



Clip Money Inc.

**Interim Management’s Discussion and Analysis – Quarterly Highlights
For the Three and Nine-Month Periods Ended September 30, 2022**

November 23, 2022

The following management’s discussion and analysis (“**MD&A**”) dated November 23, 2022 is intended to assist readers in understanding the business environment, operations, financial performance, strategies, performance, and risk factors of Clip Money Inc. (the “**Company**”, “**Clip**”, “**we**”, “**us**” or “**our**”). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company’s results of operations and financial position for the three and nine-month periods ended September 30, 2022 and 2021. This MD&A should be read in conjunction with the Company’s condensed consolidated interim (unaudited) financial statements for the three and nine-month periods ended September 30, 2022 and 2021 and the notes thereto (the “**Financial Statements**”).

Basis of Presentation

The Financial Statements and related financial information presented herein have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“**IFRS**”). All references in this MD&A to (i) “Q3 2022” are to the Company’s three-months ended September 30, 2022, (ii) all references to “Q3 2021” are to the Company’s three-months ended September 30, 2021, (iii) all references to “YTD 2022” are to the Company’s nine-months ended September 30, 2022 and (iv) all references to “YTD 2021” are to the Company’s nine-months ended September 30, 2021. The Financial Statements and this MD&A were approved by the Company’s board of directors.

The Company presents its financial statements in Canadian dollars. In this MD&A, all references to “\$” or “dollars” are to Canadian dollars unless otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Information contained in this MD&A is based on information available to management as of November 23, 2022.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain statements that may be deemed “forward-looking statements”, including statements relating to the Company’s financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding the Company’s expectations of future results, performance, achievements, prospects, opportunities or

the markets in which we operate is forward-looking information. All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements can generally, but not always, be identified by the words “expects”, “believes”, “anticipates”, “estimates”, “plans”, “intends”, “expects”, “indicates”, “predicts”, “forecast”, “target”, “goal”, “seek”, or “likely”, or the negative of these terms, or other similar expressions, events or conditions that “will”, “would”, “may”, “could” or “should” occur. Management has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect the Company’s financial condition, results of operations, business strategy and financial needs.

All forward-looking statements contained in this MD&A are based on certain assumptions and analyses made in light of management’s experience and perception of historical trends, current conditions, expected future developments and other factors management believes are appropriate. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under the “Risk Factors” section of this MD&A and under “Risk Factors” of the Company’s Form 2B Listing Application, which is available electronically under the Company’s SEDAR profile at www.sedar.com, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward- looking statements.

Although management bases these forward-looking statements on assumptions that it believes are reasonable when made, the Company cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if the Company’s results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

1. DESCRIPTION OF BUSINESS

Clip (formerly, 13842053 Canada Corp. (“**138**”) was incorporated on February 23, 2021 under the Business Corporations Act (British Columbia) as “1290451 BC Ltd.”, and was continued under the Canada Business Corporations Act as “13842053 Canada Corp.” on March 8, 2022. On May 20, 2022, former Clip Money Inc. amalgamated with 138, and the amalgamated entity continued under the name “Clip Money Inc.”. The Company’s head office is located at 96 Riverdale Ave, Ottawa, ON K1S 1R2 and its registered office is located at 333 Bay Street, Bay Adelaide Centre - West Tower, Suite 3400, Toronto, ON M5H 2S7. Clip is a Canadian-based financial technology company dedicated to providing innovative business solutions. Clip Money (USA) Inc., a wholly owned subsidiary of the Company, was incorporated on December 22, 2020, under the laws of the State of Delaware.

Principal Products and Services

Clip operates a multi-bank self-service deposit system for businesses through its ClipDrop Boxes, which are conveniently located at top retailers and shopping mall centers (“**ClipDrop Boxes**”). Rather than having to go to their personal bank branch or using a cash pickup service, businesses can deposit their cash at any Clip Drop Box located near them. After being deposited, the funds will automatically be credited to the business’ bank account almost instantaneously. The Company combines functional hardware, intuitive packaging, and an innovative cloud-based transaction engine that maximizes business banking transactions. Combined with mobile user applications, Clip offers a cost-effective and convenient solution for business banking deposits in metropolitan statistical areas across Canada and the United States (the “**U.S.**”).

Business deposits are different from consumer deposits in three fundamental ways: (i) business deposits are larger (in value and in volume) than consumer deposits; (ii) business deposits include notes as well as coins; and (iii) access to sensitive bank account information is limited to a select few individuals (e.g., managers/owners). Automated teller machines (“**ATM**”), which have strict limits on deposit volumes and do not accept coins, are not widely used by businesses for business deposits. Business deposits are mainly conducted by (i) delivering funds to the bank branch directly (either through night safe drop offs or teller lines), or (ii) by armored car service. The Company’s deposit network offers business users and financial institutions a convenient and cost-effective alternative to the status quo by offering a third option. Through the Company’s Clip Drop Boxes, businesses can make their deposits by simply placing their notes and coins in a Clip deposit bag and placing the deposit bag in any one of the Company’s Clip Drop Boxes. Once deposited, the funds are automatically credited to the account of the business at their specific financial institution.

The physical deposit network is accompanied by an end to end system, which includes user registration, location services, bar code and RFID tracking of deposit bags, secure processing of deposits, and payment processing. This end-to-end system (the “**Clip Drop Platform**”) is what helps facilitate a customer’s ability to make a deposit into their bank account. Clip’s Platform enhances the transaction experience while accelerating business

cash flows, improving management transparency, and reducing shrinkage. The value proposition of Clip's deposit network is becoming increasingly pertinent to both businesses and financial institutions as the retail banking industry transforms throughout North America (e.g., bank branch closures, cash-less branches, etc.).

Recent Events

Subscription Receipt Financing

On May 13, 2022, Clip Money completed its subscription receipt financing (the "**Subscription Receipt Financing**") and issued an aggregate of 5,174,439 subscription receipts (the "**Subscription Receipts**") at a price of \$1.00 per Subscription Receipt, of which: (i) 5,090,425 Subscription Receipts were issued to subscribers and president's list subscribers for aggregate gross proceeds to the Company of \$5,090,425, and (ii) 84,014 Subscription Receipts were issued to the agents as partial consideration for their services in connection with the Subscription Receipt Financing. Each Subscription Receipt was automatically exchanged for one Common Share, and one-half of one Common Share purchase warrant of the Company (each whole warrant, a "**Warrant**") upon completion of the RTO. Each Warrant is exercisable for one Common Share at a price of \$1.50 for a period of 24 months from the date of issuance. The proceeds of the Subscription Receipt Financing were held in escrow upon receipt and were released to the Company upon completion of the RTO.

Reverse takeover of 13842053 Canada Corp.

On May 20, 2022, the Company completed a "reverse takeover" (the "**RTO**") of 138. In furtherance of the RTO, the Company and 138 amalgamated under the federal laws of Canada pursuant to an amalgamation agreement dated May 20, 2022 (the "**Amalgamation Agreement**"). The amalgamated entity continued under the name "Clip Money Inc." Prior to the completion of the RTO and pursuant to the Amalgamation Agreement: (i) 138 implemented a split of all of its outstanding common shares based on a ratio of 1.2727:1 resulting in an aggregate of 1,400,000 post-split common shares of 138 outstanding ("**138 Split**") and (ii) Clip implemented a split of all of its outstanding common shares (the "**Former Clip Money Common Shares**") based on a ratio of 31.3325:1 resulting in an aggregate of 51,152,511 Former Clip Money Common Shares outstanding (the "Former Clip Money Split"). Following completion of the 138 Split, the Former Clip Money Split and the RTO, the Company had 66,230,194 Common Shares, 2,838,946 options to acquire common shares and 4,087,220 warrants outstanding. Following completion of the RTO, the Company's common shares began trading on the TSX Venture Exchange on May 26, 2022.

2. OUTLOOK

The Company will continue to enhance its business deposit network to provide Clip users, as well as, partnering Financial Institutions and their customers with cost effective and convenient business solutions. To achieve this objective, the Company has identified three near-to medium-term strategic priorities: (i) expand physical location networks

across the U.S. and Canada; (ii) acquire new business users and (iii) scale its sales and operations teams

The Company's primary objective is to accelerate growth of its physical ClipDrop Box network, spanning across three major segments. First, the Company is actively installing ClipDrop Boxes at premier shopping mall centers across the U.S. and Canada. These locations will serve the deposit needs of mall tenants, center operators, and other nearby businesses. Second, the Company is expanding its ClipDrop Box distribution and overall placement density by placing ClipDrop Boxes at top-tier retailers. Third, the Company is targeting retailers that are business-to-business focused and/or strategically located to achieve the scale and convenience that can rival a local bank branch network.

Another key priority for Clip is user acquisition (i.e., businesses using ClipDrop Boxes). New users come from three primary sources. First, businesses can sign-up directly with Clip. Second, businesses are introduced to Clip's product by their own financial institution. Third, retailers (who have a ClipDrop Box in their stores) promote the service to customers, which is usually linked to a loyalty program or other customer value-add services. Clip's user focus range from single store locations to large corporate clients with hundreds of participating stores. Proceeds from the Subscription Receipt Financing will be used to bolster the Company's sales team and offer temporary incentives geared towards attracting new customers.

In order to achieve scale across Canada and the U.S., the Company plans to continue enhancing its in-house sales and operations teams. To meet this objective, the Company expects to hire several new operations and sale employees in the next 12 to 18 months. In addition, the Company anticipates incurring additional costs to support user and financial institution growth (e.g., systems & software).

3. DISCUSSION OF RESULTS OF OPERATIONS

During Q3 2022, the Company was primarily concerned with (i) growing its user base in the US, (ii) developing a change order product, (iii) cultivating commercial partnerships, and (iv) growing its distribution network. As a result, the Company incurred significant expenses expanding its balance sheet through technology development, while generating nominal revenue.

Gross revenue for Q3 2022 was \$7,410 less discounts and promotions of \$2,754 for net revenue of \$4,656, compared to gross revenue and net revenue of \$986 for Q3 2021. Gross revenue for YTD 2022 was \$14,037 less discounts and promotions of \$4,736 for net revenue of \$9,301, compared to gross and net revenues of \$1,372 for YTD 2021. Revenue for the first nine months of 2022 was driven by the product launch in the GTA and some early launch locations in the United States, while revenue for the first nine months of 2021 was the result of transaction fees generated by an early pilot program of the Clip system.

Cost of revenues for Q3 2022 were \$499,635 compared to \$35,673 for Q3 2021. Cost of revenues were primarily comprised of software and web services necessary to support

and maintain the Platform, site maintenance and servicing, and retailer rents. Cost of revenues for YTD 2022 were \$966,107 compared to \$83,084 for YTD 2021. The Company added 291 units to shopping mall locations and retail properties in the first nine months of 2022, compared to 9 units in the first nine months of 2021. This resulted in a year-over-year increase of in deposit processing costs and retailer rent.

Selling, General and Administrative expenses (“SG&A”) includes general and administrative expense, salaries and benefits, professional fees, as well as sales and marketing costs. SG&A costs for Q3 2022 were \$1,865,814 compared to \$921,934 for Q3 2021. SG&A for YTD 2022 were \$4,577,824 compared to \$2,324,985 for YTD 2021. The year-over-year (“YoY”) expense increases are primarily a function of growing the sales and operational teams to support the US launch. In 2021, the Platform was not operational and a lower headcount was utilized, compared to the first nine months of 2022. This resulted in increased wages of \$481,504 in Q3 2022 compared to Q3 2021, and \$1,518,525 when comparing YTD 2022 to YTD 2021. Professional fees were also a contributor to expense growth, coming in at \$311,215 in Q3 2022 compared to \$7,805 in Q1 2021. The YTD 2022 Professional fees were \$1,438,145, compared to YTD 2021 of \$354,608. Higher professional fees were driven by legal costs to facilitate the RTO, support growing commercial activity, accounting and audit services, and other consulting engagements.

Other charges to operations for Q3 2022 include depreciation and amortization of \$528,428 compared to \$292,775 for Q3 2021, and exchange loss of \$365,098, compared to a exchange loss of \$94,647 for Q3 2021. For YTD 2022, other charges to operations include depreciation and amortization of \$3,385,181, compared to \$1,866,656 for YTD 2021, and exchange loss of \$507,953 compared to \$175,771 YTD 2021. The increase in depreciation and amortization expense was due to increasing the Company’s shopping mall and retail presence. The exchange loss charge related primarily to the unrealized exchange loss on the Company’s U.S. bank accounts and USD based leases from fluctuations between the Canadian dollar and U.S. dollar over that time.

Finance expenses for Q3 2022 were \$223,419 compared to \$128,089 in Q3 2021. For YTD 2022, finance expenses were \$1,499,414, compared to \$137,053 in YTD 2021. These expenses were primarily driven by the change in fair market value of the pre-RTO convertible debt of approximately \$837,000, and interest from the new lease liabilities which resulted in an increase of \$532,000 compared to 2021.

Public listing fees as reported in Q2 2022 were \$3,885,219 for YTD 2022. Public listing fees in the first nine months of 2022 were one-time charges related to the RTO. After the reporting of the reverse takeover transaction in the second quarter ended June 30, 2022, it became apparent that the public listing fees had been overstated in the amount of \$624,595. This overstatement had resulted from an excess initial valuation of the 138 Company shares and shares issued pursuant to the transaction success fee. This non-cash expense reversal had no effect on the Company's total stockholders' equity as of September 30, 2022.

4. LIQUIDITY AND CAPITAL RESOURCES

The Company actively manages its cash position to ensure it has sufficient funds to operate its business. Funds for financing Clip's day-to-day activities are held in both Canadian and U.S. denominated accounts to minimize the impact of foreign exchange movements. To date, the Company has relied on proceeds of financing activities to fund its ongoing operations.

As of September 30, 2022, the Company had cash and cash equivalents of \$2,876,239, up approximately 136% from the year ended December 31, 2021, and includes the following metrics.

	Nine months ending September 30, 2022	Year ending December 31, 2021
	\$	\$
Cash, cash equivalents	2,876,239	1,220,247
Total term debt	7,705,842	8,099,133
Working capital (deficiency)	289,145	(2,369,665)
Cash used by operating activities	(4,331,378)	(2,093,716)
Cash used by investing activities	(1,608,674)	(1,424,761)
Cash generated by financing activities	7,596,044	1,955,221

5. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet commitments or arrangements.

6. KEY MANAGEMENT COMPENSATION

Key management includes the Company's directors, officers and any employee with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

In the three and nine-month periods ended September 30, 2022, key management compensation is as follows:

	Three-months ended		Nine-months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Salaries, fees and short-term benefits	852,927	658,426	1,561,846	1,206,290
Share-based payments	229,582	157,450	996,249	230,938
Total	1,082,509	815,876	2,558,095	1,437,228

7. FUTURE CHANGES OF ACCOUNTING POLICIES

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Company, are as follows:

IAS 1 Presentation of Financial Statements has been amended for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted. The update sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The Company is assessing the impact of adopting this amendment on its consolidated financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been amended for annual reporting periods on or after January 1, 2023 with earlier application permitted. The update is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The Company is assessing the impact of adopting this amendment on its consolidated financial statements.

IAS 16 Property, Plant and Equipment has been amended for annual reporting periods beginning on or after January 1, 2022 with early application permitted. The update outlines the accounting treatment for most types of property, plant and equipment.

Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. Currently, the Company does not expect the amendment to IAS 16 to have a significant impact on its consolidated financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets has been amended for annual reporting periods beginning on after January 1, 2022 with early application permitted. The update outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). The Company is assessing the impact of adopting this amendment on its consolidated financial statements.

IFRS 3 Business Combinations has been amended for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The update outlines the accounting when an acquirer obtains control of a business. Such business combinations are accounted for using the ‘acquisition method’, which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. The Company is assessing the impact of adopting this amendment on its consolidated financial statements.

8. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. However, the Company currently has limited use of financial instruments. As of September 30, 2022, the Company had approximately \$6,450,383 in long-term debt, of which \$6,387,994 are lease agreements at shopping malls and retailer stores (i.e., ClipDrop locations), and a cash balance \$2,876,239. The Company does not have any hedging instruments.

9. OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Common shares and an unlimited number of Preferred shares, issuable in series. As of the date of this MD&A, the Company has 66,230,194 Common Shares outstanding, XXX exercisable stock options, XXX restricted stock units and 4,087,220 warrants outstanding.

10. BUSINESS RISKS & UNCERTAINTIES

The Company’s risk exposure and the manner in which such exposure is managed is as follows:

Limited Operating History

The Company has a limited operating history upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will

not achieve its operating goals. In order for the Company to meet future operating and debt service requirements, it will need to be successful in its growth, marketing and sales efforts. Additionally, in the event the Company experiences outsized growth, its current operational infrastructure may require changes to scale its business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If the Company's products and services are not accepted by new customers, the Company's operating results may be materially and adversely affected.

Uncertain Future Revenues

Although management is optimistic about the Company's prospects, there is no guarantee that expected outcomes and sustainable revenue streams will be achieved. The Company faces risks frequently encountered by early-stage companies. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams while maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on the Company's business, financial condition and results.

Historical Losses and Negative Operating Cash Flows

Clip has a history of operating losses and may generate continued operating losses and negative cash flows in the future while it carries out its current business plan. Clip has made significant up-front investments in general and administrative expenses in order to rapidly develop and expand its business. The successful development and commercialization of Clip's operations will depend on a number of significant financial, logistical, technical, marketing, legal, competitive, economic and other factors, the outcome of which cannot be predicted. There is no guarantee that the Company's operations will be profitable or produce positive cash flow or that the Company will be successful in generating significant revenues in the future or at all. The Company's inability to ultimately generate sufficient revenues to become profitable and have positive cash flows could have a material adverse effect on its prospects, business, financial condition, results of operations or overall viability as an operating business.

Lack of Additional Financing

From time to time, the Company may need additional financing. Its ability to obtain additional financing, if and when required, will depend on investor demand, the Company's operating performance, the condition of the capital markets, and other factors. The Company cannot assure investors that additional financing will be available to it on favourable terms when required, or at all. If the Company raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of its Common Shares, and existing shareholders may experience dilution.

Increased use of Non-Cash Methods of Payment

The U.S., Canada, and other developed markets have seen a shift in consumer payment trends over the last two decades with more customers opting for electronic forms of

payment (e.g., credit cards and debit cards) for their in-store purchases over traditional paper-based forms of payment (e.g., cash and notes). Additionally, some merchants offer free cash back at the point-of-sale for customers that utilize debit cards for their purchases, thus providing an additional incentive for consumers to use these cards. Increasingly, frictionless payment options, like contactless, are also being used by consumers.

The continued growth in online shopping and electronic payment methods, such as mobile phone payments, contactless payments and card only self-service order and payment terminals could result in a reduced need for cash in the marketplace and ultimately, a decline in the usage of the Company's ClipDrop Boxes. Online credit and debit card only shopping and other payment technology, such as Square Cash, Facebook Messenger Payments and virtual currencies such as Bitcoin, or other new payment method preferences by consumers could reduce the general population's need or demand for cash and negatively impact the Company's transaction volumes in the future. The proliferation of payment options and changes in consumer preferences and usage behavior could reduce the need for cash and have a material adverse impact on operations and cash flows.

Competition in the Industry

Clip operates in the intensely competitive financial technology industry. This industry is characterized by rapidly changing technology, disruptive technological innovation, evolving industry standards, frequent new product introductions, price and cost reductions, and increasingly greater commoditization of products making differentiation difficult. The Company's competitors include large companies in the financial technology industry, many of which have more financial and technical resources, or more widespread distribution and market penetration for their platforms and service offerings, than the Company does. Competitors could prevent the Company from obtaining or maintaining desirable locations for ClipDrop Boxes or cause Clip to pay higher merchant fees, thereby reducing profits. The Company also competes with companies in specific industry segments, such as ATM operators.

In addition, as consumers and customers in the financial and retail industry adopt new alternative technologies such as cashless and other streamlined payment services and automated shopping solutions, the Company may face competition from other technology companies. Furthermore, new and less traditional competitors may enter the market. Vertically integrated competitors, such as expanded product and service offerings by cash-in-transit providers, may offer comprehensive bundled product and service offerings. The Company may face additional competition associated with the creation, integration, and consolidation of competitors through transactions as well as the introduction of alternative payment mechanisms and emerging payment technologies. Increased competition could result in transaction fee reductions, reduced gross margins, and loss of market share. As a result, the failure to effectively adapt the organization, products, and services to the market could significantly reduce offerings that gain market acceptance, significantly reduce revenue, increase operating costs, or otherwise adversely impact operations and cash flows.

General Regulatory Risks

The Company may be subject to various regulations in the jurisdictions that the Company operates in, including Canada and the U.S. In Canada, the Company has worked with regulators and does not believe it is a money services business and therefore is not subject to the same laws and regulations as financial institutions. In the U.S., the Company is working directly with a sponsor bank who assumes the regulatory responsibility for Clip. The Company has built a risk and compliance framework to protect itself, its vendors and the end-user. This framework includes a robust background check of all new customers, ongoing anti-money laundering monitoring, and other quantitative and qualitative checks. A voluntary third-party risk assessment is conducted at least every 12 months to ensure the Company is using industry best practices.

Nevertheless, to the extent the Company is not successful in complying with the new or existing regulations, non-compliance may have an impact on the Company's ability to continue operating in such jurisdictions or adversely impact profits. New legislation proposed in any of the jurisdictions in which the Company operates, or adverse changes in the laws that the Company is subject to, may materially affect the business through the requirement of additional expenditures to comply with that legislation or other direct or indirect impacts on the business. If regulatory legislation is passed in any of the jurisdictions in which the Company operates, the Company could be required to incur substantial expenditures or suffer adverse changes in its business. In addition, new product and service offerings such as the mobile application are often subject to additional regulations which may have an impact on the Company's ability to offer such products. The Company may not be able to comply with all such regulations for new product and services offerings or may not be able to do so profitably.

Privacy and Data Security Laws and Regulations

The Company, along with its partners and customers in the financial services area, are subject to a number of laws and regulations, including, among others, those promulgated under the authority of the Federal Trade Commission, the *Electronic Communications Privacy Act*, the *Computer Fraud and Abuse Act*, the *Gramm Leach Bliley Act* and state cybersecurity, privacy, and breach notification laws, and the *Personal Information Protection and Electronic Documents Act* in Canada. These laws, rules and regulations address a range of issues including data privacy and cybersecurity, and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data.

Such government regulation (together with applicable industry standards) may increase the costs of doing business. Federal, state, provincial, and municipal governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, regulations, and standards covering user privacy, data security, cybersecurity, technologies such as cookies that are used to collect, store and/or process data, marketing online, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices, and the collection (including the collection of information), use, processing, transfer, storage and/or disclosure of data associated with

unique individual internet users. New regulation or legislative actions regarding data privacy and security could have a material adverse impact on the Company's operations and cash flows.

Cybersecurity

As part of the Company's transaction processing services, it electronically processes and transmits customer information. The Company may be subjected to cyber-attacks or internal control failures, including accidental or intentional computer or network issues (such as unauthorized parties gaining access to information technology systems, phishing attacks, viruses, malware or ransomware installation, server malfunction, software or hardware failures, impairment of data integrity, loss of data or other computer assets, adware, or other similar issues). The vulnerability to attack exists in relation to known and unknown threats. The Company works to implement and maintain what is considered to be adequate security controls in response to known threats. The Company is unable to proactively defend against unknown threats because they are unknown. Consequently, the security measures deployed and internal processes and procedures are not perfect or impenetrable, and despite investment in and maintenance of security controls, the Company may be unable to anticipate or prevent all unauthorized access attempts made on the Company's systems.

A vulnerability in the cybersecurity of the Company's systems (which include, among other things, cloud based networks and services outside of the control of the Company) could impair, compromise or shut down one or more computing systems, transaction processing systems, or IT network and infrastructure, which could harm the business or result in harm to customers or business partners and result in negative publicity or media coverage. It is also possible that a cyber-attack or information security breach could occur and persist for an extended period of time without detection. The Company expects that any investigation of a cyber-attack would be inherently unpredictable and that it would take time before the completion of any investigation and before there is availability of full and reliable information. During such time the Company may not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber-attack.

The technical and procedural controls that the Company uses to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against control failures, data security breaches or other cyber incidents. The risk of unauthorized circumvention of security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. Unauthorized access to the Company's computer systems, or those of third-party service providers, could result in the theft or publication of the information or the deletion or modification of sensitive records, and could cause interruptions in operations. Any inability to prevent security breaches could damage relationships with customers and partners, cause a decrease in transactions by users, expose the Company to liability including claims from customers and partners, and subject the Company to fines.

Further, the Company could be forced to expend significant resources in response to a security breach, including repairing system damage and increasing cybersecurity protection costs by deploying additional personnel, each of which could divert the attention of management and key personnel away from regular business operations. These claims also could result in protracted and costly litigation. If unsuccessful in defending that litigation, the Company might be forced to pay damages and/or change business practices.

Regulation of Transaction Fees

Clip relies on transaction-based revenues in each of the markets in which it operates in, and any regulatory fee limits that could be imposed on Clip's transactions may have an adverse impact on Clip's revenues and profits. If legislation were to be enacted in the future in any of the Company's markets, and the amount the Company was able to charge consumers to use ClipDrop Boxes was reduced, the Company's revenues and related profitability would be negatively impacted. Furthermore, if such limits were set at levels that are below current or future costs to operate ClipDrop Boxes, it would have a material adverse impact on the Company's ability to continue to operate under the current business model and adversely impact revenues and cash flows. Despite the nationwide acceptance of transaction fees at deposit stations similar to the Company's ClipDrop Boxes, consumer activists have from time to time attempted to impose local bans or limits on transaction fees. Even in the few instances where these efforts have passed the local governing body (such as with an ordinance adopted by the city of Santa Monica, California), U.S. federal courts have overturned these local laws on federal preemption grounds. Although Section 1044 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* ("**Dodd-Frank Act**") contains a provision that will limit the application of federal preemption with respect to state laws that do not discriminate against national banks, federal preemption will not be affected by local municipal laws, where such proposed bans or limits often arise. Additionally, some U.S. federal officials have expressed concern in previous years that transaction fees charged by banks and non-bank deposit station operators are unfair to consumers.

Reliance on Transaction Fees

Clip's user contracts are "pay-per-use" and do not carry any term, time based subscriptions, or any recurring revenue minimums. Thus, the time for businesses to sign-up and begin using the service can be done in a short period of time, after requisite registration, compliance and risk data is collected. The Company will earn repeating variable revenue as businesses routinely use the Clip Drop Platform for their transaction needs. The repetitive nature of this transaction set, once established, can create a predictable usage pattern for the Company's network. Additionally, the Company derives fixed reoccurring revenue from financial institutions for access to the Clip network. Network access agreements with financial institutions are multi-year contracts. Thus, the duration from initial proposal to booked revenue is measured in months or quarters, rather than days as compared to business user transactional revenue. Additionally, the Company's location contracts are also multi-year contracts that grant Clip the ability to locate ClipDrop Boxes in retail locations for a predictable period of time.

Transaction fees charged to users of Clip's ClipDrop Boxes and subscription fees charged to financial institutions for access to the Clip deposit network are expected to account for most of the Company's revenues. The Company expects that such fees will continue to account for the substantial majority of the Company's revenues for the foreseeable future. Consequently, future operating results will depend on many factors, including: (i) the market acceptance of the Company's services in target markets, (ii) the level of transaction fees received, (iii) the Company's ability to install, acquire, operate, and retain, ClipDrop Boxes (iv) usage of ClipDrop Boxes by depositors and any changes in payment preferences they may have, and (v) the Company's ability to charge transaction fees to use the Company's ClipDrop network. If alternative technologies to the Company's services are successfully developed and implemented or there is a significant shift in consumer preferences for other alternative payment methods, the Company may experience a decline in the usage of ClipDrop Boxes. Should banks or ATM operators decrease or eliminate the fees they charge to users of their ATMs in any of the Company's markets or otherwise offer free access to their networks, such action would make transactions at ClipDrop Boxes comparatively more expensive to consumers and could adversely impact transaction volumes and revenues. A decline in usage of ClipDrop Boxes by depositors, and the levels of fees received by the Company in connection with this usage, would have a negative impact on the Company's revenues and cash flows and would limit future growth potential.

Product Development

Clip is constantly looking to develop new services and products that complement or leverage its core competencies and expand its business potential. Clip makes significant investments in service and product technologies and anticipates expending significant resources for product development over the next several years. There can be no assurance that the Company's product development efforts will be successful, that the roll out of any new services and products will be timely, that the certification process for any new products will be completed on the anticipated timeline, that it will be able to successfully market these services and products, or that margins generated from sales of these services and products will recover costs of development efforts.

The markets for the Company's products and services are characterized by constant technological changes, frequent introductions of new products and services and evolving industry standards. Due to a variety of factors, including but not limited to security features, compatibility between systems and software and hardware components, consumer preferences, industry standards, demands of financial institutions and retail customers, and other factors, the Company will regularly update the technology components, including software, on the Company's ClipDrop Boxes. These technology upgrade efforts, in some cases, may result in downtime to the Company's ClipDrop Boxes, and as a result, loss of transactions and revenues.

Additionally, the Company's ability to enhance current products and services and to develop and introduce innovative products and services that address the increasingly sophisticated needs of customers will significantly affect future success. The Company may also accumulate excess or obsolete inventory or assets that cannot be used or re-

deployed, which could result in unanticipated write-downs and adversely affect financial results. To the extent the Company is not able to re-deploy the assets, the Company may in future periods incur write-downs of these and other assets which could materially and adversely affect the business, results of operations, and stockholders' equity.

Network Issues

The Company's core business depends on the reliability of its ClipDrop Boxes. A system outage or other failure could adversely affect the Company's business, financial condition, or results of operations, including by damaging the Company's reputation or exposing the Company to third-party liability. Certain laws, regulations, and card network rules allow for penalties if the Company's systems do not meet certain operating standards and may require the Company to report issues to regulators or the card networks within a specified time period. To successfully operate the business, the Company must be able to protect systems from interruption, including from events that may be beyond the Company's control. Events that could cause system interruptions include fire, natural disaster, unauthorized entry, power loss, telecommunications failure, computer viruses, terrorist acts, and war. Although the Company has taken steps to protect against data loss and system failures, there is still risk of critical data loss or system failures. In addition, insurance may not be adequate to compensate the Company for all losses or failures that may occur.

The Company's products and services are based on software and computing systems that are constantly evolving. In addition, the underlying software may contain undetected errors, viruses, or defects. The Company may experience processing delays on the systems due to system capacity or configuration issues as well as due to service interruptions or delays by the Company's service providers. Defects in software products and errors or delays in the processing of electronic transactions could result in additional development costs, diversion of technical and other resources from other development efforts, loss of credibility with current or potential merchants, harm to reputation, or other liabilities.

Errors, Omissions, and Credit Risk

The Company is responsible for maintaining accurate account information for customers and accurate settlements of funds into these accounts based on the underlying transaction activity. This process relies on precise and authorized maintenance of electronic records and internal controls. Although the Company has controls in place to help ensure the safety and accuracy of records in the movement and settlement of funds, errors or unauthorized changes to these records or failure to maintain proper controls could result in the erroneous or fraudulent movement of funds, thus damaging relationships with customers and exposing the Company to liability and potentially resulting in a material adverse impact on operations and cash flows.

The Company credits a customer's bank account the deposit amount declared within Company's application in advance of the bag being counted. In the event that the declared amount is higher or lower than the actual amount in the bag, a correcting pre-authorized

action is initiated to balance the transaction. There is a risk to the Company that there are insufficient funds in the customer's account to cover the missing amount. For new users who sign up directly, the Company mitigates this risk by (i) verifying the new business is properly registered; (ii) confirming contact information (i.e., phone and email) by using one-time code verification; and (iii) performing an electronic identification check that leverages credit files for authentication. For new users who come through an issuer financial institution (i.e., a bank or credit union), the financial institution has already done the verification due diligence to reduce credit risk.

Cyclicalities of Business

Transaction volumes at ClipDrop Boxes are affected by seasonality, and as a result, the Company's financial results may vary from quarter to quarter based on cash usage, macro & microeconomics forces, and seasonal retail fluctuations in the Canadian and U.S. markets. In general, the higher cash usage times are tax-return season (March & April), back-to-school shopping (August & September), and the winter holiday months (November & December). The Company's network is close to seasonal locations, including tourist destinations, which create variability for cash volumes that can be tracked and managed effectively. Conversely, cash usage can be lower in the first couple months of the year and right before summer vacation season. As a result, the best measure of quarterly performance is year over year. Additionally, Clip's contracts with retailers are typically contracted with large enterprises which will be subject to seasonal and locational variability. Moreover, if a recessionary economic environment were to reduce traffic at ClipDrop Boxes, this could impact the level of transactions taking place on the Company's network.

Natural or man-made disasters (including, hurricanes, flooding, tornadoes, fires, or acts of war or terror), uncharacteristic or significant weather conditions or real or potential health emergencies such as the widespread outbreak of contagious diseases, such as COVID-19, could hinder travel, result in travel bans, government restrictions or quarantines. Any of these events could restrict or reduce traffic at the Company's ClipDrop Boxes, reduce the use or demand for cash, or decrease demand for the Company's services. In addition, catastrophic events or significant business interruptions could reduce or impair the Company's ability to provide services and conduct operations. These events may occur in a manner that cannot be mitigated by disaster and business continuity planning and cause losses that are not recoverable by insurance policies. The impact of such events may have a range of lingering impacts on the Company, employees, customers, suppliers and the overall economy, adversely affecting operations, financial condition, results of operations, cash flows and share price even after the initial incident is resolved.

COVID-19

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19

has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility, and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of suppliers, contractors and service providers.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of its control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

As at the date hereof, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time. The Company's exposure to such public health crises also includes risks to employee health and safety. Should an employee, contractor, community member or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

Growth-Related Risks

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company 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 the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Rapid Technological Change

The Company operates in an industry which experiences frequent new product introductions and evolving industry standards, which could cause the Company's products and services to become obsolete. The length or direction of the Company's development cycle may impact its ability to react to new technology trends and customer needs. The Company's success depends upon its ability to design, develop, test, market, license and support new products and enhancements of current products and services on a timely basis in response to both competitive threats and marketplace demands. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, the Company's operating results will materially suffer. Also, if new industry standards emerge that the Company does not anticipate or adapt to, its software

products could be rendered obsolete and, as a result, its business and operating results, as well as its ability to compete in the marketplace, would be materially harmed.

Global Financial Conditions

Recent global financial conditions have been characterized by increased volatility and access to public financing. These conditions may affect the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company or at all. If such volatile conditions continue, the Company's operations could be negatively impacted.

Foreign Currency Risk

Foreign currency risk is the risk when a financial transaction is denominated in a currency other than the domestic currency of the Company. The Company generates cash flows from operations in both Canadian and U.S. dollars and has exposure to exchange rate fluctuations. The Company does not currently have a derivative program to reduce this risk. The Company will recognize any gain/loss in the period that it occurs and reflect these changes in the financial statements.

To mitigate foreign exchange risks, the Company has contractually matched (where possible) its revenue and expense items within each country. For example, one of the primary drivers of the business is deposit processing. The Company's customer pricing (i.e., revenue) and cost of goods sold (i.e., expense) are in the same currency. Thus, commercial margins are not expected to be impacted by movements in exchange rates. The primary foreign currency risk is the Company's consolidated results when combining U.S. and Canadian operations.

Audit of Tax Filings

The Company's taxes may be affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If the Company's filing position, application of tax incentives or similar 'holidays' or benefits were to be challenged for whatever reason, this could have a material adverse effect on The Company's business, results of operations and financial condition. The Company may be subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively affect the Company's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on the Company's business. There is no assurance that the Company's current financial condition will not be materially adversely affected in the future due to such changes.

Risk of Litigation

The Company may become involved in disputes with other parties in the future which may result in litigation. The results of litigation cannot be predicted with certainty. If the

Company is unable to resolve these disputes favourably, it may have a material adverse impact on the ability of the Company to carry out its business plan.

Reliance on Key Personnel

The Company's development will depend on the efforts of key management and other key personnel. Loss of any of these people, particularly to competitors, could have a material adverse effect on the Company's business. Further, with respect to future development of the Company's projects, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is becoming more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside the Company's control, including competition for human capital and the high level of technical expertise and experience required to execute this development, will affect the Company's ability to employ the specific personnel required. Due to the relatively small size of the Company, the failure to retain or attract a sufficient number of key skilled personnel could have a material adverse effect on the Company's business, results of future operations and financial condition. The Company does not intend to take out 'key person' insurance in respect of any directors, officers or other employees.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. The Company has a very limited history of operations and has not made any assessment as to the effectiveness of its internal controls. Though the Company intends to put into place a system of internal controls appropriate for its size, and reflective of its level of operations, there are limited internal controls currently in place.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies, and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the CBCA and other applicable laws.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk will be to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time.

Vendor Risk

Vendor risk is the risk the Company's third-party vendors do not deliver their products and/or services at a level that is consistent with the Company's standards. To mitigate this risk, the Company (i) has a thorough vendor selection process that includes competitor comparisons and risk assessments; (ii) establishes contractual standards with service level agreements; and (iii) conducts regular internal vendor performance reviews.

Tax considerations applicable to an investment in the Company Common Shares

Each prospective investor should consult with their own tax advisor with respect to the Canadian and non-Canadian income tax consequences of acquiring, holding, and disposing of Company Common Shares, based on each prospective investor's particular circumstances.

Uncertainty and adverse changes in the economy

Adverse changes in the economy could negatively impact the business of the Resulting Issuer. Future economic distress may result in a decrease in demand for the products and events of the Resulting Issuer, which could have a material adverse impact on the Resulting Issuer's operating results and financial condition. Uncertainty and adverse changes in the economy, including interest rate increases, could also increase costs associated with developing and publishing products, hosting events, increase the cost and decrease the availability of sources of financing, increase costs charged by vendors and other operating partners and increase the Resulting Issuer's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Resulting Issuer. The Company can attempt to mitigate against these risks by increasing its fees in an amount proportionate to any increased costs as a result of such adverse economic changes.