



November 29, 2019

## **FINTECH SELECT LTD.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the three and nine months ended September 30, 2019**

The following discussion and analysis are management's assessment of the results and financial condition of Fintech Select Ltd. and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 together with the related notes contained therein. These statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") and require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. The Company's most recent filings are available on the SEDAR website.

#### **Management's Responsibility for Financial Reporting**

The consolidated financial statements and Management's Discussion and Analysis (MD&A) have been prepared by Management, who—when necessary—have made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information provided in the consolidated financial statements and in MD&A thereof. As a means of fulfilling its responsibility, Management relies on the Company's system of internal controls. This system has been established to ensure, within reasonable limits, that assets are safeguarded, transactions are properly recorded and executed with Management's authorization, and that the accounting records provide a solid foundation from which to prepare the consolidated financial statements and the MD&A. The Board of Directors carries out its responsibility for the consolidated financial statements primarily through its Audit Committee, which consists solely of Non-Management directors. This committee meets periodically, reviews the scope of the external audit, the adequacy of the systems of internal control, and the appropriateness of financial reporting, and then makes its recommendations to the Board of Directors. Based on those recommendations, the Board approves the consolidated financial statements and the MD&A. All dollar amounts included in the MD&A are in Canadian dollars, except when stated otherwise.

#### **Forward-looking Statements**

The MD&A contains forward-looking statements, which reflect the Company's current expectations regarding future events. The forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "estimate", "expect", "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. These forward-looking statements involve risk and uncertainties, including the difficulty

in predicting product approvals, acceptance of and demands for new products, the impact of the products and pricing strategies of competitors, delays in developing and launching new products, the regulatory environment, fluctuations in operating results and other risks, any of which could cause results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. Many risks are inherent in the industry; others are more specific to the Company. Investors should consult the “Risk Factors” section of this MD&A, as well as the Company’s ongoing quarterly filings for additional information on risks and uncertainties relating to these forward-looking statements. Investors should not place undue reliance on any forward-looking statements. Management assumes no obligation to update or alter any forward-looking statements, as a result of new information, further events, or otherwise.

## **Corporate Overview**

Fintech Select Ltd. TSX-V: FTEC (corporate website: [www.fintechselect.com](http://www.fintechselect.com)) is a leader in financial payment services and is a provider of robust and disruptive payment solutions, including prepaid card programs, Crypto-currency POS, and recently acquired e-wallet and online payment solutions. The company’s mission is to enable those core assets to work together in a harmoniously aligned environment to create a new landscape for consumers and businesses alike. Fintech Select also operates a 24/7/365 multi-lingual call center that provides customer service support to third party customers in Canada and USA and to the Company’s customers across the platforms mentioned.

In 2019, Fintech Select has been focusing on these initiatives - mainly the e-wallet and online payment solution and the customer care business -, and will work towards increasing its revenue and profits and clearing the company's debt in order to achieve a clean balance sheet. The company will also be exploring partnerships with other companies and service providers to expand its products and services on a consumer and global level.

Our mission is to provide customers with choice, convenience and cost-effective ways to facilitate financial transactions.

In July 2017, the Company announced the establishment of an Advisory Board that comprises of high-profile individuals with unique skill sets in the fintech space.

As per the shareholders’ approval on the Company’s name change at the annual general meeting held on August 10, 2017, the Company has filed Articles of Amendment effecting its name change to Fintech Select Ltd. The goal of this name change is to better reflect the Company’s plans to implement disruptive and robust solutions that the Company has developed, or is still been developing, to integrate these disruptive solutions to its existing business and POS platforms in an effort to continue expanding its products and services to customers.

The Company has also filed a patent application for its propriety POS (Point-Of-Sale) Cryptocurrency platform.

On December 31, 2018, the Company also signed a definitive agreement to acquire an online payment and e-wallet platform (“Platform”) that will complement and easily integrate with the Company’s existing core platforms of Prepaid and POS. In February 2019, the Company issued six million (6,000,000) common shares to the Vendor, in consideration for the acquired Platform, and five hundred thousand (500,000) common shares, as payment of finder’s fees to an arm’s length third-party. The issued shares are currently held in trust with the Company’s legal counsel until white labelling of the software is completed and uploaded on the Company’s servers.

## Selected Consolidated Financial Information

The following selected consolidated financial information has been derived from our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and 2018 and our financial positions as of September 30, 2019 and December 31, 2018.

	<b>Three months ended September 30</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>REVENUE</b>	\$ 725,310	\$ 762,093	\$ 2,513,606	\$ 2,386,449
<b>EXPENSES</b>				
Goods and services purchased	108,477	163,495	337,884	578,991
Salaries and benefits	559,885	567,125	1,884,493	1,799,113
Other general and administrative	77,934	133,375	246,155	551,610
Stock based compensation	--	--	--	285
Foreign exchange loss (gain)	(5,360)	13,462	25,677	(2,903)
Amortization	52,331	25,125	161,246	78,491
Investment loss (gain)	23,975	(5,705)	(83,965)	52,205
Interest expenses	12,816	--	36,459	427
	830,058	896,877	2,607,949	3,058,219
<b>Net loss from operations</b>	(104,748)	(134,784)	(94,343)	(671,770)
Other income	--	73,488	--	1,418,203
<b>Net income (loss)</b>	(104,748)	(61,296)	(94,343)	746,433
Exchange difference on translating foreign operation	(7,066)	(4,934)	18,073	(18,102)
<b>Comprehensive income (loss)</b>	\$ (111,814)	\$ (66,230)	\$ (76,270)	\$ 728,331
<b>Income (Loss) per share</b>				
Basic	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ 0.012
Diluted	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ 0.012
<b>Weighted average number of shares outstanding</b>				
Basic and diluted	70,874,515	64,374,515	69,898,325	64,374,515

## Summary of the Quarterly Results for the past 8 Quarters

			<u>Revenue</u> \$	<u>Net</u> <u>income(loss)</u> \$
<u>2019</u>		<u>3<sup>rd</sup> qtr.</u>	<u>725,310</u>	<u>(104,748)</u>
		<u>2<sup>nd</sup> qtr.</u>	<u>790,610</u>	<u>(65,339)</u>
		<u>1<sup>st</sup> qtr.</u>	<u>997,686</u>	<u>75,744</u>
<u>2018</u>		<u>4<sup>th</sup> qtr.</u>	<u>638,849</u>	<u>18,657</u>
		<u>3<sup>rd</sup> qtr.</u>	<u>762,093</u>	<u>(61,296)</u>
		<u>2<sup>nd</sup> qtr.</u>	<u>782,672</u>	<u>(178,768)</u>
		<u>1<sup>st</sup> qtr.</u>	<u>841,685</u>	<u>986,493</u>
<u>2017</u>		<u>4<sup>th</sup> qtr.</u>	<u>666,952</u>	<u>511,242</u>

### **Financial position**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 348,773	\$ 355,295
Total assets	1,398,016	709,949
Current liabilities	4,414,102	4,239,907
Total liabilities	4,679,244	4,239,907
Total shareholders' deficit	\$ (3,281,228)	\$ (3,529,958)

### **Third Quarter Results of Operations**

Revenues for the third quarter of 2019 were \$725,310, compared to \$762,093 for the third quarter of 2018. The slight decrease was due to the reduction in wireless prepaid and prepaid financial services businesses which was offset by increase in call center business. Gross profit (Operating Revenue less cost of goods and services purchased) for the third quarter in 2019 was \$616,833, compared to \$598,598 in the third quarter in 2018. The increase of gross margin was due to the increased call center business. The Company is continuing to pursue growth opportunities for new revenue, and to focus on its profitable lines of business.

Salary and Benefit expenses were \$559,885 for the third quarter of 2019, compared to \$567,125 for the third quarter of 2018. Other General and Administrative expenses were \$77,934 for the third quarter of 2019, compared to \$133,375 for the third quarter of 2018. The lower General and Administrative expenses in the third quarter of 2019 were mainly related to the lower prepaid card service charges as a result of lower transaction volumes.

The investment loss (gain) was derived from a selling investment held for sale and revaluing the investment in bitcoins to market value at the period-end.

The Company recorded \$5,360 foreign exchange gain for the third quarter of 2019, compared to \$13,462 foreign exchange loss in third quarter of 2018.

Depreciation and amortization was \$52,331 for the third quarter of 2019, compared to \$25,125 for the third quarter of 2018. The increase was due to amortization of right-of-use assets after adoption of IFRS 16 on January 1, 2019.

In the third quarter of 2018, there was a gain on write off of stale-dated accounts payable and accrued liabilities in the amount of \$73,488. There was no such income in the third quarter of 2019.

The Company had a net loss of \$104,748 (or \$0.001 per share) for the three months ended September 30, 2019, compared to a net loss of \$61,296 (or \$0.001 per share) for the three months ended September 30, 2018. The exchange difference on the translation of the Company's US foreign operations for the third quarter of 2019 was a loss of \$7,066, compared to a loss of \$4,934 for the third quarter of 2018, which resulted in the total comprehensive loss of \$111,814 for the third quarter of 2019, as compared to the comprehensive loss of \$66,230 for the three months ended September 30, 2018.

### **Year to date**

Year to date revenues as of September 30, 2019 were \$2,513,606 compared to \$2,386,449 for the same period ending September 30, 2018. Year to date gross profit (Operating Revenue less cost of goods and services purchased) as of September 30, 2019 was \$2,175,722 compared to \$1,807,458 in the same period ending September 30, 2018. The increases in revenue and gross margin are mainly due to an increase in call center business although offset by reduction in prepaid card and wireless businesses.

Year to date salary and benefit expenses were \$1,884,493 as of September 30, 2019 compared to \$1,799,113 as of September 30, 2018. Year to date other general and administrative expenses were \$246,155 at September 30, 2019 compared to \$551,610 as of September 30, 2018. The lower General and Administrative expenses were mainly related to the lower prepaid card service charges as a result of lower transaction volumes. The higher salary and benefit expenses were due to an extra pay period in the second quarter of 2019.

Year to date interest expense was \$36,459 as of September 30, 2019, compared to \$427 as of September 30, 2018. The increase in interest expense was mainly due to the interest expenses on lease obligations after adopting IFRS 16.

The Company had a net loss of \$94,343 for the nine months ended September 30, 2019 compared to net gain of \$746,433 for the nine months ended September 30, 2018. The gain in 2018 was mainly due to gain from settlement of accounts payable and write off of stale-dated accounts payable and accrued liabilities.

### **Financial Condition**

#### **Assets and liabilities**

As of September 30, 2019, the Company had total assets of \$1.4 million and total liabilities of \$4.7 million, compared to \$0.7 million and \$4.2 million as of December 31, 2018. The increase of assets and liabilities was mainly due to the recognition of right-of-use assets and lease obligations after adopting IFRS 16: Leases. The Company also acquired a software platform of \$325 thousand by issuing shares.

#### **Liquidity and Capital Resources**

We intend to use our funds to meet funding requirements for business development and new customer deployments based on anticipated market demand. Our actual funding requirements will vary depending on a variety of factors, such as our success in executing our business plan, the progress of our product and business development efforts, and our sales and ability to manage our working capital requirements. We believe that in addition to 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. The Company will need to raise additional capital to meet all of its existing obligations, to address the Company's working capital deficiency, and to fund new contracts in the financial services sector. The Company does not have any prearranged facilities, but will continue to evaluate the appropriate timing and type of capital raise. There are no guarantees that the Company will be successful in completing equity financing, arranging for additional debt with its current lender, or obtaining a new debt facility.

In April and June of 2017, the Company raised \$2,000,000 and \$1,460,000, each through a private placement of equity.

### Share Capital

The fully diluted share capital of the Company is as follows:

Description	September 30, 2019	December 31, 2018
Common shares issued	70,874,515	64,374,515
Warrants	15,679,997	15,679,997
Options	<u>6,435,000</u>	<u>6,435,000</u>
TOTAL:	<u>92,989,512</u>	<u>86,489,512</u>

As of November 29, 2019, 70,874,515 common shares, 15,679,997 warrants and 6,435,000 options are outstanding.

### Control and Procedures

The Chief Financial Officer and Senior Management have evaluated the effectiveness of our disclosure controls and procedures for the quarter ended September 30, 2019, and have concluded that our disclosure controls and procedures were effective to ensure that material information relating to the Company was recorded, processed, summarized and reported in a timely manner as required to enable the Company to satisfy its continuous disclosure obligations. Our Chief Financial Officer and Senior Management are also 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 (International Financial Reporting Standards). 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.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

#### **Nature of Operations and Going Concern Uncertainty**

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has had continued losses, excluding the gains from settlement of debts, cash outflows from operations, and has significant negative working capital at year-end, which raises a question as to the ability of the Company to continue as a going concern without additional equity or long-term debt financing.

The ability of the Company to sustain its ongoing operations is dependent upon its ability to obtain a sustainable level of profitability from operations or to raise sufficient financing enabling it to rectify its working capital deficiency.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate.

The Company has a working capital deficiency of \$4,065,329 (December 31, 2018 - deficit \$3,884,612). The Company expects to have sufficient liquidity to finance its operations for no more than twelve months. The working capital deficiency limits the Company's ability to fund capital expenditures and operations. The Company is not in breach of any minimum working capital and earnings covenants as of the date of these financial statements.

As a result of the aforementioned cash flow deficiencies, there is significant doubt about the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent on raising short-term financing, raising sufficient working capital to maintain operations, reducing operating expenses, and increasing revenues. Management continues to review and implement cost cutting measures, including but not limited to, streamlining operations, reduction of research and development costs, and a reduction in capital expenditures. In 2017, the Company shut down its money-losing landline phone business while still providing telecommunication services to a large customer through a third party to generate gross profit. The Company continues to reduce its liabilities by negotiating with creditors and developing new business, and expanding current call center businesses.

### **Critical Accounting Estimates**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. While management believes that these estimates and assumptions, based on management's best knowledge of current events and actions that the Company may undertake in the future, are reasonable, actual results could differ from these estimates.

Significant estimates and assumptions include those related to determining the value in use for impairment test, valuation of investments, valuation of share based payments, the useful lives of property and equipment for amortization purposes, allowance for doubtful accounts, valuation of right-of-use assets, lease obligations and the fair values of financial assets.

These 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 consolidated interim financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

### **New Accounting Standard**

IFRS 16 was issued January 2016 and replaces IAS 17 Leases. The standard introduces a single lessee accounting model for leases with required recognition of assets and liabilities for most leases. On January 1, 2019 the Company adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as an increase to right-of-use assets (included in "Petroleum and natural gas properties") with a corresponding increase to lease obligations (the non-current portion recorded in "lease obligations" and the current portion recorded in "Current portion of lease obligations").

The right-of-use assets recognized were measured at amounts equal to the lease obligations plus prepaid rent. The weighted average incremental borrowing rate used to determine the lease obligation at adoption was approximately 8%. The right-of-use assets and lease obligations recognized largely relate to the Company's offices.

The adoption of IFRS 16 included the following elections:

- The Company elected to retain the classification of contracts previously identified as leases under IAS 17 and IFRIC4;
- The Company elected to use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease;
- The Company elected to not apply lease accounting to certain leases for which the lease term ends within 12 months of the January 1, 2019 adoption;
- The Company elected to not apply lease accounting to certain leases of low value assets;
- The Company elected to apply a single discount rate to a portfolio of leases with similar characteristics.

As a result of this adoption, the Company has revised the description of its accounting policy for leases as follows:

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term.

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, income, and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- Incremental borrowing rate: The Incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

### **Key Management Compensation**

Key management personnel 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. Company's key management personnel include the board of directors, Chief Executive Officer & President, Chief Financial Officer and Director of Business Operations.

Remuneration of key management of Company was as follows:

	September 30,	
	2019	2018
Salaries and Benefits	\$ 88,708	\$ 111,942

## **General Risk Factors**

An investment in our common shares is speculative and subject to a number of risks. Before investing, prospective purchasers of common shares should carefully consider the following risk factors set out in this AIF, as well as other risk factors addressed in our other continuous disclosure filings made with Canadian securities regulators via SEDAR. The following is only a summary of certain risks relating to Fintech Select's business, and should be read in conjunction with detailed information appearing elsewhere in this document. The risks and uncertainties described below are not the only risks and uncertainties Fintech Select faces. Additional risks and uncertainties not currently known to Fintech Select, or that Fintech Select currently deems immaterial, also may impair Fintech Select's business operations. If any of the following risks actually occur, Fintech Select's business, results of operations, and financial condition, could suffer. In that event, the trading price of Fintech Select's Shares could decline, and holders of Fintech Select Shares could lose all or part of their investment in Fintech Select Shares.

## **Liquidity**

We are subject to a working capital deficit, which means that our current assets on September 30, 2019 did not equal our current liabilities and, therefore, should we be unable to increase our current assets to current liability ratio; our operations could be at risk. A substantial portion of our cash flow from operations is dedicated to the payment on our indebtedness and on software development of our new platforms. Our ability to service our debt and other financial obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control, including but not limited to, fluctuations in interest rates, market liquidity conditions, increased operating costs, and trends in our industry. If our cash flow and capital resources are insufficient to meet our debt service obligations, we may be forced to reduce the scope of, or delay, capital expenditures, growth initiatives, product and service launches and future business opportunities, and sell assets, seek additional capital or restructure or refinance our indebtedness. Furthermore, our credit facility contains certain restrictive covenants that, subject to exceptions, limit the ability to, among other things: incur, assume, or permit to exist additional indebtedness, guarantees or liens, engage in mergers, acquisitions, asset sales, declare dividends, make payments on, or redeem or repurchase equity interests, alter the nature of the business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions, and prepay, redeem or repurchase certain indebtedness. The credit facility also requires us to comply with certain financial covenants that may prevent us from pursuing certain business opportunities and taking certain actions that may be in the best interest of our business, which could materially adversely affect our business and financial results.

## **Legacy Business Revenues**

Our legacy prepaid telecommunications business is the sale of prepaid mobile and long distance airtime. Revenues have declined considerably as the Company remains focused on new, more profitable business opportunities in the financial services space and customer care services. The industry has also seen a shift to electronic forms of payment for prepaid mobile airtime sales. Our

sales agreements with our retailers and distributors do not obligate them to make minimum purchases of any of our products. There is no assurance that retailers or distributors will continue to purchase our products, or that the Company will be able to secure new retail clients, or that end-user demand for our products or services will sustain or increase. Accordingly, there is no assurance that we will be able to maintain or increase our revenues. Our inability to maintain or increase our revenues may result in us incurring losses or reduced profitability thus resulting in a significant impact to the Company's financial position.

### **Cash Flows and Profitability**

We have not consistently earned profits to date, and there is no assurance that we will earn profits in the future, or that profitability, as achieved, will be sustained. A significant portion of our financial resources have been, and will continue to be, directed toward the development of our new financial product and service offerings and marketing activities. Our success will ultimately depend upon our ability to generate revenues, such that business development and marketing activities may be financed by revenues from operations, instead of external financing. There is no assurance that future revenues will be sufficient in generating the required funds to continue the business development and marketing initiatives. Our current and future expense levels are based largely on our investment plans and estimates of future revenues and are, to a large extent, fixed. We may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to our planned expenditures would have an immediate adverse effect on our business, results of operations, cash flow, and/or financial condition. Further, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service, or marketing decisions that could have a material adverse effect on our business, results of operations, financial condition, and/or prospects.

### **Customer Relationships and Loss of Major Customers**

Our failure to maintain our customer relationships or to develop similar relationships with other customers could result in decreased support for our products or services, which could materially adversely affect our business, financial condition, and/or results of operations. The loss of one or more of our major customers, the failure to attract new customers in a timely manner or a reduction in sales and revenues associated with our existing customers would materially harm our business, financial condition, liquidity, operating results and/or prospects. One customer represents 80% of the Company's revenue in the current year (2018: one customer represented 65%). The loss of a contract with this customer could have a significant negative impact on our sales and profitability.

### **Retail Distribution Channel and Reliance on Distributors and Sales Agents**

Our current sales and future growth rely heavily on our distributors and sales agents and the ability to maintain and expand our network of retail locations/merchants and the willingness of such distributors, sales agents, and merchants to purchase and make available for sale both our current and new product offerings to their customers. We also rely on our ability to properly support our merchant channel and product and service offerings with adequate merchandising, point-of-purchase collateral and ancillary advertising, all of which requires a capital investment to be made by us. Our failure to maintain current product sales or realize new product sales through our retail distribution channel would adversely affect our results of operations and financial condition, and also materially affect our ability to execute on our growth strategy.

### **Lack of Operating History with New Business Segments**

Our new business segments, namely, e-wallet and online payment solution, and Cryptocurrency POS

have a limited history of operations, are in the early stage of development, and should be considered as a development stage business. As such, we are subject to many risks common to such businesses, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and the lack of revenues and profitability. We might also need to be able to effectively train existing employees and employ new specialized personnel for this area of our business.

### **Risks Associated With Evolving Business Models and New Product Launches**

Our business model continues to evolve. We seek to develop, launch and promote new or complimentary products, services, technology and opportunities that management believes are strategic. We publicly announce new product launch and development initiatives on a regular basis to update shareholders and the investment community. Readers are cautioned that while we make such announcements, there can be no assurance that we will be able to launch such product offerings in a cost effective manner, or in the time frame estimated by management, or that any such efforts will generate revenues, profits, or garner market acceptance. Furthermore, any new business or product launched by us that is not favourably received by customers could damage our reputation and diminish the value of our brands. Expansion of our operations in this manner would also require significant additional expenses and development, operations, and other resources, and would strain our management, financial, and operational resources. The lack of market acceptance of such services or our inability to generate satisfactory revenues from such expanded services or product launches to offset their costs could have a material adverse effect on our business, results of operations, cash flow, financial condition, and/or prospects.

### **Uncertain Demand**

Demand for our products and services are dependent on a number of social, political, and economic factors that are beyond our control. While we believe that demand for our products and services will continue to grow, there is no assurance that such demand will exist, or that our products or services will be purchased to satisfy such demand.

### **Effective Growth Management**

If we fail to manage our growth effectively, our business and operating results could be adversely affected, which could cause the market price of the Common Shares to fall. We expect to continue to grow our operations domestically and internationally. The growth in our operations and staff has placed, and will continue to place, a strain on existing management systems and resources. If we fail to manage the company's future anticipated growth, the business may experience higher operating expenses, and consequently, it may be unable to meet the expectations of shareholders, securities analysts or prospective investors with respect to future operating results.

### **Competition**

We operate in a highly competitive marketplace with various competitors. Increased competition may result in reduced gross margins, and/or loss of market share, either of which would seriously harm our business and results of operations. Management cannot be certain that we will be able to compete successfully against current or future competitors, or that competitive pressure will not seriously harm our business. Some of the competitors may be able to respond more rapidly to new or emerging products and changes in customer requirements, or devote greater resources to the development, promotion and sale of their products than we can. Furthermore, some of these competitors may make strategic acquisitions or establish cooperative relationships among themselves, or with third parties in the industry to increase their ability to rapidly gain market share. It

is important to note that some of our competitors are also both customers and suppliers of Fintech Select, and therefore it is important for us to maintain amicable relationships with such competitors and co-exist in the marketplace.

## **Financing Requirements and Availability of Capital**

We expect our capital requirements to increase due to growth of the new e-wallet and online payment business opportunity that the Company is exploring, the proposed expansion of our marketing and business development activities, and the required inventory of top-up products if the Company decides to increase the revenue of this area of the business. The exact amount of our future capital requirements could be adversely affected by numerous factors, including, but not limited to, slower growth and adverse changes in our business environment, delays in growth of our customer base, government regulations, failure or delays in executing marketing programs and growth that is more rapid than anticipated or competitive pressures. We may also need to raise additional funds sooner than anticipated in order to acquire businesses, technologies or products, or fund investments and other relationships we believe to be strategic. Accordingly, our actual capital requirements may vary from currently anticipated needs, and such variations could be material. There is no assurance that additional financing will be available on commercially reasonable terms, if at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund our expansion, take advantage of strategic acquisitions, investments, or other opportunities, or respond to competitive pressures. Such inability to obtain financing when needed could have a material adverse effect on our business, results of operations, cash flow, financial condition, and/or prospects. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders will be reduced, shareholders may experience additional dilution and such securities may have rights, preferences and privileges senior to those of the Common Shares.

## **Share Price and Volume Volatility**

Our Common Shares may be affected by limited or sporadic trading volumes, which may affect our shareholders' ability to sell our Common Shares. Our share price may be volatile and could be subject to wide fluctuations due to a number of factors, including the risk factors described in this Annual Information Form. In addition, broad fluctuations in the financial markets, as well as economic conditions, may adversely affect the market price of our Common Shares.

## **Fluctuation in Operating Results**

We may experience fluctuations in future quarterly operating results that may be caused by many factors, including but not limited to: (i) variability of sales to new and existing customers; (ii) changes in the level of marketing and other operating expenses; (iii) competitive factors; and (iv) the timing of delivery. Consequently, we believe that period-to-period comparisons of our operating results will not necessarily be meaningful, and should not be relied upon as an indication of future performance. It is likely that our future quarterly operating results from time to time will not meet the expectations of security analysts or investors, which may have a material adverse effect on the market price of the Common Shares. Until the point where we are able to generate and predict continued positive cash flows from recurring revenue, we face risk in utilizing our existing cash resources and potentially requiring further cash infusions from investors to maintain our operations.

## **Reliance on Key Personnel**

To date, we have been dependent on a relatively small number of key officers and employees. Our senior executives have experience in our industry and with our business, products and customers.

The loss of knowledge of our operations, management expertise, and technical proficiency due to the loss of one or more members of our core management team, could result in a diversion of management resources or a temporary executive gap, or negatively affect our ability to develop and pursue other business strategies, which could adversely affect our business and/or financial results. Furthermore, due to the technical nature of the business, we are dependent upon our ability to continue to attract and retain qualified management, marketing, information technology, and technical personnel. There is competition for qualified personnel in our line of business and geographic regions, and there can be no assurance that we will be able to continue to attract and retain qualified personnel necessary for the development of the diverse business in which we compete. If we are not able to retain qualified personnel for our financial service business, our product development and implementation initiatives will be impaired and/or delayed, thereby adversely affecting our cash flow, financial condition and/or results of operations.

### **Credit Risk and Bad Debts**

We regularly evaluate the risk of collections from sales to new and existing customers, based on the size, payment history, and type of customer. There is always a risk that some customers may not honor their accounts with us, resulting in our being unable to collect outstanding amounts, which in turn results in a charge for bad debts being incurred during a specific period. Any significant bad debt or inability to collect on amounts due from customers could materially adversely affect our cash flow, financial condition and/or results of operations.

### **Regulatory Regime**

From time-to-time, governments and regulatory bodies may review the legislation and regulations applied to the industries in which we operate. Such reviews could result in the enactment of new laws and/or the adoption of new regulations in Canada or the United States of America or abroad, which might adversely impact businesses in Canada and the USA, or other countries in general, and consequently, may threaten our growth prospects. More specifically, we are expanding into the financial services industry, which is strictly regulated. Regulation is extensive and designed to protect consumers and the public, while providing standard guidelines for business operations. In the offering of our financial products, we, or our partners, are subject to certain federal and provincial laws and regulations relating to our financial product offerings, including laws and regulations governing such things as Know-Your-Customer (KYC), Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and safeguarding the privacy of customers' personal information. Legislation has been passed in most provinces with respect to prepaid gift or stored-value cards. The Canadian government recently released its consultation paper *Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime*, which contains proposals to strengthen the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Several of the proposals relate to emerging payment technologies and could have a significant impact on the payments and cards industry in Canada. We believe that, at this time, we are in compliance with all laws and regulations, although many of the rules that apply to us have only recently been implemented, are complex and sometimes ambiguous and, accordingly, we cannot assure that we are in 100% compliance with all applicable laws, much less that all courts, arbitrators and regulators would agree that we are in 100% compliance. Failure to comply with, or changes to, existing or future laws and regulations could result in significant unforeseen costs and limitations, and could have an adverse impact on our business, results of operations and/or financial condition.

### **Economic Risk**

A major change in any of the market segments that are serviced by us could potentially impact our ability to sell products and services within those segments, and would have a negative effect on our

business. The general economic environment impact us and our subsidiaries in many ways, including customer spending, capital availability, and funds available for marketing and advertising. An economic slowdown could also cause the demand for our products or services to decline. Growth in our customers' businesses is affected by the economic environment, and could therefore have an impact on the Company's operating results. We can neither predict the impact current economic conditions will have on our future results, nor predict when the economy will show meaningful improvement. Our current and potential customers might reduce or delay purchases or projects, or defer contracts currently underway. This situation could also lead to greater delays and defaults in payments or debt collection, competition increases and prices might be reduced by certain competitors to maintain or expand their market share. Our pricing and profitability could be adversely affected as a result of such factors.

### **Liabilities from Acquisitions**

A portion of the growth strategy of our business includes the pursuit of acquisition opportunities in synergistic markets. While our acquisition process typically includes extensive due diligence on the business or assets to be acquired, and acquisition agreements typically include detailed representations and warranties respecting the business or assets being acquired, there can be no assurance that we would not become subject to certain undisclosed liabilities associated with the acquired assets that we failed or were unable to discover during the due diligence process prior to the closing of the acquisition. The discovery of any unrecoverable material liabilities could have a material adverse effect on our business, financial condition and/or future prospects. An asset purchase or acquisition financed using cash and/or Common Shares in the capital of the Company may also be considered dilutive to shareholders and/or impact the Company's cash position.

### **Changes in Technology**

If we are unable to respond to the rapid changes in technology and services that characterize our industry, our business and financial condition could be negatively affected. Our business may be impacted by changes in the industry. All of these industries are subject to technological change, new product and service introductions, and evolving industry trends. These factors could affect the market for our products, accelerate the obsolescence of our offerings, and necessitate changes to our product and service lines. We believe that our future success will depend largely on our ability to anticipate or adapt to such changes, to offer on a timely basis, services and products that meet these evolving trends and demands of our customers, retailers and distributors. We also believe that our future success will depend upon how successfully our partners and suppliers are able to respond to changing technologies and products. New technology may reduce demand for the products and services we are currently able to offer through these partners and suppliers. We cannot offer any assurance that we will be able to respond successfully to these, or other technological changes, or to new products and services offered by our current and future competitors, and cannot predict whether we will encounter delays or problems in these areas, which could have a material adverse effect on our business, financial condition and/or results of operations.

### **Network and Internal Fraud**

If a fraud occurs on any of the networks or on our network, this could result in a cost to the company if it is determined that the breach is a result of our negligence or failure to follow network rules or regulations (or where the fault is not ours but the perpetrator of the fraud cannot be located or cannot be collected from). As new methods of intrusion and fraud emerge in the industry, we may have to incur significant additional costs to implement additional security precautions (which may be undertaken by us voluntarily or as a result of network rule changes). Furthermore, the occurrence of frauds can result in a loss of consumer confidence, which may result in declining transaction volumes

with financial products. Any of these circumstances could lead to our cash flow being adversely impacted.

We employ a number of employees and contractors that have access to our systems and infrastructure, and if one or more of these individuals in key control positions were to perpetrate fraud (for example, relating to settlement of transactions, altering account deposit details, changing customer charging details or creating fake accounts), this could have a negative impact on our cash flow. We implement internal controls and maintain insurance for network and internal fraud as described under the Insurance section in this Annual Information Form. See "Narrative Description of the Business – Insurance".

### **Infrastructure Stability**

Our product and service offerings depend on the stability, functionality and scalability of our network infrastructure and technology platforms, and that of our third-party suppliers, that if not stable, could negatively impact the effectiveness of our products or services, resulting in harm to our reputation and business. If weaknesses in such infrastructure exist, we may not be able to correct or compensate for such weaknesses. If we are unable to address weaknesses resulting from problems in such infrastructure such that our products do not meet customer needs or expectations, our reputation, and consequently, our business may be significantly harmed.

### **Disaster Recovery**

Our business and operations are highly automated and a disruption or failure of our systems may delay our ability to complete sales and to provide services. A major disaster or other catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could severely affect our ability to conduct normal business operations. This possible disruption may materially and adversely impact our future operating results.

### **Software Viruses and Network Intrusion**

We maintain many different networks and management information systems (some of which are interconnected and some of which are connected to the internet or to other external networks). We may be susceptible to viruses and network intrusions by third parties. Any intrusion or virus could impact the performance of the transaction processing capabilities of the Company and, in a worst-case scenario, could require temporary shutdown of the affected systems and compromised customer information, users and employees. Systems that are accessed through the internet are also subject to "denial of service" attacks (these attacks do not involve an intrusion into the system, but can effectively make the systems unavailable to Company customers/employees). We maintain security policies and procedures to manage these risks, some of which include intrusion detection software, virus monitoring software, IP blocking, IP tracking software, complex encryption for transactions, network monitoring and reporting solutions, as well as application and data base level restrictions and controls through network design and implementation.

### **Improper Disclosure of Personal Data**

We store and process large amounts of personally identifiable information that consists primarily of customer information and transactions. It is possible that our security controls over personal data, training of employees and other practices we follow may not prevent the improper disclosure of personally identifiable information. Such disclosure could harm our reputation and subject us to liability under laws that protect personal data, which could have a material adverse effect on our business and/or financial condition.

## **Proprietary Information**

We rely on a combination of copyright, trademark and trade secret laws, confidentiality procedures, contractual provisions, and other measures to protect our proprietary information. All of these measures afford only limited protection. These measures may be invalidated, circumvented or challenged. Despite our efforts to protect proprietary rights, unauthorized parties may attempt to obtain or use information that the Company regards as proprietary. If the Company were not granted approval on pending or future patent or trademark applications, our intellectual property would not be protected against infringement of other parties.

## **Conflicts of Interest**

As certain of the Company's directors and officers may be directors, officers or shareholders of other companies, there are potential conflicts of interest to which our directors or officers may be subject to from time to time, in connection with our operations.

## **Litigation and Judgement**

The Company may get involved from time to time in litigation, as plaintiff and defendant, which arises in the normal course of business. The company currently has one unsolved claim as follows:

- a) In April 2017, the Company was served by a service provider with a Statement of Claim filed in the Ontario Superior Court of Justice for the amount of \$4,000,000. The claim relates to the shortfall of a secured cash pledge ("Secured Deposit"), as per the Special Account Agreement executed between the Company and the service provider. The Company has been disclosing this shortfall in its financial statements during the previous years, and has been working on settling this claim.
- b) In July 2019, one of the Company's subsidiary has been served with a Statement of Claim by Her Majesty the Queen in Right of Alberta ("Alberta") in the amount of \$633,284 (the "Claim"). The Claim relates to the balance of funds on expired cards pursuant to a Card Management Agreement between the subsidiary and Alberta. The claimed amount was included in a claim served on the Company by its service provider. The Company has recorded such payables in its financial statements. The Company intends to vigorously defend the Claim, as all of the funds claimed by Alberta were deposited in the Company's service provider's bank account and not that of the subsidiary.

## **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.

**(a) Market Risk**

**(i) Currency Risk**

The Company operates primarily in Canada and has a subsidiary in USA, which has ceased operation. The Company has 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 maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12-month horizon. To achieve this, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held.

Balances denominated in USD at September 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Cash	\$ --	\$ 24,571
Accounts receivable and other receivables	<b>131,176</b>	124,028
Accounts payable and accrued liabilities	<b>(132,983)</b>	(64,669)
<b>Total net receivable (liability)</b>	<b>\$ (1,807)</b>	<b>\$ 83,930</b>

Fluctuations in the Canadian dollar exchange rate have an impact on the Company's results from operations. They can impair the ability of the Company to pay its foreign currency-denominated expenses

Fluctuation of the U.S. dollar relative to the Canadian dollar of 5% would impact net income by approximately \$90 as of September 30, 2019 (2018 impact net loss \$703).

**(ii) 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 demand loan has fixed interest rates and is not exposed to interest rate risk.

**(b) Credit Risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk of the Company at period-end is the carrying value of its cash and accounts receivables.

The Company manages credit risk by maintaining bank accounts with Schedule 1 banks in Canada.

The Company does not require collateral or other security for accounts receivable or amounts due from related parties. The Company estimates its provision for uncollectable amounts based on analysis of the specific amount and debtor's payment history and prospects. Accounts receivable are stated net of an allowance for doubtful accounts of \$44,457.

Top three customers represent 74% of accounts receivable at September 30, 2019 (2018 - three customers represented 56%). As at November 25, 2019, 64% (2018 – 68%) of the balance was collected. As at September 30, 2019, approximately \$57,758(2018 - \$73,207) of the Company's receivable were past due the average credit period of 60 days of which approximately \$44,457 (2018 - \$45,466) have been allowed for as doubtful debts.

### **(c) 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.

As at September 30, 2019, the Company has bank overdraft, accounts payable and accrued liabilities, demand loan and current portion of lease obligations of \$4,365,856 due within 12 months (December 31, 2018 - \$4,138,813), cash of \$nil (December 31, 2018 - \$29,931), receivables of \$161,038 (December 31, 2018 - \$185,199) and investment held for sale of \$98,854 (December 31, 2018 - \$64,022) to meet its current obligations. As a result the Company has liquidity risk.

### **Capital Risk Management**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, warrant reserve, contributed surplus accumulated, and other comprehensive income 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 management strategy during the period ended September 30, 2019 and 2018 has been to raise share capital, reach settlement with creditors, shut down money-losing businesses, and expand profitable lines of business.

### **Commitments**

The Company had net lease commitments for equipment requiring the following minimum annual payments:

Within 1 year	\$ <u>3,112</u>
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The Company had the following future commitments associated with its lease obligations:

Balance at December 31, 2018	\$ --
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Additions upon adoption of IFRS 16 at January 1, 2019	486,391
Interest expense	26,259
Lease payments	(108,176)
Balance at September 30, 2019	<u>\$ 404,474</u>
Current portion	139,332
Long term portion	<u>265,142</u>

Upon adoption of IFRS 16 on January 1, 2019, the Company recognized a \$499,967 right-of-use asset (included in "Property and equipment") and a \$486,391 lease obligation.

In relation to the leases recognized upon adoption of under IFRS 16, the Company has recognized during the nine months ended September 30, 2019, \$97,688 of depreciation charges, \$108,176 of lease payments and \$26,259 of interest expense from these leases.

As at September 30, 2019, the Company has recorded a \$402,279 right-of-use asset (included in "Property and equipment") and a \$404,474 lease obligation (the non-current portion of \$265,142 recorded in "Lease obligations" and the current \$139,332 portion recorded in "Current portion of lease obligations").

### **Additional Information**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).