concern basis, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

Internal Controls Over Financial Reporting and Disclosure of Controls and Procedures

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that: (i) the unaudited condensed 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 unaudited condensed consolidated financial statements; and (ii) the unaudited condensed financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

The Company's Chief Executive Officer and the Chief Financial Officer are responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in the Company's internal controls over financial reporting during the Company's most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Since the Company is in its infancy stage, it has not completed a full assessment of the adequacy of the controls but plans to have an assessment of its control environment completed by the first quarter of 2020.

Related Party Transactions & Key Management Compensation

The Company's related parties consist of the Company's director and shareholders and the companies associated with them. The following transactions occurred between related parties:

	Nine months ended September 30, 2019	Year ended December 31, 2018
Expenses paid on behalf of related party	**$ 3,582**	$ 3,627
Advances/repayments of loans	**(300,000)**	540,300
	$ (296,418)	$ 543,927

Related Party Balances

	$	$
Due from related parties	**303,654**	600,260
Due to shareholders	**126,428**	126,616

At September 30, 2019, the Company has a balance owing of $303,654 (Dec 31, 2018 - $600,260) from the entities controlled by the sole director of the Company.

At September 30, 2019, the Company has a balance owing of $126,428 (at December 31, 2018 - $126,616) to the Company's shareholders.

The amounts due from and to related parties in the normal course of business are unsecured, non-interest bearing and have no specific terms of repayment.

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Company's key management personnel include founders of the company and other key senior executives.

During the three and nine months ended September 30, 2019 and 2018, remunerations of key management of Company were as follows:

	Three months ended September 30	**Nine months ended September 30**

	2019	2018	**2019**	2018
Salary and employee benefits	$230,144	$137,959	$649,455	$325,633
Share based compensation	-	-	-	-

Capital Risk Management

The Company's objective when managing capital is to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, warrant reserve, and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its growth activities and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and / or debt financing.

The Company's overall capital risk management strategy has been to expedite customer payments and reduce credit terms offered to certain customers.

Financial Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the accounting and finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

Currency risk

The Company operates primarily in Canada and has new business revenues expected from the USA and United Kingdom. The Company will have exposure to foreign exchange risk. Foreign exchange risk arises from purchase and sales transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to borrow in US dollars as a natural hedge against movements in the foreign exchange rate and to maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12-month horizon. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and Canadian cash needs. The Company does not use derivative instruments to mitigate this risk.

The Company is not been currently exposed to significant currency risk in 2019.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk.

The Company's short-term and long-term debts have fixed interest rates and is not exposed to interest rate risk.

Credit risk

Credit risk is the risk that the counter party will default on its contractual obligations resulting in financial losses to the Company. The Company has adopted a policy of dealing with credit-worthy counterparties. The Company's exposure and credit rating of counterparties is constantly monitored.

Management actively mitigates risk by ensuring receivables remain current.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

Subsequent Events

On October 24, 2019, XTM filed a preliminary non-offering long form prospectus dated October 22, 2019 with the Ontario Securities Commission ("OSC"). The Company received the first comment letter from the OSC dated November 6, 2019 in respect of the preliminary non-offering long form prospectus which was addressed on November 12, 2019. The second comment letter was received on December 20, 2019 and the Company is currently working on the responses.

On December 27, 2019, the Company completed the non-brokered private placement for gross proceeds of $150,000 comprising of 882,353 units at a purchase price of $0.17 per unit. The funds were subsequently deposited into the Company's operating bank account.

Definitions – IFRS, Additional GAAP and NON-GAAP Measures

IFRS Measures

Cost of services
Cost of services consists of expenses related to servicing the customers instant pay and mobile banking solutions. These expenses include interchange and related network fees, ATM (Automated Teller Machine) fees, card set-up and printing costs and customer support expenses for resources directly associated with the cost of services.

Gross profit margin
Gross profit margin is revenue less cost of services.

Other operating expenses
Other operating expenses includes consultant & professional fees, legal expenses, travel & entertainment expenses, bad debt expense, customer acquisition costs, computer and software purchases, marketing expenses, recruiting expenses, rent expense for office facilities, insurance, telecom expenses, office supplies and maintenance expenses.

Finance costs
Finance costs consist of interest charged on our long-term revdebt facility, amortization of deferred financing costs and accretion expense. The deferred financing costs are amortized using the effective interest method over the term of the loan.

Additional GAAP Measures

Loss from operations
Loss from operations exclude foreign exchange loss, income taxes, finance costs and change in fair value of derivative liability. We consider loss from operations to be representative of the activities that would normally be regarded as operating for the Company. We believe this measure provides relevant information that can be used to assess the consolidated performance of the Company and therefore, provides meaningful information to investors.

Non-GAAP Measures

Adjusted EBITDA
The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company believes that Adjusted EBITDA is useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. Adjusted EBITDA is also used by some investors and analysts for the purpose of valuing a company. The Company calculates Adjusted EBITDA as earnings before deducting interest, taxes, depreciation and amortization, foreign exchange, finance costs, bad debt expense, impairment of assets, shared based compensation and going public transaction fees and related costs. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of our financial performance or as a measure of our liquidity and cash flows. Adjusted EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

Adjusted EBITDA does not have any standardized meaning under GAAP. XTM's method of calculating Adjusted EBITDA may differ from other issuers and, accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Results of Operations – Adjusted EBITDA" for reconciliation of net loss to Adjusted EBITDA.

SCHEDULE C

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

XTM INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Foley, Broderick LLP
CHARTERED ACCOUNTANTS

38 PRINCE ARTHUR AVENUE
TORONTO, ONTARIO, CANADA M5R 1A9
TELEPHONE (416) 863-1510
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of XTM Inc.

Opinion

We have audited the financial statements of XTM Inc. ("the Company"), which comprise the balance sheet as at December 31, 2018, and the statements of loss, statement of change in shareholders' equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continues)

Independent Auditor's Report to the Shareholders of XTM Inc. *(continued)*

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Foley, Broderick LLP

TORONTO, Ontario
August 30, 2019

Chartered Accountants
Licensed Public Accountants
Chartered Professional Accountants

XTM INC.

Balance Sheet

As at December 31, 2018

		2018		2017
Assets				
Current				
Cash - Note 4	**$**	**368,937**	$	95,929
Accounts receivable		**139,800**		74,580
Prepaid expenses - Note 5		**59,872**		2,065
Loans receivable		**44,675**		44,675
Due from related parties		**600,260**		90,174
		1,213,544		307,423
Capital assets - Note 6		**1,648,240**		42,814
Intangible assets - Note 7		**247,500**		-
	$	**3,109,284**	$	350,237
Liabilities				
Current				
Accounts payable and accrued liabilities - Note 8	**$**	**107,384**	$	56,156
Taxes payable - Note 9		**21,573**		25,617
Due to shareholders		**126,616**		160,457
		255,573		242,230
Shareholders' Equity				
Share capital - Note 10		**3,879,991**		100
Retained earnings (deficit)		**(1,026,280)**		107,907
		2,853,711		108,007
	$	**3,109,284**	$	350,237

Approved by the sole director:

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The accompanying notes form an integral part of these financial statements.

XTM INC.

Statement of Loss

For the Year Ended December 31, 2018

		2018		2017
Revenue	**$**	**663,875**	$	1,057,825
Cost of sales		**614,088**		420,656
Gross profit		**49,787**		637,169
Expenses				
Amortization		**330,805**		13,605
Automobile		**33,904**		31,545
Bad debts		**46,028**		13,983
Bank charges and interest		**10,801**		4,436
Insurance		**9,615**		9,310
Meals and entertainment		**13,736**		13,760
Office and general		**96,405**		68,386
Professional fees		**73,838**		16,357
Rent		**76,001**		42,943
Salaries and employee benefits		**476,814**		301,640
Telephone		**15,703**		18,591
		1,183,650		534,556
Income (loss) from operations		**(1,133,863)**		102,613
Other income (expense)		**(25)**		(3,208)
Income (loss) before income taxes		**(1,133,888)**		99,405
Income taxes - Note 11		**299**		13,952
Net income (loss) for the year	**$**	**(1,134,187)**	$	85,453
Net income (loss) per share - Basic and diluted	**$**	**(0.02)**	$	854.53
Weighted average number of shares outstanding - Basic and diluted		**50,275,075**		100

The accompanying notes form an integral part of these financial statements.

XTM INC.

Statement of Changes in Shareholders' Equity

For the Year Ended December 31, 2018

	Common Shares	Retained Earnings
Balance as at January 1, 2017	$ 100	$ 22,454
Net income for year	-	85,453
Balance as at December 31, 2017	$ 100	$ 107,907
Net income (loss) for year	-	(1,134,187)
Issue of shares - Note 10	3,879,891	-
Balance as at December 31, 2018	$ 3,879,991	$ (1,026,280)

The accompanying notes form an integral part of these financial statements.

XTM INC.

Statement of Cash Flow

For the Year Ended December 31, 2018

		2018		2017
OPERATING ACTIVITIES				
Net income (loss)	**$**	**(1,134,187)**	$	85,453
Items not affecting cash:				
Amortization of capital assets		**303,305**		13,605
Amortization of intangible assets		**27,500**		-
		(803,382)		99,058
Changes in non-cash working capital:				
Accounts receivable		**(65,220)**		96,031
Accounts payable		**51,228**		1,121
Taxes payable		**(4,044)**		37,180
Prepaid expenses		**(57,807)**		6
Loan receivable		**-**		8,521
		(75,843)		142,859
Cash flow from (used by) operating activities		**(879,225)**		241,917
INVESTING ACTIVITIES				
Purchase of capital assets		**(1,908,731)**		(34,406)
Purchase of intangible assets		**(275,000)**		-
Cash flow used by investing activities		**(2,183,731)**		(34,406)
FINANCING ACTIVITIES				
Advances to related parties		**(510,086)**		(10,824)
Advances from (to) shareholders		**(33,841)**		(71,858)
Issuance of shares		**3,879,891**		-
Cash flow from (used by) financing activities		**3,335,964**		(82,682)
Increase in cash		**273,008**		124,829
Cash (deficiency) at beginning of year		**95,929**		(28,900)
Cash at end of year		**368,937**		95,929
SUPPLEMENTARY INFORMATION				
Interest paid	**$**	**99**	$	653
Income taxes paid	**$**	**14,879**	$	2,832

The accompanying notes form an integral part of these financial statements.

1. **Nature of Operations**

XTM Inc. (the "Company") was incorporated under the Ontario Business Corporations Act on December 1, 2005. The Company's principal business activities include operating as a prepaid card program manager and network branded card issuer. The Company provides the necessary support systems including mobile and web applications and ancillary banking services. The address of the Company's registered office is 67 Mowat Avenue, Suite 437, Toronto, Ontaro, M6K 3E3, Canada.

2. **Basis of Presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis and incorporate the principal policies set out below. These financial statements are presented in Canadian funds.

The financial statements were approved by the director on August 30, 2019.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures as at the date of the financial statement, and the carrying amount of revenue and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

The significant judgments, estimates and assumptions used in applying the Company's accounting policies, could significantly affect the reported results or financial position, are as follows:

Impairment

The Company should consider the possibility that the carrying amounts of capital assets may not be recoverable. Impairment tests are done when there is an indication that capital assets are impaired. In accordance with the Company's policy for impairment, the Company determines the recoverable amount of an asset at the higher of fair value less costs to sell and value in use. The determination of fair value, value in use and present value requires management to make estimates and assumptions about expected selling prices, and expected use of the assets.

Going Concern

In preparing the financial statements on a going concern basis, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

3. **Summary of Significant Accounting Policies**

The accounting policies below have been applied consistently by the Company.

(a) Foreign Currency Translation

The Company's financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period. Exchange differences arising from operating transactions are recorded in operating profit for the period.

(b) Financial Instruments

The Company initially recognizes a financial asset or a financial liability on the date it becomes a party to the contractual provisions of the instrument. The Company's financial instruments consists of cash, accounts receivables, loans receivable, amounts due from related parties, accounts payable and accrued liabilities, and amounts due to shareholders. The Company initially measures financial assets and liabilities at fair value. Subsequently, financial instruments are measured at amortized cost on the basis that amortized cost of these instruments approximate their fair values becuase of their nature and relatively short maturity dates or durations.

The Company through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. Management is responsible for setting risk levels and reviewing risk management activities as they determine to be necessary.

Credit Risk

The Company is exposed to credit risk arising from the possibility that the cash held and receivables are non-recoverable. However, the Company believes that its exposure to credit risk in relation to the cash, receivables and amounts due from related parties is low. All of the cash held by the Company was held with reputable financial institutions and the Company monitors the credit worthiness of its customers.

Liquidity Risk

The Company is exposed to the risk that the Company will not be able to meet its obligations as they fall due. The Company is exposed to liquidity risk on its accounts payable and liabilities. The Company manages liquidity risk through the monitoring of its cash balances and cash flows generated from operations.

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3. **Summary of Significant Accounting Policies** *(continued)*

(c) Capital Assets

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

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

	Rate	Method
Computer equipment	45%	Diminishing-balance
Furniture and fixtures	20%	Diminishing-balance
Servers and hardware	30%	Diminishing-balance
Software	30%	Diminishing-balance
Leasehold improvements	5 years	Straight line
Telephone equipment	20%	Diminishing-balance

Amortization 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.

(d) Intangible Assets

Agreements and customer relationships with finite useful lives are measured at acquisition cost. They are amortized on a straight-line basis over their useful life, which is five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

(e) Income Taxes

The tax expense includes current tax and is recognized in profit or loss. Current tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from net profit. This calculation was made using tax rates and laws enacted or substantively enacted at the end of the reporting period.

(f) Share Capital

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.

(g) Revenue Recognition

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. The Company's revenues are primarily generated from financial service fees charged to cardholders and merchants accepting the cards for payment. Revenue from financial services is generated from multiple sources including transaction fees, cardholder fees, load fees and interchange fees. These fees are recognized on the transaction date. Funds received from customers are held in trust and the corresponding amount of funds available for use are recorded as a liability. Fees charged for card program, website and card design are recognized when services are performed or when the product is tranferred to the customer.

4. **Cash**

		2018		2017
Cash consists of:				
RBC - Operating account	**$**	**351,513**	$	95,745
RBC - USD account		**139**		184
Funds in transit		**17,285**		-
	$	**368,937**	$	95,929

5. **Prepaid Expenses**

		2018		2017
Prepaid expenses consists of:				
Prepaid insurance	**$**	**3,294**	$	2,065
Prepaid consulting services		**50,000**		-
Deposit		**6,578**		-
	$	**59,872**	$	2,065

6. **Capital Assets**

	Computer Equipment	Furniture and Fixtures	Servers and Hardware	Software	Leasehold Improvements	Telephone Equipment	Total
Cost							
Balance as at January 1, 2017	$ 11,293	$ 45,571	$ -	$ -	$ 29,383	$ 8,707	$ 94,954
Acquisitions	4,303	5,308	-	-	24,796	-	34,407
Balance as at December 31, 2017	15,596	50,879	-	-	54,179	8,707	129,361
Acquisitions	16,401	7,330	25,000	1,860,000	-	-	1,908,731
Balance as at December 31, 2018	$ 31,997	$ 58,209	$ 25,000	$ 1,860,000	$ 54,179	$ 8,707	$ 2,038,092
Accumulated Amortization							
Balance as at January 1, 2017	$ (9,871)	$ (32,200)	$ -	$ -	$ (24,342)	$ (6,529)	$ (72,942)
Amortization	(1,608)	(3,205)	-	-	(8,356)	(436)	(13,605)
Balance as at December 31, 2017	(11,479)	(35,405)	-	-	(32,698)	(6,965)	(86,547)
Amortization	(5,543)	(3,828)	(3,750)	(279,000)	(10,836)	(348)	(303,305)
Balance as at December 31, 2018	$ (17,022)	$ (39,233)	$ (3,750)	$ (279,000)	$ (43,534)	$ (7,313)	$ (389,852)
Carrying Amount							
Balance as at December 31, 2017	$ 4,117	$ 15,474	$ -	$ -	$ 21,481	$ 1,742	$ 42,814
Balance as at December 31, 2018	$ 14,975	$ 18,976	$ 21,250	$ 1,581,000	$ 10,645	$ 1,394	$ 1,648,240

7. **Intangible Assets**

	Agreements	Total
Cost		
Balance as at January 1, 2018	$ -	$ -
Acquisitions	275,000	275,000
Balance as at December 31, 2018	$ 275,000	$ 275,000
Accumulated Amortization		
Balance as at January 1, 2018	$ -	$ -
Amortization	27,500	27,500
Balance as at December 31, 2018	$ 27,500	$ 27,500
Carrying Amount		
Balance as at December 31, 2018	$ 247,500	$ 247,500

The intangible assets valued on the balance sheet include agreements with clients, issuers, suppliers, processors and existing cardholders.

8. Accounts Payable and Accrued Liabilities

		2018		2017
Accounts payable and accrued liabilities consist of:				
Accounts payable	**$**	**42,136**	$	3,631
Accrued liabilities		**34,012**		27,027
Credit cards payable		**31,236**		25,498
	$	**107,384**	$	56,156

9. Taxes Payable

Taxes payable consist of $21,508 (2017 - $10,960) in government remittance for sales tax and $65 (2017 - $14,657) for corporate income taxes.

10. Share Capital

Authorized:
Unlimited Common shares

		Number of common shares		$
Issued:				
	Share capital as at January 31, 2018	100	$	100
	Issue of share capital	76,970,000		3,879,891
	Share capital as at December 31, 2018	76,970,100	$	3,879,991

Share capital is comprised of an unlimited number of common shares without par value. All the common shares have the same rights in respect of the distribution of dividends and the repayment of capital. In February, 2018 the Company issued 5,160,000 common shares to Marilyn Schaffer, CEO and other key employees of the Company. In March, 2018 the Company issued 42,000,000 common shares at a par value of $0.05 to complete the Zoompass asset acquisition. In the remainder of 2018, the Company issued 29,810,000 common shares to close several private placements. This increase in capital generated gross cash proceeds of $3,961,000 net of issuance costs, filing fees, commissions and legal costs of $81,109.

11. **Income Taxes**

		2018		2017
Income taxes	**$**	**299**	$	13,952

The reconciliation of the income tax expense, calculated using the statutory income tax rates prevailing in Canada, with the income tax expense reported in the financial statements is as follows:

		2018		2017
Income (loss) before income taxes	**$**	**(1,133,888)**	$	99,405
Canadian federal and provincial income tax rates		**15%**		15%
Income taxes on earnings before income taxes		**-**		14,911
Increase (decrease) resulting from:				
Accrued interest and penalties		**299**		-
Adjustments recognized in the period for prior periods		**-**		(2,606)
Non-deductible expenses		**-**		988
Temporary differences		**-**		659
Effective tax expense	**$**	**299**	$	13,952

12. **Trust Assets and Liabilities**

		2018		2017
The Company holds funds in trust for customers as follows:				
Cash	**$**	**2,801,010**	$	-
Liabilities to customers for funds held in trust	**$**	**2,801,010**	$	-

13. Related Party Transactions

The Company's related parties consist of the Company's shareholders and any companies associated with them. The following transactions occurred between related parties:

		2018		2017
Expenses paid on behalf of related party	**$**	**3,627**	$	20,682
Advances/repayments of loans		**540,300**		62,000
		543,927		82,682
Related Party Balances				
Due from related parties		**600,260**		90,174
Due to shareholders		**126,616**		160,457

The amounts due from and to related parties are unsecured, $300,000 of the amount due from related parties is interest bearing at 6% per annum and due in full on September 1, 2019, this amount was repaid in full with accrued interest in April, 2019. The remaining balance is non-interest bearing with no specific terms of repayment.

14. Subsequent Events

There are no events subsequent to year end, which would have a material impact on the financial statements or would require adjustment or disclosure to the financial statements.

SCHEDULE D

MANAGEMENT DISCUSSION & ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

Management's Discussion & Analysis
For the year ended December 31, 2018

Introduction

The following Management's Discussion & Analysis ("MD&A") of XTM Inc. (the "Company" or "XTM") for the year ended December 31, 2018 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's audited annual financial statements for the years ended December 31, 2018 and 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's audited financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Accordingly, information contained herein is presented as of December 31, 2018, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Forward-Looking Statements

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Corporate Overview

The Company is a global fintech company providing mobile banking solutions and card issuing solutions for loyalty, reward, and corporate payouts including tips and wages. XTM's technology solutions and partnership with Mastercard and Vise are driving financial inclusion and empowerment to millions of next-generation workers around the globe by providing a full-service mobile bank account with instant access to their earnings. Founded in 2014, the Company is now planning to launch instant gratuity a payment and mobile banking solutions to employees of some of North America's largest employers. The head office, principal address and registered office of the Company is located at 67 Mowat Avenue, Suite 437, Toronto, Ontario, Canada, M6K 3E3.

Results of Operations

Selected financial information for the years ended December 31, 2018 and 2017

	2018	**2017**
Revenue	$663,875	$1,057,825
Cost of sales (1)	$614,088	$420,656
Gross Profit	$49,787	$637,169
Adjusted EBITDA (2)	$(757,030)	$130,201
Net Income (Loss)	$(1,134,187)	$85,453
Basic and Diluted loss per share	$ (0.02)	$ 854.53

(1) See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"
(2) See "Adjusted EBITDA" for a reconciliation of net loss to Adjusted EBITDA

Revenue
Revenue decreased by 59.34% (2018 - $663,875; 2017 - $1,057,825). This was primarily because of the shift of the business focus to payments and realignment of existing and new contracts post the Zoompass asset purchase.

Gross profit
During the year ended December 31, 2018, gross profit was $49,787 compared to $637,169 during the same period in 2017. The decrease was driven by the Company's continued growth and investments made in its mobile banking and instant payment solutions business which supported the growth in cost of services during the year ended December 31, 2018. Processor charges, interest on its funding facility and increase in customer support expenses to service the Company's larger customer base were the main reasons for the increase in cost of sales in 2018 compared to 2017.

Net loss

Net loss was $1,134,187 for the year ended December 31, 2018 compared to a net income of $85,453 for the year ended December 31, 2017.

During the year ended December 31, 2018, the operating expenses increased by 121.43% from $534,556 in the year ended December 31, 2017 to $1,183,650 in the year ended December 31, 2018. The overall increase was mainly due to an increase in professional fees associated with the Company's go public transaction, increased amortization expense due to significant capital expenditures during the year associated with Zoompass acquisition, higher marketing expenses to aid in the launch and growth of the Company's mobile banking and tip payment solution business in 2018, and increased salaries and occupancy costs.

Adjusted EBITDA

Adjusted EBITDA decreased to $(757,030) for the year ended December 31, 2018 compared to $130,201 for the same period in 2017. The decrease is mainly driven by higher salary and related costs outlined above. An increase in computer and software costs, marketing, rent also contributed to the decrease in Adjusted EBITDA.

The table below reconciles net loss to Adjusted EBITDA (1) for the years ended December 31, 2018 and 2017:

	2018	**2017**
Net Income (loss)	**$(1,134,187)**	**$85,453**
Income taxes	299	13,952
Other income (expenses)	25	3,208
Net Income (loss) from operations	**(1,133,863)**	**102,613**
Add:		
Amortization of capital assets	303,305	13,605
Amortization of intangible assets	27,500	-
Bad debt expense	46,028	13,983
Adjusted EBITDA (1)	**$(757,030)**	**$130,201**

(1) See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"

Amortization and depreciation

The amortization of intangible assets and depreciation of property and equipment increased from $13,605 in the year ended December 31, 2017 to $330,805 in the year ended December 31, 2018. This is mainly attributed to an increase in internally generated assets related to the Company's mobile banking and instant payment solution.

<u>Liquidity and Capital Resources</u>

The Company intends to use its funds to meet funding requirements for business development and new customer deployments based on anticipated market demand. Actual funding requirements will vary depending on a variety of factors, including our success in executing our business plan, the progress of our product and business development efforts, our sales and our ability to manage our working capital requirements. Our existing cash balances and cash generated from operations, cash proceeds from new debt and equity financing will be required to meet our anticipated cash needs for working capital, growth capital and capital expenditures for the foreseeable future. There are no guarantees the Company will be successful in completing an equity financing, arranging for additional debt with its current lender or obtaining a new debt facility.

The table below is a summary of cash inflows and outflows by activity for the years ended December 31, 2018 and 2017:

	2018	2017
Cash inflows and (outflows) by activity:		
Operating activities	$(879,225)	$241,917
Investing activities	(2,183,731)	(34,406)
Financing activities	3,335,964	(82,682)
Net cash (outflows) inflows	273,008	124,829
Cash (deficiency), beginning of year	$95,929	$(28,900)
Cash (deficiency), end of year	$368,937	$95,929

Operating activities
During the year ended December 31, 2018, cash used in operating activities was $879,225 compared to cash of $241,917 received from the operating activity during the same period in 2017. The increase in cash used in operating activities is mainly due to lower Adjusted EBITDA, partially offset by favorable changes in non-cash working capital.

Investing activities
For the year ended December 31, 2018, cash used in investing activities was $787,333 compared to $530,376 for the same period in 2017. The increase in cash used in investing activities primarily attributed to an increase in internally generated assets related to the Company's mobile banking and tip payment solution, partially offset by lower capital expenditures on furniture, fixtures and leasehold improvements.

Financing activities
During the year ended December 31, 2018, cash generated from financing activities was $3,335,964 compared to $82,682 cash used by financing activities during the same period in 2017. The increase in cash generated in 2018 was due to the issuance of shares that were offset by a net repayment of the Company's short-term debts.

Going public transaction
XTM is preparing to file a non-offering prospectus with the Ontario Securities Commission ("OSC") and a listing statement with the Canadian Securities Commission ("CSE") in 2019.

Share capital
XTM's authorized share capital consists of an unlimited number of common shares. As at December 31, 2018, there were 76,970,100 common shares outstanding.

Off balance sheet arrangements

At the date of this MD&A, the Company had no material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Contractual obligations
There are no significant contractual obligations.

Risk Factors

XTM is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. The summary of material risks that could significantly affect the financial condition, operating results or business of XTM can be found in section "Part I - Risk Factors" of the Filing Statement, of which this MD&A forms a part.

Accounting Pronouncements Adopted in 2018

(a) IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 14, 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 (Financial Instruments – recognition of measurement). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment of financial assets and new hedge accounting guidance. Adoption of this standard had no impact on the Company's condensed consolidated financial statements.

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. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance has no impact on the Company's unaudited condensed consolidated financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018, as a result of adopting IFRS 9 (along with a comparison to International Accounting Standards ("IAS 39")).

Classification	**IFRS 9**	**IAS 39**
Cash	FVTPL	FVTPL
Accounts receivable	Amortized cost	Loans & receivables (amortized cost)
Accounts payable & accrued liabilities	Amortized cost	Other liabilities (amortized cost)
Short-term debt	Amortized cost	Other liabilities (amortized cost)

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets
Financial assets are classified as either financial assets at FVTPL, amortized cost or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at FVTPL
Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets and measured at FVTPL.

Amortized cost
Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's accounts receivables are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost
Financial liabilities are classified measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable & accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs
Transaction costs associated with financial instruments (carried at FVTPL) are expensed as incurred. Transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement
Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the simplified method impairment model had no impact on the Company's financial statements as at January 1, 2018.

The Company assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

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 assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(b) IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted IFRS 15. The standard clarifies the principles of recognizing revenue from contracts with customers and results in enhanced disclosures about revenue, provides guidance from transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improves guidance for multiple-element arrangements. Adoption of this standard did not have a material effect on the Company's audited financial statements and related disclosures.

Basis of Presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis and incorporate the principal policies set out below. These financial statements are presented in Canadian funds.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures as at the date of the financial statement, and the carrying amount of revenue and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

The significant judgments, estimates and assumptions used in applying the Company's accounting policies, could significantly affect the reported results or financial position, are as follows:

Impairment

The Company should consider the possibility that the carrying amounts of capital assets may not be recoverable. Impairment tests are done when there is an indication that capital assets are impaired. In accordance with the Company's policy for impairment, the Company determines the recoverable amount of an asset at the higher of fair value less costs to sell and value in use. The determination of fair value, value in use and present value requires management to make estimates and assumptions about expected selling prices, and expected use of the assets.

Going Concern

In preparing the financial statements on a going concern basis, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

Internal Controls Over Financial Reporting and Disclosure of Controls and Procedures

The Company's Chief Executive Officer and the Chief Financial Officer are responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in the Company's internal controls over financial reporting during the Company's most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Related Party Transactions & Key Management Compensation

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Company's key management personnel include founders of the company and other key senior executives.

During the years ended December 31, 2018 and 2017, remunerations of key management of Company were as follows:

	2018	**2017**
Salary and employee benefits	$476,814	$301,640
Share based compensation	-	-

The Company's related parties consist of the Company's shareholders and any companies associated with them.

The following transactions occurred between related parties:

	2018	**2017**
Expenses paid on behalf of related party	$3,627	$20,682
Advances/repayments of loans	540,300	62,000
	$543,927	**$82,682**
Related Party Balances		

Due from related parties	$600,260	$90,174
Due to shareholders	$126,616	$160,457

The amounts due from and to related parties are unsecured, $300,000 of the amount due from related parties is interest bearing at 6% per annum and due in full on September 1, 2019, this amount was repaid in full with accrued interest in April, 2019. The remaining balance is non-interest bearing with no specific terms of repayment.

Capital Risk Management

The Company's objective when managing capital is to maintain its ability to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, warrant reserve, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its growth activities and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and / or debt financing.

The Company's overall capital risk management strategy has been to expedite customer payments and reduce credit terms offered to certain customers.

Financial Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the accounting and finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

Currency risk

The Company operates primarily in Canada and has new business revenues expected from the USA and United Kingdom. The Company will have exposure to foreign exchange risk. Foreign exchange risk arises from purchase and sales transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to borrow in US dollars as a natural hedge against movements in the foreign exchange rate and to maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12-month horizon. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and Canadian cash needs. The Company does not use derivative instruments to mitigate this risk.

The Company is not currently exposed to significant currency risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk.

The Company's short-term debts have fixed interest rates and is not exposed to interest rate risk.

Credit risk

Credit risk is the risk that the counter party will default on its contractual obligations resulting in financial losses to the Company. The Company has adopted a policy of dealing with credit-worthy counterparties. The Company's exposure and credit rating of counterparties is constantly monitored

Management actively mitigates risk by ensuring receivables remain current.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

Definitions – IFRS, Additional GAAP and NON-GAAP Measures

IFRS Measures

Cost of services
Cost of services consists of expenses related to servicing the customers instant pay and mobile banking solutions. These expenses include interchange and related network fees, ATM (Automated Teller Machine) fees, card set-up and printing costs and customer support expenses for resources directly associated with the cost of services.

Gross profit margin
Gross profit margin is revenue less cost of services.

Other operating expenses
Other operating expenses includes consultant & professional fees, legal expenses, travel & entertainment expenses, bad debt expense, customer acquisition costs, computer and software purchases, marketing expenses, recruiting expenses, rent expense for office facilities, insurance, telecom expenses, office supplies and maintenance expenses.

Finance costs

Finance costs consist of interest charged on our long-term revdebt facility, amortization of deferred financing costs and accretion expense. The deferred financing costs are amortized using the effective interest method over the term of the loan.

Additional GAAP Measures

Loss from operations

Loss from operations exclude foreign exchange loss, income taxes, finance costs and change in fair value of derivative liability. We consider loss from operations to be representative of the activities that would normally be regarded as operating for the Company. We believe this measure provides relevant information that can be used to assess the consolidated performance of the Company and therefore, provides meaningful information to investors.

Non-GAAP Measures

Adjusted EBITDA

The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company believes that Adjusted EBITDA is useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. Adjusted EBITDA is also used by some investors and analysts for the purpose of valuing a company. The Company calculates Adjusted EBITDA as earnings before deducting interest, taxes, depreciation and amortization, foreign exchange, finance costs, bad debt expense, impairment of assets, shared based compensation and going public transaction fees and related costs. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of our financial performance or as a measure of our liquidity and cash flows. Adjusted EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

Adjusted EBITDA does not have any standardized meaning under GAAP. XTM's method of calculating Adjusted EBITDA may differ from other issuers and, accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Results of Operations – Adjusted EBITDA" for reconciliation of net loss to Adjusted EBITDA.

SCHEDULE E

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

XTM INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Foley, Broderick LLP
CHARTERED ACCOUNTANTS

38 PRINCE ARTHUR AVENUE
TORONTO, ONTARIO, CANADA M5R 1A9
TELEPHONE (416) 863-1510
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of XTM Inc.

Opinion

We have audited the financial statements of XTM Inc. ("the Company"), which comprise the balance sheet as at December 31, 2017, and the statements of income, statement of change in shareholder's equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Matter

The financial statements for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 1, 2019.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continues)

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Foley, Broderick LLP

TORONTO, Ontario
August 30, 2019

Chartered Accountants
Licensed Public Accountants
Chartered Professional Accountants

XTM INC.

Balance Sheet

As at December 31, 2017

		2017		2016
Assets				
Current				
Cash - Note 4	**$**	**95,929**	$	-
Accounts receivable		**74,580**		170,611
Prepaid expenses		**2,065**		2,072
Loans receivable		**44,675**		53,196
Due from related parties		**90,174**		79,350
Taxes recoverable		**-**		11,563
		307,423		316,792
Capital assets - Note 5		**42,814**		22,012
	$	**350,237**	$	338,804
Liabilities				
Current				
Accounts payable and accrued liabilities - Note 6	**$**	**56,156**	$	55,035
Taxes payable - Note 7		**25,617**		-
Due to shareholder		**160,457**		232,315
Bank indebtedness - Note 4		**-**		28,900
		242,230		316,250
Shareholder's Equity				
Share capital - Note 8		**100**		100
Retained earnings		**107,907**		22,454
		108,007		22,554
	$	**350,237**	$	338,804

Approved by the sole director:

____

The accompanying notes form an integral part of these financial statements.

XTM INC.
Statement of Income
For the Year Ended December 31, 2017

		2017		2016
Revenue	**$**	**1,057,825**	$	939,086
Cost of sales		**420,656**		327,210
Gross profit		**637,169**		611,876
Expenses				
Amortization		**13,605**		10,927
Automobile		**31,545**		35,726
Bad debts		**13,983**		51,899
Bank charges and interest		**4,436**		4,943
Insurance		**9,310**		8,551
Meals and entertainment		**13,760**		9,966
Office and general		**68,386**		65,794
Professional fees		**16,357**		29,869
Rent		**42,943**		85,249
Salaries and employee benefits		**301,640**		359,231
Telephone		**18,591**		14,884
		534,556		677,039
Income (loss) from operations		**102,613**		(65,163)
Other income (expense)		**(3,208)**		-
Income (loss) before income taxes		**99,405**		(65,163)
Income taxes - Note 9		**13,952**		-
Net income (loss) for the year	**$**	**85,453**	$	(65,163)
Net income (loss) per share - Basic and diluted	$	854.53	$	(651.63)
Weighted average number of shares outstanding - Basic and diluted		100		100

The accompanying notes form an integral part of these financial statements.

XTM INC.

Statement of Changes in Shareholder's Equity

For the Year Ended December 31, 2017

	Common Shares	Retained Earnings
Balance as at January 1, 2016	$ 100	$ 87,617
Net income (loss) for year	-	(65,163)
Balance as at December 31, 2016	100	22,454
Net income for year	-	85,453
Balance as at December 31, 2017	$ 100	$ 107,907

The accompanying notes form an integral part of these financial statements.

XTM INC.

Statement of Cash Flow

For the Year Ended December 31, 2017

		2017		2016
OPERATING ACTIVITIES				
Net income (loss)	$	85,453	$	(65,163)
Item not affecting cash:				
Amortization of capital assets		13,605		10,927
		99,058		(54,236)
Changes in non-cash working capital:				
Accounts receivable		96,031		(60,109)
Accounts payable		1,121		12,964
Taxes payable		37,180		(11,582)
Prepaid expenses		6		(176)
Loan receivable		8,521		(24,086)
		142,859		(82,989)
Cash flow from (used by) operating activities		241,917		(137,225)
INVESTING ACTIVITY				
Purchase of capital assets		(34,406)		-
FINANCING ACTIVITIES				
Advances to related parties		(10,824)		-
Advances from (to) shareholder		(71,858)		20,258
Cash flow from (used by) financing activities		(82,682)		20,258
Increase (decrease) in cash		124,829		(116,967)
Cash (deficiency) at beginning of year		(28,900)		88,067
Cash (deficiency) at end of year		95,929		(28,900)
SUPPLEMENTARY INFORMATION				
Interest paid	$	653	$	1,818
Income taxes paid	$	2,832	$	-

The accompanying notes form an integral part of these financial statements.

1. **Nature of Operations**

XTM Inc. (the “Company”) was incorporated under the Ontario Business Corporations Act on December 1, 2005. The Company’s principal business activities include operating as a full service marketing agency. The primary services offered include advertising and branding, website design and build, UX/UI design and research and search engine optimization. The address of the Company’s registered office is 67 Mowat Avenue, Suite 437, Toronto, Ontario, M6K 3E3, Canada.

2. **Basis of Presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis and incorporate the principal policies set out below. These financial statements are presented in Canadian funds.

The financial statements were approved by the director on August 30, 2019.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures as at the date of the financial statement, and the carrying amount of revenue and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

The significant judgments, estimates and assumptions used in applying the Company's accounting policies, could significantly affect the reported results or financial position, are as follows:

Impairment

The Company should consider the possibility that the carrying amounts of capital assets may not be recoverable. Impairment tests are done when there is an indication that capital assets are impaired. In accordance with the Company's policy for impairment, the Company determines the recoverable amount of an asset at the higher of fair value less costs to sell and value in use. The determination of fair value, value in use and present value requires management to make estimates and assumptions about expected selling prices, and expected use of the assets.

Going Concern

In preparing the financial statements on a going concern basis, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

3. **Summary of Significant Accounting Policies**

The accounting policies below have been applied consistently by the Company.

(a) Foreign Currency Translation

The Company's financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period. Exchange differences arising from operating transactions are recorded in operating profit for the period.

(b) Financial Instruments

The Company initially recognizes a financial asset or a financial liability on the date it becomes a party to the contractual provisions of the instrument. The Company's financial instruments consists of cash, accounts receivables, loans receivable, amounts due from related parties, accounts payable and accrued liabilities and amounts due to shareholder. The Company initially measures financial assets and liabilities at fair value. Subsequently, financial instruments are measured at amortized cost on the basis that amortized cost of these instruments approximate their fair values becuase of their nature and relatively short maturity dates or durations.

The Company through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. Management is responsible for setting risk levels and reviewing risk management activities as they determine to be necessary.

Credit Risk

The Company is exposed to credit risk arising from the possibility that the cash held and receivables are non-recoverable. However, the Company believes that its exposure to credit risk in relation to the cash, receivables and amounts due from related parties is low. All of the cash held by the Company was held with reputable financial institutions and the Company monitors the credit worthiness of its customers.

Liquidity Risk

The Company is exposed to the risk that the Company will not be able to meet its obligations as they fall due. The Company is exposed to liquidity risk on its accounts payable and liabilities. The Company manages liquidity risk through the monitoring of its cash balances and cash flows generated from operations.

(continues)

3. **Summary of Significant Accounting Policies** *(continued)*

(c) Capital Assets

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

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

	Rate	Method
Computer equipment	45%	Diminishing-balance
Furniture and fixtures	20%	Diminishing-balance
Leasehold improvements	5 years	Straight line
Telephone equipment	20%	Diminishing-balance

Amortization 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.

(d) Income Taxes

The tax expense includes current tax and is recognized in profit or loss. Current tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from net profit. This calculation was made using tax rates and laws enacted or substantively enacted at the end of the reporting period.

(e) Share Capital

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.

(f) Revenue Recognition

Revenues are recognized on the stage of completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its stage of completion at any given time.

4. **Cash**

	2017	2016
Cash consists of:		
RBC - Operating account	**$ 95,745**	$ (3,641)
RBC - USD account	**184**	941
RBC line of credit	**-**	(26,200)
	$ 95,929	$ (28,900)

5. **Capital Assets**

	Computer Equipment	Furniture and Fixtures	Leasehold Improvements	Telephone Equipment	Total
Cost					
Balance as at January 1, 2016	$ 11,293	$ 45,571	$ 29,383	$ 8,707	$ 94,954
Balance as at December 31, 2016	11,293	45,571	29,383	8,707	94,954
Acquisitions	4,303	5,308	24,796	-	34,407
Balance as at December 31, 2017	$ 15,596	$ 50,879	$ 54,179	$ 8,707	$ 129,361
Accumulated Amortization					
Balance as at January 1, 2016	$ (8,708)	$ (28,857)	$ (18,466)	$ (5,985)	$ (62,016)
Amortization	(1,163)	(3,343)	(5,876)	(544)	(10,926)
Balance as at December 31, 2016	(9,871)	(32,200)	(24,342)	(6,529)	(72,942)
Amortization	(1,608)	(3,205)	(8,356)	(436)	(13,605)
Balance as at December 31, 2017	$ (11,479)	$ (35,405)	$ (32,698)	$ (6,965)	$ (86,547)
Carrying Amount					
Balance as at December 31, 2016	$ 1,422	$ 13,371	$ 5,041	$ 2,178	$ 22,012
Balance as at December 31, 2017	$ 4,117	$ 15,474	$ 21,481	$ 1,742	$ 42,814

6. **Accounts Payable and Accrued Liabilities**

	2017	2016
Accounts payable and accrued liabilities consist of:		
Accounts payable	**$ 3,631**	$ 30,264
Accrued liabilities	**27,027**	5,829
Credit cards payable	**25,498**	16,267
Rent deposit	**-**	2,675
	$ 56,156	$ 55,035

7. **Taxes Payable**

Taxes payable consist of $10,960 (2016 - $17,679 recoverable) in government remittance for sales tax, $14,657 (2016 - $3,538) for corporate income taxes and $ nil (2016 - $ 2,578) in source deductions.

8. **Share Capital**

Authorized:
Unlimited Common shares

		2017		2016
Issued:				
100 Common shares	**$**	**100**	$	100

Share capital is comprised of an unlimited number of common shares without par value. All the common shares have the same rights in respect of the distribution of dividends and the repayment of capital.

9. **Income Taxes**

		2017		2016
Income taxes	**$**	**13,952**	$	-

The reconciliation of the income tax expense, calculated using the statutory income tax rates prevailing in Canada, with the income tax expense reported in the financial statements is as follows:

Income (loss) before income taxes	**$**	**99,405**	$	(65,163)
Canadian federal and provincial income tax rates		**15%**		15%
Income taxes on earnings before income taxes		**14,911**		-
Increase (decrease) resulting from:				
Adjustments recognized in the period for prior periods		**(2,606)**		-
Non-deductible expenses		**988**		-
Temporary differences		**659**		-
Effective tax expense	**$**	**13,952**	$	-

10. **Related Party Transactions**

The Company's related parties consist of the Company's shareholder and any companies associated with them. The following transactions occurred between related parties:

		2017		2016
Expenses paid on behalf of related party	**$**	**20,682**	$	5,445
Advances/repayments of loans		**62,000**		14,803
		82,682		20,248
Related Party Balances				
Due from related parties		**90,174**		79,350
Due to shareholder		**160,457**		232,315

The amounts due from and to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

11. **Subsequent Events**

On March 5, 2018, the Company completed the asset purchase of the Zoompass stored value card business from Fintech Holdings North America, Inc. This resulted in a change of operations to a full service card issuance and program manager that offers building and servicing network branded card programs and supported mobile and web applications.

SCHEDULE F

MANAGEMENT DISCUSSION & ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

Management's Discussion & Analysis
For the year ended December 31, 2017

Introduction

The following Management's Discussion & Analysis ("MD&A") of XTM Inc. (the "Company" or "XTM") for the year ended December 31, 2017 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's audited annual financial statements for the years ended December 31, 2017 and 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's audited financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Accordingly, information contained herein is presented as of December 31, 2017, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Forward-Looking Statements

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Corporate Overview

The Company is a global fintech company providing mobile banking solutions and card issuing solutions for loyalty, reward, and corporate payouts including tips and wages. XTM's technology solutions and partnership with Mastercard and Visa are driving financial inclusion and empowerment to millions of next-generation workers around the globe by providing a full-service mobile bank account with instant access to their earnings. Founded in 2014, the Company is now planning to launch instant payment and mobile banking solutions to employees of some of North America's largest employers. The head office, principal address and registered office of the Company is located at 67 Mowat Avenue, Suite 437, Toronto, Ontario, Canada, M6K 3E3.

Results of Operations

Selected financial information for the years ended December 31, 2017 and 2016

	2017	**2016**
Revenue	$1,057,825	$939,086
Cost of sales (1)	$420,656	$327,210
Gross Profit	$637,169	$611,876
Adjusted EBITDA (2)	$130,201	$(2,337)
Net Income (Loss)	$85,453	($65,163)
Basic and Diluted loss per share	$ 854.53	$ (651.63)

(1) See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"
(2) See "Adjusted EBITDA" for a reconciliation of net loss to Adjusted EBITDA

Revenue
Revenue increased by 12.64% (2017 - $1,057,825; 2016- $939,086). The increase was due to increased short term projects.

Gross profit
During the year ended December 31, 2017, gross profit was $637,169 compared to $611,876 during the same period in 2016. Gross profit increased slightly due to the one time and short term projects.

Net Income (loss)
Net income was $85,453 for the year ended December 31, 2017 compared to a net loss of $65,163 for the year ended December 31, 2016.

During the year ended December 31, 2017, the operating expenses decreased by 26.65% from $677,039 in the year ended December 31, 2016 to $534,556 in the year ended December 31, 2017. The overall decrease was mainly due to a decrease in bad debts, professional fees, rent expense and salaries.

Adjusted EBITDA

Adjusted EBITDA increased to $130,201 for the year ended December 31, 2017 compared to $(2,337) for the same period in 2016. The increase is mainly due to higher revenue and gross margin levels. The increase in adjusted EBITDA is mainly driven by a lower bad debt expense, decrease in professional fees, rent and salaries.

The table below reconciles net loss to Adjusted EBITDA [1] for the years ended December 31, 2017 and 2016:

	2017	2016
Net Income (loss)	**$85,453**	**$(65,163)**
Income taxes	13,952	-
Other income (expenses)	3,208	-
Net Income (loss) from operations	**102,613**	**(65,163)**
Add:		
Amortization of capital assets	13,605	10,927
Amortization of intangible assets	-	-
Bad debt expense	13,983	51,899
Adjusted EBITDA [1]	**$130,201**	**$(2,337)**

[1] See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"

Amortization and depreciation

The depreciation of property and equipment slightly increased from $10,927 in the year ended December 31, 2016 to $13,605 in the year ended December 31, 2017. This is mainly attributed to an increase in purchases of the capital assets related to the Company's mobile banking and instant payment solution.

Liquidity and Capital Resources

The Company intends to use its funds to meet funding requirements for business development and new customer deployments based on anticipated market demand. Actual funding requirements will vary depending on a variety of factors, including our success in executing our business plan, the progress of our product and business development efforts, our sales and our ability to manage our working capital requirements. Our existing cash balances and cash generated from operations, cash proceeds from new debt and equity financing will be required to meet our anticipated cash needs for working capital, growth capital and capital expenditures for the foreseeable future. There are no guarantees the Company will be successful in completing an equity financing, arranging for additional debt with its current lender or obtaining a new debt facility.

The table below is a summary of cash inflows and outflows by activity for the years ended December 31, 2017 and 2016:

	2017	**2016**
Cash inflows and (outflows) by activity:		
Operating activities	$241,917	$(137,225)
Investing activities	(34,406)	-
Financing activities	(82,682)	20,258
Net cash (outflows) inflows	124,829	(116,967)
Cash (deficiency), beginning of year	$(28,900)	$88,067
Cash (deficiency), end of year	$95,929	$(28,900)

Operating activities
During the year ended December 31, 2017, cash flow from the operating activities was $241,917 compared to cash of $137,225 used in operating activity during the same period in 2016. The increase in cash generated from operating activities is mainly due to higher Adjusted EBITDA, partially offset by favorable changes in non-cash working capital.

Investing activities
For the year ended December 31, 2017, cash used in investing activities was $34,406 compared to $nil for the same period in 2016. The increase in cash used in investing activities primarily attributed to an increase in purchases of capital assets related to the Company's capital expenditures on furniture, fixtures and leasehold improvements.

Financing activities
During the year ended December 31, 2017, cash used by financing activities was $82,682 compared to cash of $20,258 generated by financing activities during the same period in 2016. The increase in cash used in financing activities in 2017 was due to repayment of the Company's short-term debts and advances to related parties and a shareholder.

Share capital
XTM's authorized share capital consists of an unlimited number of common shares. As at December 31, 2017, there were 100 common shares outstanding.

Off balance sheet arrangements
At the date of this MD&A, the Company had no material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Contractual obligations
There are no significant contractual obligations.

Risk Factors

XTM is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. The summary of material risks that could significantly affect the financial condition, operating results or business of XTM can be found in section "Part I - Risk Factors" of the Filing Statement, of which this MD&A forms a part.

Recent Accounting Pronouncements Issued and Not Yet Applied

New standards and interpretations that are not yet effective for the period ended June 30, 2017, and have not been applied in preparing these consolidated financial statements are as follows:

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires expected loss impairment method to be used, replacing the incurred loss impairment method in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company intends to adopt IFRS 15 on its effective date and has not reviewed the effects of this future policy change.

IFRS 16 - Leases sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers.

Basis of Presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis and incorporate the principal policies set out below. These financial statements are presented in Canadian funds.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures as at the date of the financial statement, and the carrying amount of revenue and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

The significant judgments, estimates and assumptions used in applying the Company's accounting policies, could significantly affect the reported results or financial position, are as follows:

Impairment

The Company should consider the possibility that the carrying amounts of capital assets may not be recoverable. Impairment tests are done when there is an indication that capital assets are impaired. In accordance with the Company's policy for impairment, the Company determines the recoverable amount of an asset at the higher of fair value less costs to sell and value in use. The determination of fair value, value in use and present value requires management to make estimates and assumptions about expected selling prices, and expected use of the assets.

Going Concern

In preparing the financial statements on a going concern basis, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

Internal Controls Over Financial Reporting and Disclosure of Controls and Procedures

The Company's Chief Executive Officer and the Chief Financial Officer are responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in the Company's internal controls over financial reporting during the Company's most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Related Party Transactions & Key Management Compensation

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Company's key management personnel include founders of the company and other key senior executives.

During the years ended December 31, 2017 and 2016, remunerations of key management of Company were as follows:

	2017	**2016**
Salary and employee benefits	$301,640	$359,231
Share based compensation	-	-

The Company's related parties consist of the Company's shareholders and any companies associated with them.

The following transactions occurred between related parties:

	2017	2016
Expenses paid on behalf of related party	$20,682	$5,445
Advances/repayments of loans	62,000	14,803
	$82,682	**$20,248**
Related Party Balances		
Due from related parties	$90,174	$79,350
Due to shareholders	$160,457	$232,315

The amounts due from and to related parties are unsecured, non interest bearing and have no specific terms of repayment.

Capital Risk Management

The Company's objective when managing capital is to maintain its ability to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, warrant reserve, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its growth activities and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and / or debt financing.

The Company's overall capital risk management strategy has been to expedite customer payments and reduce credit terms offered to certain customers.

Financial Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the accounting and finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

Currency risk

The Company operates primarily in Canada and has new business revenues expected from the USA and United Kingdom. The Company will have exposure to foreign exchange risk. Foreign exchange risk arises from purchase and sales transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to borrow in US dollars as a natural hedge against movements in the foreign exchange rate and to maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12-month horizon. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and Canadian cash needs. The Company does not use derivative instruments to mitigate this risk.

The Company is not currently exposed to significant currency risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk.

The Company's short-term debts have fixed interest rates and is not exposed to interest rate risk.

Credit risk

Credit risk is the risk that the counter party will default on its contractual obligations resulting in financial losses to the Company. The Company has adopted a policy of dealing with credit-worthy counterparties. The Company's exposure and credit rating of counterparties is constantly monitored

Management actively mitigates risk by ensuring receivables remain current.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

Subsequent Events

On March 5, 2018, the Company completed the asset purchase of the Zoompass stored value card business from Fintech Holdings North America, Inc. This resulted in a change of operations to a full service card issuance and program manager that offers building and servicing network branded card programs and supported mobile and web applications.

Definitions – IFRS, Additional GAAP and NON-GAAP Measures

IFRS Measures

Cost of services

Cost of services consists of expenses related to servicing the customers instant pay and mobile banking solutions. These expenses include interchange and related network fees, ATM (Automated

Teller Machine) fees, card set-up and printing costs and customer support expenses for resources directly associated with the cost of services.

Gross profit margin
Gross profit margin is revenue less cost of services.

Other operating expenses
Other operating expenses includes consultant & professional fees, legal expenses, travel & entertainment expenses, bad debt expense, customer acquisition costs, computer and software purchases, marketing expenses, recruiting expenses, rent expense for office facilities, insurance, telecom expenses, office supplies and maintenance expenses.

Finance costs
Finance costs consist of interest charged on our long-term revdebt facility, amortization of deferred financing costs and accretion expense. The deferred financing costs are amortized using the effective interest method over the term of the loan.

Additional GAAP Measures

Loss from operations
Loss from operations exclude foreign exchange loss, income taxes, finance costs and change in fair value of derivative liability. We consider loss from operations to be representative of the activities that would normally be regarded as operating for the Company. We believe this measure provides relevant information that can be used to assess the consolidated performance of the Company and therefore, provides meaningful information to investors.

Non-GAAP Measures

Adjusted EBITDA
The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company believes that Adjusted EBITDA is useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. Adjusted EBITDA is also used by some investors and analysts for the purpose of valuing a company. The Company calculates Adjusted EBITDA as earnings before deducting interest, taxes, depreciation and amortization, foreign exchange, finance costs, bad debt expense, impairment of assets, shared based compensation and going public transaction fees and related costs. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of our financial performance or as a measure of our liquidity and cash flows. Adjusted EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

Adjusted EBITDA does not have any standardized meaning under GAAP. XTM's method of calculating Adjusted EBITDA may differ from other issuers and, accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Results of Operations – Adjusted EBITDA" for reconciliation of net loss to Adjusted EBITDA.

SCHEDULE G

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

XTM INC.

Financial Statements

December 31, 2016

XTM INC.
December 31, 2016

CONTENTS

	Page
Financial Statements	
Auditor's Report	1
Balance Sheet	2
Statement of Income	4
Statement of changes in equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

Auditors' Report

To the Shareholders
XTM INC.

We have audited the accompanying financial statements of XTM INC., which comprise the balance sheet as at December 31, 2016, and the statements of income, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of XTM INC. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Fareed Sheik & Co.
Chartered Professional Accountants
Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

Mississauga
Date: May 23, 2019

XTM INC.

Balance Sheet

December 31, 2016

		2016	2015
Assets			
Current Assets			
Cash and bank	$	**941** $	88,067
Accounts receivable		**170,611**	110,502
Loans and notes receivable		**53,196**	29,110
GST/HST receivable		**17,679**	21,697
Due from related parties (Note 7)		**79,350**	79,350
Prepaid expenses		**2,072**	1,896
Total Current Assets		**320,849**	330,622
Property, plant and equipment (Note 5)		**22,012**	32,940
Total Assets	$	**345,861** $	363,562

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

XTM INC.

Balance Sheet

December 31, 2016

		2016		2015
Liabilities and Shareholders' Equity				
Current Liabilities				
Bank overdraft	$	29,841	$	-
Accounts payable and accrued liabilities		55,035		42,072
Government remittances payable		2,578		2,578
Income tax payable		3,538		19,138
Due to shareholders (Note 8)		232,315		212,067
Total Current Liabilities		323,307		275,855
Equity				
Share capital (Note 6)		100		100
Retained earnings (deficit) - ending		22,454		87,607
Total Equity		22,554		87,707
Total Liabilities and Equity	$	345,861	$	363,562

Approved on Behalf of the Board:

_______________________________,

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

XTM INC.

Statement of Income

For the Year Ended December 31, 2016

		2016		2015
Revenue				
Revenue from services	$	939,086	$	2,040,055
Cost of goods sold				
Cost of services		327,210		910,759
Gross profit		611,876		1,129,296
Operating expenses				
Automobile expenses		35,726		28,324
Bad debt expense		51,899		26,225
Meals and entertainment		9,966		9,752
Amortization of intangible assets		10,927		11,186
Insurance		8,551		5,973
Interest and bank charges		4,943		2,365
Office expenses		65,794		60,138
Professional fees		29,869		23,050
Rental		85,249		120,152
Salaries and wages		359,231		494,075
Telephone and communications		14,884		18,671
Total operating expenses		677,039		799,911
Income from operations		(65,163)		329,385
Current income taxes		-		18,891
Net income (loss)	$	(65,163)	$	310,494

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

XTM INC.

Statement of changes in equity

For the Year Ended December 31, 2016

Statement of changes in equity for the year ended December 31, 2016

	Share capital	Retained earnings	Shareholders funds
Balance as at January 1, 2016	$ 100	$ 87,607	$ 87,707
Net loss for the year		(65,163)	(65,163)
Balance as at December 31, 2016	**$ 100**	**$ 22,454**	**$ 22,554**

Statement of changes in equity for the year ended December 31, 2015

	Share capital	Retained earnings	Shareholders funds
Balance as at January 1, 2015	$ 100	$ (222,887)	$ (222,787)
Net income for the year		310,494	310,494
Balance as at December 31, 2015	**$ 100**	**$ 87,607**	**$ 87,707**

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

XTM INC.

Statement of Cash Flows

For the Year Ended December 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ (65,163)	$ 310,494
Depreciation and amortization	10,927	11,186
(Increase) decrease in receivables	(60,109)	(8,979)
(Increase) decrease in amounts of prepaid expenses	(176)	(1,896)
(Increase) decrease in other current assets	(24,086)	(29,110)
Increase (decrease) in accounts payable and accrued expenses	12,964	12,319
Increase (decrease) in taxes payable	(11,582)	(77,110)
TOTAL CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	(137,225)	216,904
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital additions	-	(15,837)
Due from related parties	-	407,257
NET CASH USED BY INVESTING ACTIVITIES	-	391,420
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in bank overdrafts, net	29,841	(24,800)
Change in shareholders' loan	20,258	(481,129)
NET CASH FROM (USED BY) FINANCING ACTIVITIES	50,099	(505,929)
OTHER ACTIVITIES:		
Net increase (decrease) in cash and cash equivalents	(87,126)	102,394
Cash and cash equivalents at beginning of year	88,067	(14,328)
Cash and cash equivalents at end of year	$ 941	$ 88,067

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

1. NATURE OF OPERATIONS

XTM Inc. (the Company) is a private enterprise incorporated under the Ontario Business Corporations Act on December 01, 2005. The Company specializes in designing, building and maintaining payment and e-commerce solutions. The head office, principal address and registered office of the Company is located at 171 E Liberty St, Toronto ON M6K 3P6, Canada.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been consistently prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis of presentation

These consolidated financial statements are prepared on the historical cost basis.

Functional and presentational currency

Unless otherwise noted, all amounts in the accompanying consolidated financial statements and these notes are presented in Canadian funds, which is the functional currency as well as reporting currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make 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 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. However, actual outcomes can differ from these estimates. 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 review affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements. The accounting policies have been applied consistently by all the Group entities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Property, plant and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Depreciation on an asset does not begin until the asset is available for use. Depreciation is provided using methods outlined below which reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Company.

The Company depreciates assets over the useful life as shown in the table below.

Asset class	Useful life
Computer equipment	45%
Computer software	100%
Furniture and fixtures; Telephone equipment	20%

Leasehold improvements are depreciated over the lease tenure.

The depreciation method applied is reviewed at year end. If there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate.

3.2 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.3 Income taxes

Current income tax

Income tax expense is recognized in the income statement. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred taxation liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.4 Financial instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: fair value through profit and loss ("FVTPL"); held to maturity; loans and receivables; and available for sale or other liability.

FVTPL assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held to maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price and for which fair value is not reliably estimable which are measured at cost.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial liabilities

FVTPL liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method. Transaction costs are expensed as incurred.

The Company has classified its financial instruments as below:

Financial Instrument	Classification
Trade and agent receivables	Loans and receivables
Accounts payable and other liabilities	Other liabilities
Borrowings	Other liabilities
Finance lease	Other liabilities

The Company's financial instruments measured at fair value on the balance sheet consist of cash, which is measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For all financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- Probability that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net income or loss.

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, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3.6 Cash

Cash comprises of cash at banks on hand, and bank overdraft.

3.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

4. FUTURE ACCOUNTING CHANGES

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

FUTURE ACCOUNTING CHANGES (continued)

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact on the Company is immaterial.

IFRS 15 – Revenue from Contracts with Customers. Effective January 1, 2018, we will adopt IFRS 15. Our first quarter 2018 interim financial statements will be our first financial statements issued in accordance with IFRS 15. IFRS 15 supersedes current accounting standards for revenue, including IAS 18, Revenue and IFRIC 13, Customer Loyalty Programmes. IFRS 15 introduces a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs.

The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: 1. identify the contract with a customer; 2. identify the performance obligations in the contract; 3. determine the transaction price; 4. allocate the transaction price to the performance obligations in the contract; and 5. recognize revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The application of this new standard will not have significant impacts on our financial statements.

5. Property, plant and equipment

Cost less accumulated depreciation/impairment - net book value by period

Property, plant and equipment consist of the following:

				2016	2015
		Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Telephone System	$	8,707 $	(6,529) $	2,178 $	2,722
Leasehold improvements		29,383	(24,342)	5,041	10,918
Machinery, equipment, furniture & fixtures		56,864	(42,071)	14,793	19,300
Total	$	94,954 $	(72,942) $	22,012 $	32,940

6. Share capital

Share capital comprises of the following:

		2015		2014
100 common shares	$	100	$	100
Total	$	100	$	100

7. Related party transactions

a. Normal course of business

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and which in management's opinion is comparable to amounts that would have been paid to non-related parties.

Related party transactions (continued)

b. No fixed terms of repayment

The amounts due to (from) shareholders are interest free with no fixed repayment terms.

8. Due to shareholders

The amounts due to shareholder are interest free with no fixed repayment terms.

9. Financial Instruments

a. Risks and concentrations

i. Risks and concentrations

The company is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the company's risk exposure as at the date of balance sheet.

ii. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. To manage this risk, the company maintains a portion of its invested assets in liquid securities.

iii. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company's main credit risks relate to its accounts receivable and advances. The company provides credit to its clients in the normal course of its operations.

iv. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price 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. The comapny is not exposed to significant levels of currency risk.

Financial Instruments (continued)

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 is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the company to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating rate instruments subject the company to related cash flow risk.

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 significant levels of other price risk.

10. Subsequent events

There are no events subsequent to the year end, which would have a material impact on financial statements or would require adjustment or disclosure in financial statements.

SCHEDULE H

AUDIT COMMITTEE CHARTER

Organization

This charter governs the operations of the audit committee. The committee shall review and reassess the charter at least annually and obtain the approval of the board of directors. The committee shall be appointed by the board of directors and shall comprise at least three directors, each of whom are unrelated directors. Members of the committee shall be considered unrelated if they are independent of management and are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. All committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the committee, and at least one member shall have accounting or related financial management expertise. "Financial literacy" means the ability to read and understand a balance sheet, an income statement and a cash flow statement. "Accounting or related financial expertise" is the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

Statement of Policy

The audit committee shall provide assistance to the board of directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the board. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, independent auditors, the internal auditors, and management of the Company. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose.

Responsibilities and Processes

The primary responsibility of the audit committee is to oversee the Company's financial reporting process on behalf of the board and report the results of their activities to the board. While the audit committee has the responsibilities and powers set forth in this Charter, it is not the duty of the audit committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. It is not the duty of the audit committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor, or to assure compliance with laws and regulations and the Company's Code of Conduct, if any.

The committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring processes of the audit committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the committee may supplement them as appropriate.

The committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the board and the audit committee, as representatives of the Company's shareholders. The committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditors. The committee shall discuss with the auditors their independence from management and the Company and shall consider the compatibility of non-audit services with the auditors' independence. Annually, the committee shall review and recommend to the board the selection of the Company's independent auditors, subject to shareholders' approval.

The committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Also, the committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs, including the Company's Code of Conduct. Further, the committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations and will provide sufficient opportunity for the internal auditors and the independent auditors to meet privately with the members of the committee.

The committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report. Also, the committee shall discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.

The committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.