CLIP MONEY INC.

Management's Discussion and Analysis

For the Three-Month Period Ended March 31, 2023

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

May 30, 2023

The following management's discussion and analysis ("**MD&A**") dated May 30, 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**", "**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-months ended March 31, 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) "Q1 2023" are to the Company's three months ended March 31, 2023 and (ii) all references to "Q1 2022" are to the Company's three months ended March 31, 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 May 30, 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 in light of management’s experience and perception of historical trends, current conditions, expected future developments and other factors management believes are appropriate. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under the “Risk Factors” section of this MD&A and under “Risk Factors” of the Company’s Form 2B Listing Application, which is available electronically under the Company’s SEDAR profile at www.sedar.com, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward- looking statements.

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

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

1. DESCRIPTION OF BUSINESS

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

Reverse takeover of 13842053 Canada Corp.

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

Principal Products and Services

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

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

The physical deposit network is accompanied by an end-to-end system, which includes user registration, location services, bar code and RFID tracking of deposit bags, secure processing of deposits, and payment processing. This end-to-end system (the "**Clip Drop Platform**") is what helps facilitate a customer's ability to make a deposit into their bank account. Clip's Platform enhances the transaction experience while accelerating business cash flows, improving management transparency, and reducing shrinkage. The value proposition of Clip's deposit network is becoming increasingly pertinent to both businesses and financial institutions as the retail banking industry transforms throughout North America (e.g., bank branch closures, cash-less branches, etc.).

Recent Events

On February 10, 2023, Clip Money closed the second tranche of a non-brokered private placement of 3,883,760 units of the Company (each a "**Unit**") at a price of CAD$0.45 per Unit for gross proceeds of US$1,304,178 (the Canadian dollar equivalent of CAD$1,747,692). Together with the closing of the first tranche of the private placement announced on December 23, 2022, the private placement resulted in a total issuance of 8,408,397 Units for aggregate gross proceeds of US$2,723,994 (the Canadian dollar equivalent of CAD$3,783,778.65). Each Unit consisted of one common share in the capital of the Company and one common share purchase warrant.

2. OUTLOOK

The Company will continue to enhance its business deposit network to provide Clip users, as well as, partnering Financial Institutions and their customers with cost effective and convenient business solutions. To achieve this objective, the Company continues to work towards previously stated near-to medium-term strategic priorities, namely: (i) acquire new business users (ii) expand physical location networks across the U.S. and Canada; (iii) and scale its sales and operations teams. In addition, the Company is currently working on developing new products that will compliment ClipDrop deposit revenue.

The Company's current primary objective is user acquisition (i.e., businesses using ClipDrop Boxes). New users come from three primary sources. First, businesses can sign-up directly with Clip. Second, retailers (who have a ClipDrop Box in their stores) promote the service to customers, which is usually linked to a loyalty program or other customer value-add services. Third, businesses are introduced to Clip's product by their own financial institution. Clip's targeted users range from single store locations to large corporate clients with hundreds of participating stores.

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

In order to achieve scale across Canada and the U.S., the Company plans to continue enhancing its in-house sales and operations teams. To meet this objective, the Company expects to hire a few new operations and sale employees in the next 6 to 12 months. In addition, the Company anticipates incurring additional costs to support user and financial institution growth (e.g., systems & software).

3. OVERALL PERFORMANCE

For the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

	Three months ended March 31, 2023	Three months ended March 31, 2022	Dollar Change	Percentage Change
Revenue				
Revenue	$ 31,465	$ 1,856	$ 29,609	1595%
Cost of revenue	566,349	62,017	504,332	813%
Gross loss	(534,884)	(60,161)	(474,723)	789%
Operating expenses				
General and administration	114,553	38,158	76,395	67%
Sales and marketing	47,852	7,419	40,433	545%
Salaries and benefits	975,111	651,891	323,220	50%
Depreciation	489,542	338,748	150,794	45%
Professional fees	230,538	31,547	198,991	631%
Income from operations	(2,392,480)	(1,127,924)	(1,264,556)	112%
Other (expense) income				
Finance expenses, net	(195,033)	(242,778)	47,745	(20)%
Foreign exchange gain	109,083	68,728	40,355	59%
Public listing fees	-	(371,389)	371,389	100%
Net loss	(2,478,430)	(1,673,363)	(805,067)	48%
Other comprehensive income (loss)				
Foreign exchange translation adjustment	82,961	(19,337)	102,298	529%
Comprehensive loss	$ (2,395,469)	$ (1,692,700)	$ (702,769)	42%
Net loss per share	$ (0.03)	$ (0.04)	$ 0.01	25%

4. SELECT FINANCIAL INFORMATION AND DISCUSSION OF RESULTS OF OPERATIONS

During Q1 2023, the Company was primarily concerned with (i) growing its user base in the US, (ii) developing a change order product, (iii) cultivating commercial partnerships, and (iv) growing its distribution network. As a result, the Company incurred significant expenses expanding its balance sheet through technology development, while generating nominal revenue.

Revenue for Q1 2023 was $31,465 compared to revenue of $1,856 Q1 2022. Revenue in 2023 was driven by revenues in both the United States and Canada, while revenue in 2022 was the result of transaction fees generated in Canada only. All revenue recorded to date is from customer deposits into a ClipDrop box.

Cost of revenue for Q1 2023 was $566,349 compared to $62,017 for Q1 2022. Cost of revenue was primarily comprised of software and web services necessary to support and maintain the Platform, site maintenance and servicing, and retailer rents. The Company had 365 units in shopping mall locations and retail properties at the end of Q1 2023, compared to 80 units at the end of Q1 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 totalling for Q1 2023 of $2,392,480 compared to $1,127,924 for Q1 2022. The expense increases are primarily a function of growing the sales and operational teams to support the U.S. launch. In 2022, the Platform was not operational, and a lower headcount was utilized, compared to 2023. This resulted in increased wages of $975,111 in 2023 compared to $651,891 in 2022. Additionally, a small portion of the period over period increase was a function of standard merit incentives and transitioning part-time workers to full-time. Professional fees were also a contributor to expense growth coming in at $230,538, compared to 2022 of $31,547. Higher professional fees were driven by legal costs to facilitate the RTO, support growing commercial activity, accounting and audit services, and other consulting engagements.

Other charges to operations for Q1 2023 include depreciation and amortization of $489,542 compared to $338,748 for Q1 2022, and an exchange gain in Q1 2023 of $109,083, compared to an exchange loss of $68,728 for Q1 2022. The increase in depreciation and amortization expense was due to increasing the Company's shopping mall and retail presence. The exchange gain related primarily to the unrealized exchange gains on the Company's Canadian bank accounts and CAD based leases from fluctuations between the U.S. dollar and the Canadian dollar over that time period.

Finance expenses for Q1 2023 were $195,033 compared to $242,778 in Q1 2022. In Q1 2023, these expenses were primarily interest on lease liabilities of $195,450 offset by interest earned of $417. In Q1 2022, these expenses were primarily driven by the change in fair market value and accretion expense of the pre-RTO convertible debt of approximately $84,544 and interest from lease liabilities of $156,406.

Public listing fees were $371,389 for Q1 2022. Public listing fees in 2022 were one-time charges related to the RTO.

Total assets of the Company for Q1 2023 were $8,655,188 compared to Q4 2022 assets of $9,855,383. The change in asset value was primarily driven by a decrease in cash holdings, which was a function of cash spend on operating needs and an opening financing.

Total non-current liabilities of the Company for Q1 2023 were $4,844,531 compared to $5,141,999 for Q4 2022. The change in non-current liabilities was primarily driven by payments made on the outstanding lease liabilities.

The Company did not make any distributions or cash dividends on its common shares for the three months ended March 31, 2023 and since inception.

The largest uncertainty for the Company is timely and non-dilutive sources of capital, until the Company reaches cash flow positivity. Management and the board of directors will be aiming to secure financing as needed to deliver on the operational plan and grow the business.

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 March 31, 2023, the Company had cash of $496,939, down approximately 66% from the year ended December 31, 2022, and includes the following metrics:

	Three months ended March 31, 2023	Three months ended March 31, 2022	Dollar Change
Cash provided by (used in):			
Cash used in operating activities	$ (1,629,851)	$ (657,653)	$ (972,198)
Cash used in investing activities	(164,387)	(240,217)	75,830
Cash provided by financing activities	804,768	612,132	192,636
Cash provided by (used in) other activities	3,880	(7,239)	11,119
Net decrease in cash	$ (985,590)	$ (292,977)	$ (692,613)

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.

	March 31, 2023	December 31, 2022	Dollar Change
Cash	$ 496,939	$ 1,482,529	$ (985,590)
Total term debt	$ 5,971,948	$ 6,229,672	$ (257,724)
Working capital (deficiency)	$ (2,103,549)	$ (1,006,756)	$ (1,096,793)

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.

At March 31, 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.

6. OFF-BALANCE SHEET ARRANGEMENTS

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

7. TRANSACTIONS BETWEEN RELATED PARTIES

The Company did not carry-out any related party transactions in Q1 2023.

8. 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 months ended March 31, 2023 and 2022, key management compensation is as follows:

	Three months ended March 31, 2023		Three months ended March 31, 2022		Dollar Change	
Salaries, fees and short-term benefits	$	532,959	$	260,276	$	272,683
Share-based payments		136,177		73,933		62,244
Total	$	669,136	$	334,209	$	334,927

9. 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.

10. 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 March 31, 2023, the Company had approximately $4,844,531 in long-term debt, of which $4,804,228 are long-term lease agreements at shopping malls and retailer stores (i.e., ClipDrop locations), and a cash balance of $496,939. The Company does not have any hedging instruments.

11. 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 76,134,066 common shares outstanding, 1,158,000 exercisable stock options, 650,000 restricted stock units and 12,686,369 warrants outstanding.

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

Uncertain Future Revenues

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

Historical Losses and Negative Operating Cash Flows

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

Lack of Additional Financing

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

Increased use of Non-Cash Methods of Payment

The U.S., Canada, and other developed markets have seen a shift in consumer payment trends over the last two decades with more customers opting for electronic forms of payment (e.g., credit cards and debit cards) for their in-store purchases over traditional paper-based forms of payment (e.g., cash and notes). Additionally, some merchants offer free cash back at the point-of-sale for customers that utilize debit cards for their purchases, thus providing an additional incentive for consumers to use these cards. Increasingly, frictionless payment options, like contactless, are also being used by consumers.

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

Competition in the Industry

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

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

General Regulatory Risks

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

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

Privacy and Data Security Laws and Regulations

The Company, along with its partners and customers in the financial services area, are subject to a number of laws and regulations, including, among others, those promulgated under the authority of the Federal Trade Commission, the *Electronic Communications*

Privacy Act, the *Computer Fraud and Abuse Act*, the *Gramm Leach Bliley Act* and state cybersecurity, privacy, and breach notification laws, and the *Personal Information Protection and Electronic Documents Act* in Canada. These laws, rules and regulations address a range of issues including data privacy and cybersecurity, and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data.

Such government regulation (together with applicable industry standards) may increase the costs of doing business. Federal, state, provincial, and municipal governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, regulations, and standards covering user privacy, data security, cybersecurity, technologies such as cookies that are used to collect, store and/or process data, marketing online, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices, and the collection (including the collection of information), use, processing, transfer, storage and/or disclosure of data associated with unique individual internet users. New regulation or legislative actions regarding data privacy and security could have a material adverse impact on the Company's operations and cash flows.

Cybersecurity

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

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

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

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

Regulation of Transaction Fees

Clip relies on transaction-based revenues in each of the markets in which it operates in, and any regulatory fee limits that could be imposed on Clip's transactions may have an adverse impact on Clip's revenues and profits. If legislation were to be enacted in the future in any of the Company's markets, and the amount the Company was able to charge consumers to use ClipDrop Boxes was reduced, the Company's revenues and related profitability would be negatively impacted. Furthermore, if such limits were set at levels that are below current or future costs to operate ClipDrop Boxes, it would have a material adverse impact on the Company's ability to continue to operate under the current business model and adversely impact revenues and cash flows. Despite the nationwide acceptance of transaction fees at deposit stations similar to the Company's ClipDrop Boxes, consumer activists have from time to time attempted to impose local bans or limits on transaction fees. Even in the few instances where these efforts have passed the local governing body (such as with an ordinance adopted by the city of Santa Monica, California), U.S. federal courts have overturned these local laws on federal 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 the substantial majority of the Company's revenues for the foreseeable future. Consequently, future operating results will depend on many factors, including: (i) the market acceptance of the Company's services in target markets, (ii) the level of transaction fees received, (iii) the Company's ability to install, acquire, operate, and retain, ClipDrop Boxes (iv) usage of ClipDrop Boxes by depositors and any changes in payment preferences they may have, and (v) the Company's ability to charge transaction fees to use the Company's ClipDrop network. If alternative technologies to the Company's services are successfully developed and implemented or there is a significant shift in consumer preferences for other alternative payment methods, the Company may experience a decline in the usage of ClipDrop Boxes. Should banks or ATM operators decrease or eliminate the fees they charge to users of their ATMs in any of the Company's markets or otherwise offer free access to their networks, such action would make transactions at ClipDrop Boxes comparatively more expensive to consumers and could adversely impact transaction volumes and revenues. A decline in usage of ClipDrop Boxes by depositors, and the levels of fees received by the Company in connection with this usage, would have a negative impact on the Company's revenues and cash flows and would limit future growth potential.

Product Development

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

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

Additionally, the Company's ability to enhance current products and services and to develop and introduce innovative products and services that address the increasingly sophisticated needs of customers will significantly affect future success. The Company may also accumulate excess or obsolete inventory or assets that cannot be used or re-deployed, which could result in unanticipated write-downs and adversely affect financial results. To the extent the Company is not able to re-deploy the assets, the Company may in future periods incur write-downs of these and other assets which could materially and adversely affect the business, results of operations, and stockholders' equity.

Network Issues

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

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

Errors, Omissions, and Credit Risk

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

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

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

Risk of Litigation

The Company may become involved in disputes with other parties in the future which may result in litigation. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the ability of the Company to carry out its business plan.

Reliance on Key Personnel

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

Internal Controls

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

Conflicts of Interest

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

Liquidity Risk

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

Vendor Risk

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

Tax considerations applicable to an investment in the Company Common Shares

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

Uncertainty and adverse changes in the economy

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