



CLIP MONEY INC.

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2023 and 2022

(Expressed in U.S. Dollars, unless otherwise noted)

November 28, 2023

The following management's discussion and analysis ("**MD&A**") dated November 28, 2023 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**", "**Clip Money**" "**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 months ended September 30, 2023 and 2022, and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2022 and 2021.

Basis of Presentation

The financial statements and related financial information presented herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. All references in this MD&A to (i) "Q3 2023" refer to the Company's three and nine months ended September 30, 2023 and all references to (ii) "Q2 2022" refer to the Company's three and nine months ended September 30, 2022. The consolidated financial statements and this MD&A were approved by the Company's board of directors.

The Company presents its consolidated financial statements in U.S. dollars. In this MD&A, all references to "\$" or "dollars" are to U.S. 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 28, 2023.

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 considering 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.sedarplus.ca, 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.

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) Former Clip Money 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 66,230,206 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 (the “**Common Shares**”) began trading on the TSX Venture Exchange on May 26, 2022.

Company Overview

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 (each a “**ClipDrop Box**”). Rather than having to go to their personal bank branch or using a cash pickup service, businesses can deposit their cash at any ClipDrop Box located near them. After being deposited, the funds will automatically be credited to the business’ bank account, typically by the next business day. The Company combines functional hardware, intuitive packaging, and an innovative cloud-based transaction engine that maximizes business banking transactions. 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 made with regularity, in many cases every day of the week; (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). Traditionally, business deposits are mainly conducted by (i) delivering funds to the bank branch directly (either through night safe or teller lines), or (ii) armored car service which visits the business directly. 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 ClipDrop 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 ClipDrop Boxes. Once deposited, the funds are credited on the next business day to the account of the business at their specified financial institution. In addition to the Clip Drop deposit network, Clip also allows business deposits through ATM machines via the Clip ATM solution. Specifically, Clip leverages ATM deposit technology via a cardless interaction to allow businesses to deposit cash into an ATM which is capable of real-time validation of notes.

The physical deposit network is accompanied by an end-to-end transaction processing system, which includes user registration, location services, compliance and KYB (Know Your Business), screening 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 deposits into their bank account. The Company’s Clip Drop 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, cashless branches, etc.).

Principal Products and Services

The Company currently has three primary product offerings aligned to solving the cash management needs of North American businesses. The product suite centers around cash deposit solutions such as the ClipDrop Boxes and ClipATM. Clip Change Order allows retailers to order smaller denomination notes and coins to make "change" for customers. All our Products are supported and enabled by the Clip Drop Platform, which delivers technology and operational support to customers and their transactions.

- **ClipDrop Boxes:** The ClipDrop Boxes network, is a network of self-service, internet connected safes designed for businesses to securely deposit cash using ClipDrop Box deposit bags. These free-standing safes are strategically installed in convenient locations like malls, shopping centers, and retail stores. To make a deposit, customers utilize the ClipDrop Platform to create and drop their deposit into the nearest ClipDrop location. Customers can scan the deposit bag and insert it into the ClipDrop Box. Each deposit is credited to the customer's account on the next business day. The Clip Drop Platform offers additional features such as the ability to perform managerial functions, including adding multiple bank accounts, selecting payment methods, and managing employee access and rights to use the ClipDrop Platform.
- **ClipATM:** The ClipDrop Platform also supports ATMs that have the capability of accepting cash deposits. Clip enables businesses to perform cardless deposits into Clip enabled ATMs while receiving next day credit. The ATMs will accept the deposit without an envelope or deposit bag.
- **Clip Change Orders:** An on-demand, or subscription-based service, Clip Change provides packages of low denomination notes and coins which are delivered directly to their business. Clip has established a vertically integrated supply chain and logistics platform designed to provide United States Postal Service change orders delivered directly to a business.

Competitive Strengths

The Company has identified the following strengths that distinguish Clip from its competitors and position it well to take a leadership position in the cash management markets:

- *First-Mover Advantage:* The Company offers a unique, proprietary suite of products and services. The Company is not aware of any direct competitors in either the United States or Canada.
- *Experienced Senior Management:* The Clip Money team consists of experts in the retail and financial services industries with knowledge of the dynamically changing landscape of transaction and payment technologies and how they support next generation retail distribution for consumers and businesses. The Company's corporate management team

is composed of executives from leading ATM operating and manufacturing, payment, and digital banking companies, as well as experience with top-20 U.S. retail banks. The Clip Money team has a well-established track record and the experience it believes is required to execute on all aspects of the Company's go-to-market approach and growth strategy.

- *In-House Innovation and Development:* The Company's technology team has deep expertise ranging from building back-end transaction processing and management systems with modern architecture, to designing applications that are user-friendly with a focus on differentiated user experience.
- *Proprietary Technology:* The Company's Clip Drop Platform is highly modern, and purpose-built to facilitate end-to-end retail-based business deposits. The Clip Drop Platform features a deep array of capabilities including payment processing, interoperability with almost any bank using open banking technologies and methods, risk and compliance monitoring, dispute management, user management, and data management and analytics.
- *Exclusive Deposit Location Agreements:* The Company has established exclusive location agreements with the largest and most important mall operators and big box retailers in North America. The agreements create locational convenience for the Company's users and exclusive rights to the locations for the deployment of deposit locations. These agreements typically range from 3-5 years and create a significant advantage to the Company over other organizations. As users register at each location to use the service, they become regular depositors into the Clip Drop Platform including changing store-operating processes to use Clip.
- *Nationwide Scaled Network Partnership with NCR Atleos:* On September 21, 2023, Clip entered in a long-term, firmware exclusive partnership agreement with Cardtronics, Inc. (a subsidiary of NCR Atleos). As part of this partnership, Cardtronics, Inc. enables Clip deposit services at its premier cash in networks with more than 2500 operating ATMs across 30 states and in more than 70 of the largest population centers across the United States in 2024.

Recent Events

Strategic Investment

On September 21, 2023, the Company completed a non-brokered private placement of 28,596,826 Common Shares at a price of CDN\$0.23 per Common Share for gross proceeds of approximately US\$4,900,000 (the "**Equity Financing**"). Separately, the Company also completed a non-brokered private placement of secured convertible notes of the Company (each a "**Convertible Note**") for gross proceeds in the principal amount of US\$6,132,271, inclusive of US\$1,032,271 subscribed for by an existing arm's length investor (the "**Secondary Investor**") (the "**Convertible Notes Financing**", together with the Equity Financing, the "**Financings**"). Cardtronics, Inc. ("**Cardtronics**"), a wholly-owned subsidiary of NCR Atleos Corporation (NYSE:NATL), subscribed for the entire Equity Financing and US\$5,100,000 of the Convertible Note Financing, for a combined US\$10,000,00 investment in the Company (CAD\$13,423,000).

Each Convertible Note issued under the Convertible Notes Financing will be due and payable on the date that is 60 months from the date hereof (the "**Maturity Date**") and will accrue simple

interest at a rate of 8% per annum, payable at the Maturity Date. The Convertible Notes are convertible into Common Shares at any time, in whole or in part, on or prior to the Maturity Date at the option of the holder, based on the principal amount of the Convertible Notes being converted divided by a conversion price of CDN\$0.26 per Common Share. No accrued interest shall be paid on any part of the Convertible Notes that is converted into Common Shares. The Convertible Notes issued to Cardtronics and the Secondary Investor are secured by a first and second lien security interest, respectively, in all of the assets of the Company.

Convertible Note Redemption

In connection with the above note Financings, on September 21, 2023, \$1,000,000 of convertible notes from a previous financing originally issued June 14, 2023, were redeemed by the Company. As a result of the redemption, the Company incurred a loss on early extinguishment of convertible notes of \$272,157.

Private Placement of Convertible Note Units

On June 14, 2023, the Company closed out the previous private placement of note units for gross proceeds of \$2,928,572 (CAD\$3,903,714). No additional note units were issued since the closing of the second tranche on June 14, 2023.

Promissory Notes

On August 15, 2023, the Company issued secured promissory notes (the “**Promissory Notes**”) to two executives of the Company (the “**Lenders**”) in exchange for cash loans in the aggregate amount of \$497,333 (CDN\$670,505) (the “**Loan**”). The Promissory Notes were repaid in full inclusive of interest of \$6,399 by the Company on September 21, 2023 using proceeds from the Financing.

Subsequent Events

RSU Redemption

On October 22, 2023, 216,645 RSUs issued to executives of the Company (which had previously vested on June 7, 2023) were converted into Common Shares registered in the name of such executives.

Repayment of Government Loan

On November 7, 2023, the Company repaid in full the \$29,586 (\$40,000 CAD) CEBA government loan. As the full balance was repaid before January 18, 2024, this resulted in loan forgiveness of \$14,793 (\$20,000 CAD).

Board Changes

On August 28th, Peter Dorsman was appointed Chair of the Company’s board of directors. Peter assumed the role from the Company’s chief executive officer, Joe Arrage. On November 3, 2023, Daren Trousdell resigned as a director of the Company. In connection therewith, the Company has appointed Stuart Mackinnon to fill the vacancy. Stuart currently serves as the chief operating officer of NCR Atleos where he has shown himself to be an exceptional leader with strong

strategic vision. Stuart has also been appointed to the Audit and Governance, Human Resources & Compensation Committees of the Company to fill the vacancies created by Daren's departure. Peter Dorsman was appointed Chair of the Governance, Human Resources & Compensation Committee.

2. OUTLOOK

The Company is deploying ClipDrop Boxes in highly convenient, prominent retail locations including malls, big box retailers, and shopping plazas. The Company will continue to secure high profile retail locations that will provide unparalleled access for businesses in the markets that the Company operates in. The Company's strategy is to capture such locations which are as convenient as market leading bank branch networks. Clip has also developed technology to enable cardless cash deposits at ATM machines. ATM technology is utilized by consumers for card and PIN based transactions today, and Clip's technology and payment processing will enable businesses to utilize these devices and existing locations. ATMs represent an additional channel for the Clip Money network, while bringing scale and distribution to complement the Clip Drop network. The recent partnership with NCR Atleos enables Clip Money deposit services at its premier cash in network with more than 2,500 operating ATMs across 30 states serving more than 70 of the largest population centers across the United States, complementing the current ClipDrop Box network of nearly 400 locations. The Company has identified three strategic business objectives for the next twelve months:

- *Expand physical location networks across Canada and the United States.* The Company's primary objective is to accelerate growth of its physical ClipDrop and ClipATM network, spanning across three major segments. First, the Company is actively installing ClipDrop Boxes at premier shopping 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 distribution network and overall density by placing ClipDrop Boxes at top-tier retailers. Third, and in addition to ClipDrops, ClipATM deployment will provide incremental distribution by leveraging existing ATM locations that welcomes Clip deposits by businesses.
- *Acquire new business users.* New users come from three primary sources. First, businesses can sign-up directly with Clip Money. Second, businesses are introduced to Clip Money's product by their own financial institution. Third, retailers (who have a ClipDrop Box or Clip enabled ATM in their stores) promote the service to customers, which is usually linked to a loyalty program or other customer value-add services. Clip Money users range from single store locations to large corporate clients with hundreds of participating stores.
- *Scale business development and operations teams.* To achieve scale across Canada and the U.S., the Company plans to continue enhancing its in-house commercial sales, operations and finance teams. To meet this objective, the Company expects to hire new sales and operations employees over the next 12 months. In addition, the Company anticipates incurring additional costs to support user and financial institution growth (e.g. systems & software).

The Company's near-to medium-term strategy is to balance becoming cashflow positive while reducing or eliminating further dilutive capital raises and scaling the business to achieve long-term mass adoption.

OVERALL PERFORMANCE

For the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022:

	Nine months ended		Change (\$)	Change (%)
	September 30, 2023	September 30, 2022		
Revenue				
Revenue	\$ 225,337	\$ 7,124	\$ 218,213	3,063%
Cost of revenue	1,804,681	739,952	(1,064,729)	(144%)
Gross (loss)	(1,579,344)	(732,828)	(846,516)	(116%)
Operating expenses				
General and administrative	286,232	229,715	(56,517)	(25%)
Sales and marketing	121,691	71,287	(50,404)	(71%)
Salaries and benefits	2,181,077	2,592,751	411,674	16%
Depreciation and amortization	1,476,707	1,101,489	(375,218)	(34%)
Professional fees	860,748	612,507	(248,241)	(41%)
Loss from operations	(6,505,799)	(5,340,577)	(1,165,222)	(22%)
Other (expense) income				
Finance expenses, net	(798,401)	(1,148,418)	350,017	30%
Foreign exchange gain (loss)	62,851	(388,403)	451,254	116%
Fair value change of derivative liabilities	39,061	-	39,061	100%
Loss on early extinguishment of convertible notes	(272,157)	-	(272,157)	(100%)
Public listing fees	-	(2,497,345)	2,497,345	100%
Net loss	(7,474,445)	(9,374,743)	1,900,298	(20%)
Other comprehensive income (loss)				
Foreign exchange translation adjustment	(63,057)	(372,694)	309,637	83%
Comprehensive loss	(7,537,502)	(9,747,437)	2,209,935	23%

For the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

	Three months ended			
	September 30, 2023	September 30, 2022	Change (\$)	Change (%)
Revenue				
Revenue	\$ 148,965	\$ 3,486	\$ 145,479	4,173%
Cost of revenue	640,427	374,595	(265,832)	(71%)
Gross (loss)	(491,462)	(371,109)	(120,353)	(32%)
Operating expenses				
General and administrative	80,587	90,232	9,645	11%
Sales and marketing	26,539	51,107	24,568	48%
Salaries and benefits	400,549	963,845	563,296	58%
Depreciation and amortization	500,087	388,970	(111,117)	(29%)
Professional fees	304,446	276,928	(27,518)	(10%)
Loss from operations	(1,803,670)	(2,142,191)	338,521	(16%)
Other (expense) income				
Finance expenses, net	(461,963)	(149,016)	(312,947)	(210%)
Foreign exchange gain (loss)	9,873	(276,640)	286,513	104%
Fair value change of derivative liabilities	39,061	-	39,061	100%
Loss on early extinguishment of convertible notes	(272,157)	-	(272,157)	(100%)
Public listing fees	-	545,688	(545,688)	(100%)
Net loss	(2,488,856)	(2,022,159)	(466,697)	(23%)
Other comprehensive income (loss)				
Foreign exchange translation adjustment	(106,659)	(856,932)	750,273	88%
Comprehensive loss	(2,595,515)	(2,879,091)	283,576	10%

3. SELECT FINANCIAL INFORMATION AND DISCUSSION OF RESULTS OF OPERATIONS

During Q3 2023, the Company was focused on (i) growing its user base in the US, (ii) launching its change order product in the U.S. (iii) cultivating commercial partnerships, and (iv) growing its distribution network. As a result, the Company incurred material expenses to support and expand the network, while generating nominal revenue (albeit growing quarter over quarter). Operations in the first nine months of 2023 were more mature than the first nine months of 2022. This largely resulted in higher revenue and higher costs. The only major exception is costs related to the RTO transaction that took place in Q2 2022 and subsequently readjusted in Q3 2022.

Revenue for Q3 2023 was \$148,965 compared to revenue of \$3,486 for Q3 2022. Revenue for YTD 2023 was \$225,337 compared to \$7,124 for YTD 2022. Revenue in 2023 was driven by business in both the United States and Canada, while revenue in 2022 was the result of transaction fees generated in Canada only. Revenue in the U.S. will continue to outpace revenue in Canada. Revenue growth in 2023 has been driven by customer deposits into ClipDrop Boxes. The Company is starting to see additional revenue from its pilot Change Orders product and ATM transactions, as well as other ancillary services. These supplemental revenue streams will continue to grow over the next several quarters.

Cost of revenue for Q3 2023 was \$640,427 compared to \$374,595 for Q3 2022. Cost of revenue for 2023 YTD was \$1,804,681 compared to \$739,952 for YTD 2022. Cost of revenue was primarily comprised of software and web services necessary to support and maintain the Clip

Drop Platform, site maintenance and servicing, and retailer rents. The Company had 368 units in shopping mall locations and retail properties at the end of Q3 2023, compared to 190 units at the end of Q3 2022. This resulted in an increase of deposit processing costs and retailer rent. The aggregate impact of inflation was limited in 2023, relative to 2022, given that most of the Company's cost of revenue is based on long-term contractual terms.

Operating expenses include general and administrative expense, salaries and benefits, professional fees, as well as sales and marketing costs, and depreciation and amortization for a total of \$1,312,208 in Q3 2023 compared to \$1,771,082 for Q3 2022. Operating expenses were \$4,926,455 for 2023 YTD, compared to \$4,607,749 for YTD 2022. The Q3 year-over-year comparison was favorable by \$458,874, which was primarily a function of lower salaries and benefits. Salaries and benefits were \$400,549 in Q3 2023 compared to \$963,845 in Q3 2022 due to decreasing anticipated year-end bonus payouts. Higher professional fees in Q3 2023 compared to the prior year were driven by increased costs to support a public company, namely investor relations. Other charges to operations for Q3 2023 include depreciation and amortization of \$500,087 compared to \$388,970 for Q3 2022. The increase in depreciation and amortization expense was due to increasing the Company's shopping mall and retail presence. The operating expense variance between 2023 YTD and 2022 YTD is higher by \$318,706. This was primarily driven by higher depreciation and amortization, \$1,476,707 for 2023 YTD compared to \$1,101,489 for 2022 YTD, and higher professional fees. Salaries and benefits were lower for 2023 YTD compared to 2022 YTD, for the reason stated previously.

Public listing fees were a one-time charge / recovery related to the RTO during the 2022 periods.

Finance expense was \$461,963 in Q3 2023 compared to \$149,016 in Q3 2022. This was due to the Q2 and Q3 2023 issuance of convertible notes, their related interest and accretion, and change in fair market value expensed in the quarter. The 2023 YTD expense of \$798,401 was lower than the 2022 YTD of \$1,148,418 due to the change in fair market value of the 2022 convertible notes of \$485,050, which were converted to shares at a discount at the time of the RTO in Q2 2022.

There was a one-time charge for loss on early extinguishment of convertible notes of \$272,157 as outlined in the recent events section above.

Total assets of the Company at September 30, 2023 were \$15,479,647 compared to \$9,855,383 at December 31, 2022. The increase in asset value was primarily driven by an increase in cash flowing from the closing of the Financings as outlined in the recent events section above.

Total liabilities of the Company at September 30, 2023 were \$12,690,912 compared to \$7,794,197 at December 31, 2022. The increase in liabilities was primarily driven by payments made on the outstanding lease liabilities, offset by \$6,499,585 in convertible debt and derivative liabilities secured in 2023.

The Company has not made any distributions or cash dividends on its Common Shares since its inception.

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, 2023, the Company had cash and cash equivalents of \$7,943,712, up approximately 436% from the year ended December 31, 2022, and includes the following metrics:

	Nine months ended		
	September 30, 2023	September 30, 2022	Change (\$)
Cash provided by (used in):			
Cash used in operating activities	\$ (5,576,425)	\$ (2,524,811)	(3,051,614)
Cash used in investing activities	(562,939)	(1,232,100)	669,161
Cash provided by financing activities	12,597,529	4,905,728	7,691,801
Effect of exchange rate changes	3,018	(9,836)	12,854
Increase in cash	\$ 6,461,183	\$ 1,138,981	5,322,202

As noted in the “**Outlook**” section above, one of the key objectives is to increase the ClipDrop Box network. However, this unit expansion will be a measured rollout based on current and expected customer demand.

	As at September 30, 2023	As at December 31, 2022	Change (\$)
Cash and cash equivalents	\$ 7,943,712	\$ 1,482,529	6,461,183
Total term debt	\$ 5,497,354	\$ 6,229,672	(732,318)
Convertible debt and derivative liability	\$ 6,499,585	\$ -	6,499,585
Working capital (deficiency)	\$ 5,528,528	\$ (1,006,756)	6,535,284

Total term debt is almost entirely (over 98%) comprised of liabilities for lease agreements, where the Company’s ClipDrop boxes are located, in malls and retail stores. These leases have terms ranging from 2 years to 6 years. Lease payments are monthly predictable payments, with no lump/balloon payments.

The convertible notes issued in Q2 2023 and Q3 2023, which resulted in debt and a derivative liability, plus equity raised in Q3 2023 were an efficient capital markets mechanism to fund operations and Company growth.

At September 30, 2023, the Company had not yet achieved profitable operations, has accumulated losses since its inception and expects to incur further losses in the development of its business, all of which cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. The Company has been successful in raising funds and obtaining debt financing, therefore, the Company’s ability to obtain additional financing is enough to assume that the Company will continue as a going concern, however there is no certainty this will occur in the future at terms acceptable to the Company.

5. OFF-BALANCE SHEET ARRANGEMENTS

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

6. TRANSACTIONS BETWEEN RELATED PARTIES

On August 15, 2023, the Company issued secured promissory notes to two executives of the Company in exchange for cash loans in the aggregate amount of approximately \$497,333 (CDN\$670,505). The Promissory Notes were repaid in full by the Company on September 21, 2023 using proceeds from the financing together with interest of \$6,399.

7. 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 months ended September 30, 2023 and 2022, key management compensation is as follows:

	Nine months ended		
	September 30, 2023	September 30, 2022	Change (\$)
Short-term compensation	\$ 1,429,607	\$ 1,248,071	181,536
Share-based payments	308,694	796,103	(487,409)
Total	\$ 1,738,301	\$ 2,044,174	(305,873)

	Three months ended		
	September 30, 2023	September 30, 2022	Change (\$)
Short-term compensation	\$ 290,907	\$ 539,152	(248,245)
Share-based payments	66,243	29,436	36,807
Total	\$ 357,150	\$ 568,588	(211,438)

8. 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:

IFRS 16 Leases

Amendments to IFRS 16, issued in September 2022, add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments are effective for transactions for annual reporting periods beginning on or after January 1, 2024. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in January 2020, provide clarification on the requirements for classifying liabilities as either current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company does not expect these amendments to have a material impact on its consolidated financial statements.

9. 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, 2023, the Company had approximately \$12,690,912 in total liabilities, of which \$4,264,921 are long-term lease agreements at shopping malls and retailer stores (i.e., ClipDrop locations), \$5,796,650 in convertible debt and a cash and cash equivalents balance of \$7,943,712. The Company does not have any hedging instruments.

10. 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 104,947,537 common shares outstanding, 4,641,821 exercisable stock options, 433,355 restricted stock units and 16,603,593 warrants outstanding.

11. BUSINESS RISKS & UNCERTAINTIES

The Company's risk exposure and the way such exposure is managed is as follows:

Limited Operating History

The Company has a limited operating history upon which its business and prospects may be evaluated. The Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. 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 to rapidly develop and expand its business. The successful development and commercialization of Clip's operations will depend on several 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, 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.

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 support its business operation and 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 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 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 like 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 pre-emption 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 pre-emption with respect to state laws that do not discriminate against national banks, federal pre-emption 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 most 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. 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. If 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.

Cyclicality 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.

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 several 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 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.