



CLIP MONEY INC.

Management's Discussion and Analysis

For the Years Ended December 31, 2024 and 2023

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

March 28, 2025

The following management's discussion and analysis dated **March 28, 2025** ("MD&A") is intended to assist readers in understanding the business environment, operations, financial performance, strategies, 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 years ended December 31, 2024 and 2023 and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2024 and 2023.

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) "2024" refer to the Company's year ended December 31, 2024 and all references to (ii) "2023" refer to the Company's year ended December 31, 2023. The consolidated financial statements and this MD&A were each 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 March 28, 2025.

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 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. 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 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. 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

Company Overview

Clip operates a multi-bank self-service deposit system for businesses through its Clip Network of conveniently located deposit locations. Rather than having to go to their personal bank branch or using a cash pickup service, businesses can deposit their cash at any Clip Network location near them. After being deposited, the funds will automatically be credited to the business' bank account, typically by the next business day. With the Clip Platform, the Company combines an intuitive user experience and an innovative cloud-based transaction and analytics engine that maximizes business banking transactions. Clip offers a cost-effective and convenient solution for business banking deposits in metropolitan 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 are typically higher in value than consumer deposits; and (iii) access to sensitive bank account information for business deposits 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 by visiting a teller line), or (ii) armored car service which visits the business directly. The Company's deposit network offers business users, financial institutions, fintechs and payment companies 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 ClipDrop Boxes 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 (each a "**ClipATM**").

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), bar code and RFID tracking of deposit bags, and secure processing of deposits via automated clearing house (ACH) payment processing. This end-to-end system (the "**ClipDrop Platform**") is what helps facilitate a customer's ability to make deposits into their bank account. The Company's ClipDrop Boxes and ClipATMs enhance 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.).

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 the ClipATMs. ClipChange (change orders) allow retailers to order and receive delivery of smaller denomination notes and coins to make "change" for customers. All our products are supported and enabled by the Clip Platform, which delivers technology and operational support to customers and their transactions.

- **ClipDrop:** The ClipDrop network is a network of self-service, internet connected safes designed for businesses to securely deposit cash using ClipDrop 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 scan the deposit bag and insert it into the ClipDrop. Each deposit is credited to the customer's account on the next business day. The Clip Platform offers additional features such as the ability to perform administrative functions, including adding multiple bank accounts, selecting payment methods, and managing employee access and rights to use the Clip Platform.
- **ClipATM:** The Clip 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 accept deposits without an envelope or deposit bag.

- **ClipChange:** An on-demand, or subscription-based service, ClipChange 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 supply change orders delivered directly to a business via the United States Postal Service.

Competitive Strengths

The Company has identified the following strengths, which serve to distinguish Clip from its competitors, and position it to take a leadership role 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 companies, payment, and digital banking companies, as well as executives with experience at the 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 a differentiated user experience.
- *Proprietary Technology:* The Company's ClipDrop Platform is highly modern, and purpose-built to facilitate end-to-end retail-based business deposits. The ClipDrop 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 many large mall operators in North America. These agreements create locational convenience for the Company's users and provide the Company with exclusive rights to the locations for the deployment of deposit locations. These agreements typically range from 2-6 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 ClipDrop network including changing store-operating processes to use Clip.

- *Nationwide Scaled Network Partnership with NCR Atleos*: On September 21, 2023, Clip Money entered into a long-term, firmware exclusive partnership agreement with Cardtronics, Inc. ("**Cardtronics**"), a subsidiary of NCR Atleos. As part of this partnership, Cardtronics, Inc. enables Clip deposit services within its premier network of ATMs spanning more than 3,200 operating ATMs across 30 states, and in more than 70 of the largest population centers across the United States in 2024.

Significant 2024 Events

Continuance to Ontario

On July 11, 2024, the Company announced the completion of its continuance from the jurisdiction of Canada under the Canada Business Corporations Act into the jurisdiction of Ontario under the Business Corporations Act (Ontario).

Change to Board of Directors

On September 5, 2024, the Company announced the resignation of Mr. Jeff Gibson from the board of directors of the Company and the appointment of Mr. Don Layden Jr. to the board to fill the vacancy created by Mr. Gibson's departure.

Unsecured Note Financing

On September 17, 2024, the Company announced the closing of a non-brokered private placement of unsecured convertible notes (the "**2024 Unsecured Notes**") a for aggregate gross proceeds of \$2,800,000. The financing was led by PeoplesBank who subscribed for \$2,000,000 in aggregate principal amount of the 2024 Unsecured Notes. The remaining \$800,000 in aggregate principal amount of the 2024 Unsecured Notes was subscribed for by Cardtronics.

Secured Promissory Note

On October 28, 2024, Clip Money USA Inc, the Company's subsidiary, received a secured revolving promissory note for \$1,000,000 USD. This note carries an interest rate of the term SOFR interest rate plus 3.5%. Interest only payments are payable monthly for the duration of the note and until paid in full or converted into permanent financing. The note matures in October 2027.

If moved to permanent financing, the promissory note would convert into a 24-month term loan. This permanent loan would be paid in level monthly installments plus interest of the term SOFR interest rate plus 3.5% for a current rate of 7.897%.

The 2024 Secured Note is secured against \$1 Million of cash on deposit.

Subsequent Events

Partnership with Green Dot

On January 30, 2025, the Company announced a partnership with GreenDot Corp. (“**GreenDot**”) (NYSE: GDOT) to add in-person deposit services in over 4,000 additional prominent national, retail locations (the “**GreenDot Sites**”). By utilizing Green Dot's embedded finance platform (Arc) and money movement network (the GreenDot Network) and Clip Money's cash deposit technology platform, the partnership with GreenDot offers businesses a more convenient and efficient way to handle cash deposits at prominent national retail and grocery locations.

Unsecured Note Financing

On February 24, 2025, the Company announced the closing of a non-brokered private placement of an unsecured convertible note (the “**2025 Convertible Note**”) for gross proceeds of \$2,000,000 (CAD\$2,840,000) from Cardtronics.

The 2025 Convertible Note accrues simple interest at a rate of 13% per annum. The Company will make quarterly cash interest payments in satisfaction of a portion of the interest that accrues on the principal amount of the 2025 Convertible Note in the preceding quarter. The principal amount of the 2025 Convertible Note outstanding on the maturity date plus all accrued and unpaid interest thereon that has not been previously paid in connection with the quarterly interest payments will be due and payable in full on February 24, 2030 (the “**Maturity Date**”).

On the Maturity Date, payment of the principal amount of the 2025 Convertible Note then outstanding will be satisfied by the Company, at Cardtronics' sole discretion, through: (i) a cash payment equal to the entirety of the principal amount of the 2025 Convertible Note then outstanding; (ii) the issuance of a number of common shares of the Company (each a “**Common Share**”) equal to the entirety of the principal amount of the Convertible Note then outstanding divided by CDN\$0.55 (the “**Conversion Price**”); or (iii) a combination of a cash payment and the issuance of Common Shares at the Conversion Price, provided that at least 50% of the principal amount of the Convertible Note then outstanding must be converted into Common Shares.

US Tariffs

In early 2025, the United States government announced plans to impose a 25% tariff on most Canadian imports. The Canadian federal and provincial governments then announced retaliatory tariffs on imports from the United States as well as non-tariff measures. Although the ultimate scope, timing and duration of these tariffs and retaliatory measures remains unclear, the connected impact of these announcements may cause continued economic uncertainty. While no adjustments have been made to these financial statements, it may be difficult to reliably measure the impact of this uncertainty on future accounting estimates, forecasts and financial results.

2. OUTLOOK

The Company is deploying ClipDrop Boxes in highly convenient, prominent retail locations including shopping malls 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 now enable businesses to utilize these devices and existing locations. ClipATM represents an additional channel for the Clip network, while bringing scale and distribution to complement the ClipDrop network. The recent partnership with NCR Atleos enables Clip Money deposit services at its premier cash in network, complementing the current ClipDrop network of over 490 locations. In addition to ClipDrop and ClipATM, once the GreenDot Sites are operational, this will solidify Clip Money's position as the largest non-bank business deposit network by number of locations, with over 7,700 total deposit locations across the U.S.

The Company has identified three strategic business objectives for the next twelve months:

- *Expand physical location networks across Canada and the United States.* An ongoing objective for the Company is to accelerate growth of its physical ClipDrop Box and ClipATM network. First, the Company is actively installing additional 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, and in addition to ClipDrop Boxes, ClipATM deployments will provide incremental distribution by leveraging existing ATM locations that welcomes Clip business deposits. Finally, existing Clip customer will make use of future Clip Dropbox activations.
- *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 products by their own financial institutions. 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 building its in-house commercial sales, operations and finance capabilities. 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.

3. OVERALL PERFORMANCE

For the year ended December 31, 2024, as compared to the year ended December 31, 2023:

	Year ended			
	2024	2023	Change	Change
Revenue				
Revenue	\$ 2,360,309	\$ 577,919	\$ 1,782,390	308%
Cost of revenue	3,449,743	2,516,166	(933,577)	(37%)
Gross loss	(1,089,434)	(1,938,247)	848,813	44%
Operating expenses				
General and administrative	363,646	382,188	18,543	5%
Sales and marketing	227,110	154,690	(72,420)	(47%)
Salaries and benefits	3,375,277	2,772,114	(603,163)	(22%)
Depreciation and amortization	1,961,694	1,963,601	1,907	0.1%
Professional fees	761,097	1,104,264	343,167	31%
Loss from operations	(7,778,258)	(8,315,104)	536,846	6%
Other (expense) income				
Finance expenses, net	(1,976,547)	(1,234,925)	(741,622)	(60%)
Foreign exchange gain	431,074	(63,243)	494,317	(782%)
Fair value gain on derivative liability	(15,048)	148,055	(163,103)	(110%)
Loss on early extinguishment of convertible debt	-	(271,340)	271,340	100%
Net loss	(9,338,779)	(9,736,557)	397,778	4%
Deferred tax recovery	-	419,990	(419,990)	(100%)
Net loss	(9,338,779)	(9,316,567)	(22,212)	(0.2%)
Other comprehensive loss				
Foreign exchange translation adjustment	(87,888)	40,462	(128,350)	(317%)
Comprehensive loss	(9,426,667)	(9,276,105)	(150,562)	(2%)
Net loss per share – basic and diluted	\$ (0.09)	\$ (0.11)	\$ 0.02	18%

4. SELECT FINANCIAL INFORMATION AND DISCUSSION OF OPERATIONS

The following is selected financial data derived from the Company's consolidated financial statements for the years ended December 31, 2024, December 31, 2023 and December 31, 2022.

	Year ended		
	2024	2023	2022
Total revenue	\$ 2,360,309	\$ 577,919	\$ 27,687
Net loss	\$ (9,338,779)	\$ (9,316,567)	\$ (12,135,800)
Net loss per share – basic and diluted	\$ (0.09)	\$ (0.11)	\$ (0.22)

	Year ended		
	2024	2023	2022
Total assets	\$ 9,587,521	\$ 13,861,664	\$ 9,857,842
Total liabilities	\$ 17,523,428	\$ 13,013,477	\$ 7,796,656
Distribution or cash dividends	\$ -	\$ -	\$ -

During 2024, the Company was primarily focused on:

- Growing the deposit user base through (i) organic expansion of existing customers (ii) growth from adding new ClipDrop Units (iii) and welcoming net-new customers to the platform;
- Scaling the change order product to new and existing customers, rounding out the cash management solution; and
- Cultivating commercial partnerships and growing its Clip distribution network.

Revenue for 2024 was \$2,360,309 compared to \$577,919 in 2023 representing a 308% growth year-over-year (“YoY”). This growth was fueled by a 147% increase in new deposit users , and a 32% increase in revenue per user , supplemented by revenue from new products. We expect these supplemental revenue streams to continue to grow, as a percentage of total revenue, over the next several quarters.

Cost of revenue for 2024 was \$3,449,743 compared to \$2,516,166 for 2023, representing a 37% increase YoY. Cost of revenue was primarily comprised of rent and site maintenance for ClipDrop locations, transaction processing and related services, wages to maintain the platform and other costs. Processing costs related to the increase in deposits made was the main driver of YoY cost increases. Higher processing costs in 2024 were primarily a function of (i) an increase in deployed ClipDrop boxes and (ii) higher deposit revenue. At year end, the Company had 444 ClipDrop Boxes installed compared to 305 in 2023. The aggregate impact of inflation was limited in 2024, relative to 2023, given that most of the Company's cost of revenue is based on long-term contractual terms.

Operating expenses, which include general and administrative expense, salaries and benefits, professional fees, as well as sales and marketing costs, and depreciation and amortization, increased 5% from \$6,376,857 in 2023 to \$6,688,824 in 2024. This YoY increase was mainly a function of lower professional fees offset by increased salaries from new hires. Professional fees were lower by \$343,167 in 2024 while sales and marketing were up \$72,420, salaries and benefits were up \$603,163 due to an increase in full time employees in 2024 and the reversal of bonus expenses in Q3 2023, general and administration was down \$18,543, and depreciation and amortization was down \$1,907.

Finance expenses were \$1,976,547 in 2024 compared to \$1,234,925 in 2023. Financing expenses were driven by the interest, accretion and related expenses for the unsecured convertible notes issued in Q2 and Q3 2023 (the “**2023 Unsecured Notes**”), the 2024 Unsecured Notes and the 2024 Secured Note.

Fair value gain or loss from derivative liability was a loss of \$15,048 in 2024 compared to a \$148,055 gain in 2023. This relates to the fair value change on the derivative portion of the 2023 Secured Notes.

In Q3, 2023, \$1,000,000 in aggregate principal amount of 2023 Unsecured Notes were redeemed by the Company. As a result of the redemption, the Company incurred a loss on early extinguishment of convertible notes of \$271,340.

Total assets of the Company at December 31, 2024 were \$9,587,521 compared to \$13,861,664 at December 31, 2023. The decrease in total assets was primarily driven by a decrease in cash used during the year.

Total liabilities of the Company at December 31, 2024 were \$17,523,428 compared to \$13,013,477 at December 31, 2023. The increase in total liabilities was primarily driven by payments made on the outstanding lease liabilities, offset by the addition of the 2024 Unsecured Notes and accrued interest and accretion expense on the 2024 Secured Notes. Of these liabilities, \$3,404,782 (2023 - \$2,448,066) is current and \$14,118,646 (2023 - \$10,565,411) is long-term.

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

5. 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 December 31, 2024, the Company had cash and cash equivalents of \$1,997,516, down approximately 68% from the year ended December 31, 2023, and includes the following metrics:

	Year Ended		Change
	December 31, 2024	December 31, 2023	
Cash provided by (used in):			
Cash used in operating activities	\$ (5,088,584)	\$ (6,680,546)	\$ 1,591,962
Cash used in investing activities	(510,429)	(665,648)	155,219
Cash provided by financing activities	1,261,165	12,099,341	(10,838,176)
Effect of exchange rate changes	185,055	(87,826)	272,881
Increase (decrease) in cash and cash equivalents	\$ (4,152,793)	\$ 4,665,321	\$ (8,818,114)

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

	As at December 31, 2024	As at December 31, 2023	Change
Cash and cash equivalents	\$ 1,997,516	\$ 6,150,309	\$ (4,152,793)
Total term debt	\$ 5,968,842	\$ 5,569,999	\$ (398,843)
Convertible debt and derivative liability	\$ 10,104,141	\$ 6,847,556	\$ (3,256,585)
Working capital (deficiency)	\$ (698,571)	\$ 3,913,039	\$ (4,611,610)

Long-term liabilities are 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 to 6 years. Lease payments are monthly predictable payments, with no lump sum balloon payments. Long-term liabilities are also comprised of the liabilities associated with the 2023 Unsecured Notes, the 2024 Unsecured Notes, and the 2024 Secured Note, which each resulted in debt and the 2023 notes result in a derivative liability.

At December 31, 2024, the Company had not yet achieved profitable operations, has accumulated losses since its inception and expects to incur further losses in the growth 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.

6. OFF-BALANCE SHEET ARRANGEMENTS

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

7. TRANSACTIONS BETWEEN RELATED PARTIES

2024 Unsecured Notes

On September 17, 2024, Cardtronics, a shareholder holding approximately 27% of the issued and outstanding Common Shares, subscribed for \$800,000 in aggregate principal amount of the 2024 Unsecured Notes. The aggregate principal amount of 2024 Unsecured Notes sold to all investors was \$2,800,000 in the aggregate.

Cardtronics is a related party of the Company by virtue of holding approximately 27% of the Company's issued and outstanding Common Shares. As of December 31, 2024, Cardtronics had an outstanding convertible debenture with the Company in the amount of \$4,173,084. Additionally, there is an accrued accretion and interest payable of \$412,256 (2023 - \$178,392) associated with this convertible debenture. In 2024, the Company repaid \$12,281. The accretion and interest have been accrued in accordance with the terms of the convertible debenture. The Company has recognized this accretion and interest expense in the financial statements, assuming that payment is reasonably assured.

8. QUARTER OVER QUARTER RESULTS

Revenue for Q4 2024 was \$1,151,862 compared to revenue of \$521,316 for Q3 2024, which represents a 121% quarter-over-quarter (“QoQ”) increase. This QoQ increase was driven by an increase in deposit users, revenue per customer, and ramping up of change order sales. Q4 is heavily impacted by seasonality from holiday shopping. The Company estimates the seasonality lift in Q4 2024 was approximately 19% of total revenue. Excluding the impact of seasonality, revenue grew 78% QoQ.

Cost of revenue for Q4 2024 was \$1,150,565 compared to cost of revenue of \$837,252 for Q3 2024, which represents a 37% QoQ increase. This increase is the result of higher deposit processing expense and the addition of new ClipDrop locations.

Operating expenses for Q4 2024 were \$1,697,198 compared to operating expenses of \$1,597,181 for Q3 2024, which was a 8% QoQ increase. This QoQ expense increase was mainly due to a decrease in professional fees of \$18,809 offset by an increase in general and administrative expenses of \$46,782, sales and marketing of \$15,068, salaries and benefits of \$62,254 and depreciation and amortization of \$24,722.

Other expenses for Q4 2024 were \$376,670 compared to \$470,139 for Q3 2024. This QoQ expense decrease was driven by foreign currency changes offset by finance expense and fair value change in derivative liability. Foreign exchange gain for Q4 2024 was \$295,103 while foreign exchange loss for Q3 2024 was \$84,278. Fair value loss on derivative liabilities in Q4 2024 was \$69,053 while it was a \$110,921 gain in Q3 2024 and finance expense for Q4 2024 was \$602,720 compared to \$496,782 in Q3 2024.

Comprehensive loss for Q4 2024 was \$2,004,026 compared to \$2,318,179 for Q3 2024. This QoQ change was a function of (i) gross loss reduction of \$317,233, (ii) increase in operating expense of \$100,017, (iii) decrease in other expenses of \$93,469 and (iv) an increase in the foreign exchange translation adjustment of \$3,468.

Quarter over quarter revenue from January 1, 2023 to December 31, 2024:

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	\$ 1,151,862	\$ 521,316	\$ 387,955	\$ 299,176
Cost of revenue	1,150,565	837,252	715,973	745,953
Gross profit (loss)	1,297	(315,936)	(328,018)	(446,777)
Operating expenses	1,697,198	1,597,181	1,713,968	1,680,477
Loss from operations	(1,695,901)	(1,913,117)	(2,041,986)	(2,127,254)
Other expenses	376,670	470,139	443,754	269,958
Net loss before tax	(2,072,571)	(2,383,256)	(2,485,740)	(2,397,212)
Deferred tax recovery	-	-	-	-
Net loss	(2,072,571)	(2,383,256)	(2,485,740)	(2,397,212)
Other comprehensive income (loss)	29,348	65,077	(62,557)	(119,756)
Comprehensive loss	\$ (2,043,223)	\$ (2,318,179)	\$ (2,548,297)	\$ (2,516,968)
Net loss per common share	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	\$ 352,582	\$ 148,965	\$ 44,907	\$ 31,465
Cost of revenue	711,485	640,427	597,905	566,349
Gross loss	(358,903)	(491,462)	(552,998)	(534,884)
Operating expenses	1,450,403	1,312,208	1,756,650	1,857,596
Loss from operations	(1,809,306)	(1,803,670)	(2,309,648)	(2,392,480)
Other expenses	452,807	685,186	197,510	85,950
Net loss before tax	(2,262,113)	(2,488,856)	(2,507,158)	(2,478,430)
Deferred tax recovery	419,990	-	-	-
Net loss	(1,842,123)	\$ (2,488,856)	\$ (2,507,158)	\$ (2,478,430)
Other comprehensive income (loss)	103,519	(106,659)	(39,359)	82,961
Comprehensive loss	\$ (1,738,604)	\$ (2,595,515)	\$ (2,546,517)	\$ (2,395,469)
Net loss per common share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.03)

9. KEY MANAGEMENT COMPENSATION

Key management compensation consists of the Company's independent board members and executive officers.

For the years ended December 31, 2024 and 2023, key management compensation was as follows:

	Year Ended		Change
	December 31, 2024	December 31, 2023	
Short-term compensation	\$ 1,738,421	\$ 1,743,919	\$ (5,498)
Share-based payments	384,668	467,319	(82,651)
Total	\$ 2,123,089	\$ 2,211,238	\$ (88,149)

10. ACCOUNTING POLICIES

Future Accounting Standard Change

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

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual periods beginning on or after 1 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements. In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's statement of loss and comprehensive loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

Accounting standards change effective during the year

The Company adopted the following standards and amendments for its annual reporting period commencing January 1, 2024

- Classification of liabilities – IAS 1 Presentation of Financial Statements

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

11. 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 December 31, 2024, the Company had \$17,523,428 in total liabilities, of which \$4,041,315 are long-term lease agreements at shopping malls and retail stores (i.e., ClipDrop locations), \$9,531,679 in convertible debt, and a cash and cash equivalents balance of \$1,997,516. The Company does not have any hedging instruments.

12. 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 December 31, 2024, the Company has 105,059,724 Common Shares, 6,064,321 options, 216,698 restricted stock units and 105,164,194 warrants issued and outstanding.

13. 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 of operations.

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.

Secured Debt

The Company has a significant amount of secured debt which it may not be able to refinance, extend or repay, which would have a material adverse effect on the Company's financial condition and ability to continue as a going concern. The Company anticipates that it will need to continue to raise further debt or equity capital in the future in order to repay its outstanding debt obligations owed to senior secured debt holders when they mature.

If the Company is unable to raise sufficient capital to repay these obligations at maturity and is otherwise unable to extend the maturity dates or otherwise renegotiate or refinance these obligations, it would be in default. The Company cannot provide any assurances that it will be able to raise or earn the necessary amount of money to repay these obligations or that it will be able to extend the maturity dates or otherwise refinance these obligations. Upon a default in the secured debt, the secured lender would have the right to exercise its rights and remedies to collect, which would include foreclosing on the Company's assets, among other things. If the Company's liquidity is materially diminished, the Company might not be able to timely pay or refinance its debt and interest thereon.

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 recently been recognized as a Payment Service Provider (PSP) enabling it to operate and report on critical financial transactions in accordance with Canadian Fintrac regulatory requirements. In the U.S., the Company is working directly with a sponsor bank who supports Clip's payment and transaction processing into the U.S. banking system, while also supporting required compliance reporting activities. 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 the Clip Network 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 the Clip Network, 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 Clip Network, 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 Network 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 the Clip Network 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 and ClipATMs (iv) usage of the Clip Network by depositors and any changes in payment preferences they may have, and (v) the Company's ability to charge transaction fees to use the Clip 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 the Clip Network. 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 the Clip Network comparatively more expensive to consumers and could adversely impact transaction volumes and revenues. A decline in usage of the Clip Network 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 Clip Network. These technology upgrade efforts, in some cases, may result in downtime to the Company's Clip Network, 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 Clip Network. 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 the Clip Network 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 or ClipATM, 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 Company. Future economic distress may result in a decrease in demand for the products and events of the Company, which could have a material adverse impact on the Company'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 Company'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 Company. 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.