



**Management's Discussion and Analysis**

**Years ended December 31, 2023 and 2022**

## **Payfare Inc.**

### **Management's Discussion & Analysis for the years ended December 31, 2023 and 2022**

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The following Management's Discussion & Analysis ("MD&A") of Payfare Inc. (the "Company" or "Payfare") for the years ended December 31, 2023 and 2022 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company.

This MD&A has been prepared in compliance with Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022 ("Annual Financial Statements"), together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted.

The Annual Financial Statements and the financial information contained in this MD&A are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Accordingly, this MD&A is dated July 3, 2024 and the information contained herein is presented as of July 3, 2024, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors of the Company (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's Class A common shares ("Common Shares"); (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Additional information relating to Payfare, including our most recently filed Annual Information Form ("AIF"), can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) under Payfare's profile.

#### **Forward-Looking Statements**

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments and includes statements on the launch of new programs, new services and platforms, guidance information, the acceleration of growth, strategic objectives for 2024 and target revenue and Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") ranges for 2024, diversifying the Company's customer base and verticals, the operational roll-out of "Paid App by Payfare" and "Uber Pro" programs, achieving continued profitability, the development and roll-out of further new margin enhancing products, integrate additional low-cost, expedited payout options for gig workers, expansion into the earned wage access vertical, new partnerships and new merchant relationships, and establishing infrastructure in international markets to facilitate global expansion and continued improvements in gross profits.

Forward-looking statements are necessarily based upon number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties, and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Some factors that could cause actual results or events to differ materially include the inability of Payfare to launch its new programs or platforms including for earned wage access in a timely manner, the economic viability of new programs and platforms, cash-back, incentive, "win-back" and/or marketing campaigns are reduced or discontinued by the respective gig platform clients or do not have the intended impact that the Company has expected or forecasted, the inability to scale Payfare's operations to manage the increased volume of new cardholder sign-ups, active users or transactions, regulatory constraints when providing earned wage access programs, the impact of an inflationary recession and rising costs of goods and services on Payfare's business model, Payfare's ability to finance and support new programs and platforms, a general decline in the credit markets or gig economy in North America, the availability of talent and the retention of employees to support Payfare's plans, and industry competitors who may have superior technology or are quicker to take advantage of certain market opportunities.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The purpose of guidance contained in this MD&A is solely to assist investors, shareholders, and others in understanding certain financial metrics

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relating to expected 2024 financial results for evaluating the performance of our business. Readers are cautioned that such guidance is not appropriate for any other purpose. All the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. Investors should consult the "Risk Factors" section of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

### Summary of Quarterly Results

The table presents key consolidated results for the last eight quarters.

In CAD \$ (except stated)	2023				2022			
	Three months ended				Three months ended			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	\$ 50,013,430	\$ 47,204,509	\$ 46,511,098	\$ 42,315,017	\$ 38,391,772	\$ 34,939,380	\$ 32,567,136	\$ 24,029,304
Cost of services <sup>(1)</sup>	36,810,499	35,005,212	35,379,054	32,933,443	30,098,658	28,044,509	26,159,879	19,748,283
Gross profit <sup>(1)</sup>	13,202,931	12,199,297	11,132,044	9,381,574	8,293,114	6,894,871	6,407,257	4,281,021
Net income (loss)	4,911,284	4,810,360	2,113,525	1,288,876	2,902,871	(823,855)	(2,310,824)	(2,704,538)
Net income (loss) per share - basic	\$0.10	\$0.10	\$0.04	\$0.03	\$0.06	(\$0.02)	(\$0.05)	(\$0.06)
<b>Key performance indicators</b>								
Total GDV <sup>(1)</sup>	\$3,279,085,572	\$2,968,992,585	\$2,853,153,889	\$2,674,487,004	\$2,405,432,740	\$2,123,365,461	\$1,953,612,594	\$1,436,533,304
Ending active users (#) <sup>(1)</sup>	1,400,127	1,211,275	1,188,325	1,127,460	1,053,872	920,682	884,251	696,362
EBITDA <sup>(1)</sup>	6,048,987	4,549,952	2,971,556	1,478,203	2,415,855	(822,178)	(2,194,520)	(2,586,124)
Adjusted EBITDA <sup>(1)</sup>	7,503,992	6,297,000	4,756,198	3,034,386	3,609,208	1,331,388	291,460	(859,202)
Free cash flow <sup>(1) (2)</sup>	6,524,639	3,778,201	229,933	6,508,465	6,035,095	2,195,171	(2,512,447)	1,457,610
Adjusted net income (loss) <sup>(1)</sup>	7,384,868	7,517,121	4,646,346	3,452,558	4,616,815	1,721,274	421,160	(755,331)
Adjusted net income (loss) per share <sup>(1)</sup>	\$ 0.15	\$ 0.16	\$ 0.10	\$ 0.07	\$ 0.10	\$ 0.04	\$ 0.01	\$ (0.02)

<sup>(1)</sup> See "Definitions - IFRS, Additional GAAP and Non-GAAP Measures"

<sup>(2)</sup> Prior period comparatives have been restated

### Selected Annual Financial Information

The tables below display a summary of the Company's select consolidated statements of financial position data as at December 31, 2023 and 2022 and a summary of consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2023 and 2022.

In CAD \$	As at December 31,	
	2023	Restated 2022 <sup>(1)</sup>
Cash and cash equivalents <sup>(1)</sup>	\$ 78,153,324	\$ 56,177,184
Pre-funded deposits <sup>(1)</sup>	207,585,374	147,444,308
Accounts receivable <sup>(1)</sup>	5,234,864	4,449,083
Loan receivable from related parties	1,760,564	-
Prepaid and other assets <sup>(1)</sup>	3,192,291	5,619,625
Building, property and equipment	111,043	161,387
Intangible assets	5,607,927	3,324,736
Total assets	301,645,387	217,176,323
Accounts payable and accrued liabilities <sup>(1)</sup>	22,813,915	21,166,525
Pre-funded liability	207,585,374	147,444,308
Deferred income	-	9,397
Lease liability	-	35,744
Total liabilities	230,399,289	168,655,974
Total Shareholders' equity <sup>(1)</sup>	\$ 71,246,098	\$ 48,520,349

<sup>(1)</sup> Prior period comparatives have been restated

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In CAD \$ (except stated)	Year ended December 31,	
	2023	2022
Revenue	\$ 186,044,054	\$ 129,927,592
Cost of services <sup>(1)</sup>	140,128,208	104,051,329
Gross profit <sup>(1)</sup>	45,915,846	25,876,263
Salaries and related costs	12,658,086	10,736,085
Share-based compensation	3,907,086	7,417,547
Other operating expenses <sup>(1)</sup>	14,301,976	10,909,598
Amortization and depreciation	3,333,970	1,380,443
Income (loss) from operations <sup>(1)</sup>	11,714,728	(4,567,410)
Foreign exchange gain (loss)	(445,526)	732,176
Finance income <sup>(1)</sup>	1,979,540	850,407
Other income	9,397	111,249
Current tax expense	134,094	62,768
Net income (loss)	13,124,045	(2,936,346)
Net income (loss) per share - basic	\$ 0.28	\$ (0.06)
<b>Key performance indicators</b>		
Total GDV <sup>(1)</sup>	\$11,775,719,051	\$ 7,918,944,099
Ending active users (#) <sup>(1)</sup>	1,400,127	1,053,872
EBITDA <sup>(1)</sup>	15,048,698	(3,186,967)
Adjusted EBITDA <sup>(1)</sup>	21,591,576	4,372,854
Free cash flow <sup>(1)(2)</sup>	17,041,238	7,175,429
Adjusted net income <sup>(1)</sup>	23,000,893	6,003,918
Adjusted net income per share <sup>(1)</sup>	\$ 0.48	\$ 0.13

<sup>(1)</sup> See "Definitions - IFRS, Additional GAAP and Non-GAAP Measures"

<sup>(2)</sup> Prior period comparatives have been restated

**Corporate Overview**

Payfare is a leading, international Earned Wage Access ("EWA") company powering instant access to earnings through an award-winning digital banking platform for today's workforce. Payfare partners with leading e-commerce marketplaces, payroll platforms, and employers to provide financial security and inclusion for all workers.

The Company generates revenue by collecting network interchange fees from payment networks on cardholder's purchase transactions and user activity fees collected from gig workers when they use the mobile banking wallet and payment cards for ATM withdrawals, money transfers and other transactions. The registered office of the Company is located at 550 Burrard Street, Suite 2300, Vancouver, BC, V6C 2B5.

**Key Developments**

- Payfare achieved revenue of \$186.0 million, representing a \$56.1 million (43%) increase over 2022 and met its full year 2023 revenue guidance. This was driven by significant ongoing active user<sup>1</sup> and GDV<sup>1</sup> growth across all major programs.
- As at December 31, 2023, 1,400,127 active users<sup>1</sup>, up 346,255 (33%) compared to active users<sup>1</sup> count as at December 31, 2022.
- Net income of \$13.1 million or \$0.28 per share, representing an increase of \$16.1 million (547%) or \$0.34 per share compared to 2022.
- Adjusted net income<sup>1</sup> of \$23.0 million or \$0.48 per share, reflecting an increase of \$17.0 million (283%) or \$0.35

per share compared to 2022.

- Gross profit of \$45.9 million (25%) in 2023, an increase of \$20.0 million (5%) compared to 2022.
- Positive Adjusted EBITDA<sup>1</sup> of \$21.6 million, representing growth of \$17.2 million (394%) over 2022 and the Company achieved its full year 2023 Adjusted EBITDA<sup>1</sup> guidance. The increase in Adjusted EBITDA<sup>1</sup> was led by gross profit improvements driven by growth in revenue and active users<sup>1</sup>, accompanied by volume-based tiered discounts and ongoing cost reductions across all our major vendors.
- On March 5, 2024 the Company announced the launch of the Uber Pro Card, a significant new program with Uber providing free instant payouts after every trip or delivery and enhanced loyalty features for drivers and delivery people on the Uber platform in Canada, powered by Payfare's leading digital banking app.
- Subsequent to year end, Payfare also launched a new embedded finance product with an international big box retailer, to provide earnings payouts to the retailer's delivery gig workforce in Canada. The Company expects to announce additional details of this program as it completes the initial onboarding phase.
- In Q1 2024, the Company signed a commercial agreement with Automatic Data Processing Inc. ("ADP") to offer Earned Wage Access ("EWA") to the Canadian market.
- Partnered with Upside in Q1 2023 for a new cashback rewards program to provide personalized price promotion offers at fuel stations, restaurants, convenience and grocery stores.
- Partnered with Avibra in Q1 2023 to launch a suite of free and low-cost health and wellness protection and perks for all eligible DoorDash Dasher Direct cardholders.
- Payfare expanded its partnership with NCR Corporation in Q2 2023 to deliver self-service financial tools for US cardholders by providing access to Allpoint+ cash accepting ATMs, enabling cash deposits in addition to cash withdrawals, and NCR Pay360, a solution that allows cardholders to access cash via Payfare's digital banking apps.
- The Company's Common Shares qualified for trading in the United States on the OTCQX Best Market, having been upgraded from the OTC Pink Market in Q3 2023. The shares trade under the symbol "PYFRF" and will facilitate trading by interested Payfare investors in the United States.
- In Q4 2023, Payfare announced an expansion of its partnership with its card processor i2c Inc., to support growth in new markets.
- In Q4 2023, the Company renewed its normal course issuer bid ("NCIB") program to purchase and cancel up to 2,389,813 Class A Common Shares (5% of 47,796,268 shares outstanding as of November 9, 2023) for a 12 month-period starting from November 20, 2023. Pursuant to its previously expired NCIB program, the Company repurchased and cancelled 39,300 Common Shares at an average purchase price of \$4.87 per share (\$0.2 million) in the year ended December 31, 2023 compared to 1,194,800 Common Shares at an average purchase price of \$4.54 per share (\$5.4 million) in the prior year.

(1) See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures"

### **Executed Strategic Objectives for Fiscal 2023**

- Payfare issued 2023 revenue and Adjusted EBITDA<sup>1</sup> guidance of \$185 million - \$195 million and \$21 million - \$24 million, respectively.

**Update:** *Payfare achieved its full year 2023 revenue and Adjusted EBITDA<sup>1</sup> guidance.*

- The Company is actively working on winning several new significant white label partnerships and establishing infrastructure in international markets including potential expansion with existing partners.

**Update:** *Subsequent to year end, the Company launched new programs in Canada including with Uber (the Uber Pro Card powered by Payfare) and a new embedded finance product with an international big box retailer, to provide earnings payouts to the retailer's delivery gig workforce in Canada.*

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- Expand into new business verticals including Earned Wage Access (“EWA”) for full-time employees.

*Update: In Q1 2024, the Company signed a commercial agreement with ADP to offer EWA to the Canadian market.*

- Payfare has made progress with its existing gig platform and banking partners to launch credit or credit-like products for its user base.

*Update: The Uber Pro Card powered by Payfare includes the Back-up Balance feature, providing qualifying cardholders access to up to \$50 when they need it most at no cost and no interest.*

- Partner with new merchants to expand Payfare's compelling suite of cashback and loyalty rewards for cardholders.

*Update: The Company has partnered with Upside (retail technology platform) to launch cashback rewards program enabling Dasher Direct cardholders to claim personalized price promotion offers on all major spend categories (fuel, restaurants and grocery). The Company has also partnered with Avibra (financial, insurance and wellness platform) providing free and low-cost access to a suite of health and wellness perks to Dasher Direct Cardholders.*

### Strategic Objectives for Fiscal 2024

- Payfare has issued 2024 revenue and Adjusted EBITDA<sup>1</sup> guidance range of \$235 to \$245 million (mid-point 29% over 2023) and \$30 to \$35 million (mid-point 51% over 2023), respectively.
- The Company is actively working on extending partnerships with existing gig platform partners. Payfare expects to announce meaningful progress on this initiative over the course of the year.
- Continue to expand into new business verticals, including developing and offering Payfare's payment platform and technology solutions for EWA for hourly-paid employees. Payfare expects to execute on its recently signed commercial agreement with ADP to offer EWA to the Canadian market by building out its technology platform. The Company will also continue to work on additional payroll platform and employer integrations over 2024.

Management will use these strategic objectives to measure the Company's progress and will update and supplement these objectives over the course of 2024.

### Performance of Payfare

#### **Key Performance Indicators and Non-GAAP Measures**

The key performance indicators and non-GAAP measures for Payfare are total gross dollar value (“Total GDV<sup>1</sup>”), active users<sup>1</sup>, revenue growth, gross profit, EBITDA<sup>1</sup>, Adjusted EBITDA<sup>1</sup>, net income (loss), Adjusted net income (loss)<sup>1</sup> and free cash flow<sup>1</sup>.

One of the Company's key performance measures is revenue growth. Revenue growth is a function of user adoption and will be dependent on the Company launching new products and successfully marketing their program to users on existing platforms as well as acquiring new customers.

Total GDV<sup>1</sup> is a key indicator to measure and monitor the growth in earnings and deposits loaded to active users<sup>1</sup> payment cards. Total GDV<sup>1</sup> growth along with increases in the active user<sup>1</sup> base are the key drivers of revenue growth.

The Company has achieved a positive gross profit margin in the current and prior years and will continue to benefit from the scaling of the active user<sup>1</sup> base. Gross profit is expected to improve as we continue to normalize one-time costs incurred to onboard new programs and scale our operations to fully absorb certain minimum costs from our bank issuer, processor and network partners.

Management believes that EBITDA<sup>1</sup> and Adjusted EBITDA<sup>1</sup> are a measure of the Company's ability to generate cash from operations to maintain and grow the business and to enhance comparability over different time periods.

Net income (loss) and Adjusted net income (loss)<sup>1</sup> are also viewed as important measures to assess the operating performance of the Company and for determining the value created for shareholders over the long term.

Free cash flow<sup>1</sup> is a useful measure of liquidity as it demonstrates the Company's ability to generate cash for debt

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obligations, reinvestments and discretionary use.

(1) See "Definitions – IFRS, Additional GAAP and Non-GAAP Measures."

**Results of Operations**

Comparison of the consolidated results for the years ended December 31, 2023 and 2022.

In CAD \$ (except stated)	Year ended December 31,	
	2023	2022
Revenue	\$ 186,044,054	\$ 129,927,592
Cost of services <sup>(1)</sup>	140,128,208	104,051,329
Gross profit <sup>(1)</sup>	45,915,846	25,876,263
Salaries and related costs	12,658,086	10,736,085
Share-based compensation	3,907,086	7,417,547
Other operating expenses <sup>(1)</sup>	14,301,976	10,909,598
Amortization and depreciation	3,333,970	1,380,443
Foreign exchange gain (loss)	(445,526)	732,176
Finance income <sup>(1)</sup>	1,979,540	850,407
Other income	9,397	111,249
Current tax expense	134,094	62,768
Net income (loss)	13,124,045	(2,936,346)
Net income (loss) per share - basic	\$ 0.28	\$ (0.06)
<b>Key performance indicators</b>		
Total GDV <sup>(1)</sup>	\$ 11,775,719,051	\$ 7,918,944,099
Ending active users (#) <sup>(1)</sup>	1,400,127	1,053,872
EBITDA <sup>(1)</sup>	15,048,698	(3,186,967)
Adjusted EBITDA <sup>(1)</sup>	21,591,576	4,372,854
Free cash flow <sup>(1)(2)</sup>	17,041,238	7,175,429
Adjusted net income <sup>(1)</sup>	23,000,893	6,003,918
Adjusted net income per share <sup>(1)</sup>	\$ 0.48	\$ 0.13

(1) See "Definitions - IFRS, Additional GAAP and Non-GAAP Measures"

(2) Prior period comparatives have been restated

**Revenue**

Revenue increased by 43% to \$186.0 million for the year ended December 31, 2023 compared to \$129.9 million for the same period in 2022. The revenue increase was mainly attributable to onboarding of new active users<sup>1</sup>, higher network interchange and user activity fees for the growing active user<sup>1</sup> base.

Payfare anticipates that ongoing program exposure to client workforces, streamlining of user onboarding and earnings payouts, marketing initiatives undertaken by gig-platform clients and the launch of new products will continue to facilitate growth in the active user base and GDV<sup>1</sup> driving continued revenue growth in 2024.

**Total GDV**

Total GDV<sup>1</sup> increased by 49% to \$11.8 billion, for the year ended December 31, 2023 compared to \$7.9 billion for the same period in 2022. The increase in total GDV<sup>1</sup> was due to the significant growth in the active user<sup>1</sup> base of 346,255 (33% increase vs. 2022) across all major programs.

**Cost of services**

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Cost of services benefited from major cost-saving improvements throughout the year. Higher active user<sup>1</sup> base transaction volumes and ongoing cost reduction initiatives with all our major vendors allowed the Company to achieve better volume-based pricing across many of our cost of services line items.

#### ***Gross profit***

Gross profit increased by 77% to \$45.9 million for the year ended December 31, 2023 compared to \$25.9 million for the same period in 2022. The gross profit was higher due to revenue growth and cost of services savings described above.

#### ***Salaries and related costs***

Salaries and related costs increased by 18% to \$12.7 million compared to \$10.7 million for the same period in 2022. The change in salaries and related costs is attributable to higher compensation per employee due to the increase in annual salary, bonus & benefits, long-term cash incentives, higher employer payroll contributions, growth and timing of staffing levels.

#### ***Share-based compensation***

Share based compensation costs decreased by 47% to \$3.9 million for the year ended December 31, 2023 compared to \$7.4 million for the same period in 2022. The lower share-based compensation was due to no new stock options grants in 2023, timing of issuance, forfeiture and vesting of stock options and RSUs.

#### ***Other operating costs***

Other operating expenses were \$14.3 million for the year ended December 31, 2023 compared to \$10.9 million for the same period in 2022. The increase of \$3.4 million (31%) was primarily due to higher consultants, professional and legal fees of \$1.3 million (attributable to increase in development activities for new and established programs and higher audit fees driven by revenue growth), increase in computer and software costs of \$1.1 million (related to growth in operations and staffing levels), higher director fees of \$0.8 million (attributed to appointment of a new board member in Q3 2022, increase in annual fees and long-term cash incentive in lieu of equity-based compensation), higher dues and listing fees of \$0.3 million (due to OTCQX fees and higher gross revenue derived tax dues in certain US states), higher cardholder losses of \$0.2 million (led by growth in user base of existing programs). This was partially offset by lower insurance costs of \$0.3 million and decline in marketing and customer acquisition costs of \$0.07 million (driven by client fuel cash back rewards program in 2022 and lower inactive user onboarding costs).

#### ***Amortization and depreciation***

Depreciation and amortization of tangible (related to building, property and equipment) and intangible assets was \$3.3 million for the year ended December 31, 2023 compared to \$1.4 million during the same period in 2022. The higher amortization costs of \$1.9 million were attributable to an increase in development activities of internally generated intangible assets associated with the launch of new products, programs and enhancements to established programs.

#### ***Foreign exchange gain (loss)***

Realized foreign exchange (loss) of \$0.4 million for the year ended December 31, 2023 compared to foreign exchange gain of \$0.7 million for the same period in 2022. This change was mainly driven by fluctuations in US and Canadian dollar exchange rates.

#### ***Finance income***

Finance income was \$2.0 million for the year ended December 31, 2023 compared to \$0.9 million for the same period in 2022. The increase in finance income is driven by favourable change in prevailing market interest rate resulting in higher interest earned on short-term investments and interest on loan receivable from related parties compared to the same period in 2022.

#### ***Other income***

Other income of \$0.01 million for the year ended December 31, 2023 compared to other income of \$0.1 million for the same period in 2022. This decrease is mainly due to the lower deferred income amortization associated with wage subsidy claims on capitalized development hours compared to the prior year.



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**EBITDA and Adjusted EBITDA**

The table below reconciles net income (loss) to EBITDA<sup>1</sup> and Adjusted EBITDA<sup>1</sup> for years ended December 31, 2023 and 2022.

In CAD \$	Year ended December 31,	
	2023	2022
Net income (loss)	\$ 13,124,045	\$ (2,936,346)
Add:		
Current tax expense	134,094	62,768
Finance income <sup>(1)</sup>	(1,979,540)	(850,407)
Other income	(9,397)	(111,249)
Foreign exchange (gain) loss	445,526	(732,176)
Amortization of intangible assets	3,227,764	1,237,379
Depreciation of building, property and equipment	106,206	143,064
EBITDA <sup>(1)</sup>	15,048,698	(3,186,967)
Adjustments:		
Restructuring expense/other	2,635,792	142,274
Share-based compensation	3,907,086	7,417,547
Adjusted EBITDA <sup>(1)</sup>	\$ 21,591,576	\$ 4,372,854

<sup>(1)</sup> See "Definitions - IFRS, Additional GAAP and Non-GAAP Measures"

Adjusted EBITDA<sup>1</sup> was \$21.6 million for the year ended December 31, 2023, an increase of \$17.2 million (394%) compared to the same period in 2022. The growth in Adjusted EBITDA<sup>1</sup> was due to higher revenue, improvements in cost of services and impacts of salaries and related costs and other operating costs (as described above in "Results of Operations"). This was partially offset by adjustments for share-based compensation costs of \$3.9 million and restructuring and other costs of \$2.6 million for the year ended December 2023 mainly due to new projects/initiatives, long-term cash incentive costs (issued in lieu of equity-based compensation for certain officers and directors of the Company) and restructuring expenses compared to share based compensation costs of \$7.4 million and restructuring and other costs of \$0.1 million for the same period in 2022.

**Free cash flow**

The table below reconciles cash from operating activities to free cash flow<sup>1</sup> for the years ended December 31, 2023 and 2022.

In CAD \$	Year ended December 31,	
	2023	2022
Cash from operating activities <sup>(2)</sup>	\$ 22,620,133	\$ 10,726,376
Less: Cash used in investing activities		
Purchase of building, property and equipment	(60,638)	(86,407)
Additions to intangible assets	(5,518,257)	(3,464,540)
Free cash flow <sup>(1)(2)</sup>	\$ 17,041,238	\$ 7,175,429

<sup>(1)</sup> See "Definitions - IFRS, Additional GAAP and Non-GAAP Measures"

<sup>(2)</sup> Prior period comparatives have been restated

For the year ended December 31, 2023, free cash flow<sup>1</sup> was \$17.0 million compared to \$7.2 million for the same period in 2022. The growth in free cash flow was due to the significant increase in cash generated from operating activities driven by

## Payfare Inc.

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gross profit improvements, which was partially offset by an increase in non-cash working capital consumption and an increase in cash used in investing activities to fund new programs and enhance existing programs.

#### **Net income (loss) and Adjusted net income**

The table below reconciles net income (loss) to Adjusted net income<sup>1</sup> for the years ended December 31, 2023 and 2022.

In CAD \$	Year ended December 31,	
	2023	2022
Net income (loss)	\$ 13,124,045	\$ (2,936,346)
Add:		
Amortization of intangible assets	3,227,764	1,237,379
Depreciation of building, property & equipment	106,206	143,064
Restructuring expense/other	2,635,792	142,274
Share-based compensation	3,907,086	7,417,547
Adjusted net income <sup>(1)</sup>	\$ 23,000,893	\$ 6,003,918

<sup>(1)</sup> See "Definitions - IFRS, Additional GAAP and Non-GAAP Measures"

Adjusted net income was \$23.0 million for the year ended December 31, 2023, an increase of \$17.0 million (283%) compared to the same period in 2022. For the year ended December 31, 2023, the adjusted net income per share was \$0.48, an increase of \$0.35 (269%) compared to the same period in 2022.

The above changes are due to the net income and adjustment impacts described above and the issuance of more common shares during the comparative period.

#### **Q4 2023 Highlights**

##### **Revenue**

Fourth quarter 2023 revenue of \$50.0 million increased by \$11.6 million (30%) compared to the same period in 2022 and was higher by \$2.8 million (6%) compared to the third quarter of 2023. The growth in revenue was due to higher onboarding of new active users<sup>1</sup> (assisted by the launch of new products/features and cash-back rewards programs), higher GDV<sup>1</sup> and an increase in card transaction activity.

##### **Net income**

Q4 2023 net income of \$4.9 million increased by \$2.0 million (69%) compared to the same period in 2022 and was higher by \$0.1 million (2%) compared to the third quarter of 2023. This was mainly driven by improvement in gross profit (due to growth in revenue and ongoing cost optimizations) and lower share-based compensation (due to vesting of certain options and RSUs), partially offset by unfavourable foreign exchange fluctuation impact compared to the previous quarters.

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

Payfare has historically financed its growth and operations mainly from the issuance of equity securities and short-term debts. In the past year, it has started to generate funds from its operations that may be used to finance further growth. The Company intends to use its funds to meet funding requirements for business development and new customer deployments based on anticipated market demand. Actual funding requirements will vary depending on a variety of factors, including Payfare's success in executing its business plan, the progress of its product and business development efforts, its sales and its ability to manage working capital requirements.

Payfare's existing cash balances and cash generated from operations will be required to meet its anticipated cash needs for working capital, growth capital and capital expenditures.

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The table below is a summary of cash inflows and outflows by activity.

In CAD \$	Year ended December 31,	
	2023	2022
Cash inflows and (outflows) by activity:		
Operating activities <sup>(1)</sup>	\$ 22,620,133	\$ 10,726,376
Investing activities	(5,578,895)	(3,550,947)
Financing activities	5,485,919	(2,738,432)
Net cash inflows <sup>(1)</sup>	22,527,157	4,436,997
Effect of foreign exchange on cash and cash equivalents <sup>(1)</sup>		
	(551,017)	569,798
Cash and cash equivalents, beginning <sup>(1)</sup>	56,177,184	51,170,389
Cash and cash equivalents, ending <sup>(1)</sup>	\$ 78,153,324	\$ 56,177,184

<sup>(1)</sup> Prior period comparatives have been restated

**Operating activities**

For the year ended December 31, 2023, cash generated from operating activities was \$22.6 million, an increase of \$11.9 million (111%) compared to the same period in 2022.

The increase in cash generated from operating activities of \$11.9 million was primarily due to a gross margin improvement of \$20.0 million (driven by ongoing growth of active users<sup>1</sup> base, revenue, and cost reduction initiatives) and change in prepaid and receivable balances of \$2.8 million (mainly related to the partial settlement of balances owed by certain officers and directors in lieu of withholding tax liabilities from the exercise of RSUs in 2021).

This was partially offset by higher operating costs of \$3.4 million (attributable to increase in development activities, new projects/initiatives and higher cloud server usage), higher salaries and related costs of \$1.9 million (due to increase in staffing levels, change in compensation, timing of new hires/ exits and long-term cash incentives) and timing of payables of \$5.7 million (driven by higher vendor payables related to ongoing operations, professional services and payroll liabilities as stated above).

**Investing activities**

For the year ended December 31, 2023, cash used in investing activities was (\$5.6 million) compared to (\$3.6 million) for the same period in 2022. The increase in cash used in investing activities was mainly due to higher capitalized development costs of internally generated intangible assets related to new products and programs expected to launch in 2024.

**Financing activities**

For the year ended December 31, 2023, cash generated from financing activities was \$5.5 million compared to cash used in financing activities of (\$2.7 million) for the same period in 2022. The increase in cash generated from financing activities of \$8.2 million was primarily driven by lower Common Shares repurchased in the NCIB program of \$5.2 million (2023 - \$0.2 million, 2022 - \$5.4 million) and higher cash proceeds from exercise of warrants and stock options of \$3.0 million (2023 - \$5.7 million, 2022 - \$2.7 million).

**Capital resources**

The Company's intention is to ensure adequate sources of capital are available to carry out our capital plan, while maintaining operational growth and stable cash flow to sustain future development of the business. The Company's overall capital management strategy remains unchanged from the prior year.

As at December 31, 2023, the Company had cash and cash equivalents of \$78.2 million with no outstanding debts. The Company anticipates incurring estimated capital expenditures of \$5.5 million during 2024 for the development of internally generated intangible assets related to mobile banking and instant payment solution as dictated by business needs.

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Management believes the Company's current cash balance, anticipated cash inflows from operations and potential access to additional financing in the form of debts or equity financing if necessary will be sufficient to meet its working capital and capital expenditure requirements for at least the twelve-month period following December 31, 2023.

The Company continues to monitor its cash position closely and has previously taken mitigation efforts to conserve its cash and implement cost saving measures.

#### Use of proceeds from IPO

The Company's intended allocation and use of net proceeds from the IPO as of December 31, 2023 were as follows:

<b>Intended use of net proceeds In CAD \$</b>	<b>Allocation of net proceeds <sup>(5)</sup></b>	<b>Use of net proceeds as of December 31, 2023</b>
Repayment of all outstanding short-term debt <sup>(1)</sup>	\$ 21,000,000	\$ 20,899,752
New services, expansion and development <sup>(2)</sup>	11,000,000	11,000,000
General corporate <sup>(3)</sup>	4,000,000	4,000,000
Unallocated capital <sup>(4)</sup>	34,697,000	34,797,248
<b>Total</b>	<b>\$ 70,697,000</b>	<b>\$ 70,697,000</b>

<sup>(1)</sup> Repayment of all short term debts mainly includes NELI revolving facility of \$13,137,022, bridge loan of \$7,758,904 and interest on convertible debentures of \$3,825

<sup>(2)</sup> Hired new development and customer support service staff to develop new products, improve current technology and expand existing service offerings to gig platforms

<sup>(3)</sup> Cash used to hire additional Corporate support staff to accommodate the Company's growth and support existing development and customer service teams

<sup>(4)</sup> Includes cash used to support operating activities

<sup>(5)</sup> Net proceeds allocation of \$70,697,000 includes total gross proceeds from IPO of \$75,210,000, less: underwriter's commission of \$4,513,000. The Company paid other IPO costs related to accounting, legal, prospectus design, printing and other disbursements of \$1,634,553 and received net cash proceeds of \$69,062,448.

During the year ended December 31, 2023, the Company's intended use of net proceeds did not change.

#### Share capital

Payfare's authorized share capital consists of an unlimited number of Class A Common Shares. As at December 31, 2023 there were 47,875,076 Class A Common Shares issued and outstanding, 3,399,379 stock options, 1,111,997 warrants and 767,232 RSUs outstanding.

During the year ended December 31, 2023, the Company granted 547,500 RSUs to certain employees, officers and directors of the Company (2022 - 376,156 RSUs, 1,496,000 stock options).

Pursuant to the previous NCIB that expired on March 27, 2023, the Company repurchased and cancelled 39,300 Common Shares at an average purchase price of \$4.87 per share (\$0.2 million) in the year ended December 31, 2023 compared to 1,194,800 Common Shares at an average price of \$4.54 per share (\$5.4 million) in the prior year.

As of July 3, 2024, there are 47,952,573 Class A Common Shares, 3,356,803 stock options, 952,688 warrants and 747,750 RSUs outstanding.

#### Off balance sheet arrangements

At the date of this MD&A, the Company had no material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been highlighted herein.

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**Contractual obligations**

The table below shows significant contractual obligations as of December 31, 2023. Annual minimum payments over the next year and thereafter are as follows:

<b>In CAD \$</b>	<b>2023</b>	<b>Thereafter</b>	<b>Total</b>
Payables & other liabilities	\$ 22,813,915	\$ -	\$ 22,813,915

The Company has outstanding short-term liabilities of \$22.8 million mainly related to payroll liabilities, issuer and processor fees, ATM fees, network, interchange contributions, cash rewards, customer support, card production, software, professional services, public company reporting costs and federal taxes.

**Commitments**

During the year ended December 31, 2023, Payfare executed a card print and production vendor agreement with a minimum purchase commitment of 1,600,000 Visa and Mastercard network cards (2022 - 1,800,000) with a total committed value of USD \$3.7 million for fiscal 2023-2024 (2022 – USD \$4.1 million for fiscal 2022-2023) of which USD \$0.1 million was outstanding as of July 3, 2024.

During 2024, Payfare executed new purchase commitment of 1.1 million Visa and Mastercard network cards with a total committed value of USD \$2.1 million for fiscal 2024.

**New Accounting Pronouncements (adopted in 2023)**

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2023 and earlier application is permitted.

***Insurance Contracts (IFRS 17)***

A replacement of IFRS 4, Insurance Contracts, that aims to provide consistency in the application of accounting for insurance contracts was effective January 1, 2023. The adoption of this standard did not have an impact on the consolidated financial statements.

***Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

Effective January 1, 2023 entities are required to disclose material, instead of significant, accounting policy information. The Company made the respective changes to the consolidated financial statements.

***Definition of Accounting Estimate (Amendments to IAS 8)***

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments are effective for periods beginning on or after January 1, 2023 and apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The adoption of this standard did not have an impact on the consolidated financial statements.

***Global Minimum Top-up Tax under BEPS 2.0 (Amendments to IAS 12)***

To address concerns about uneven profit distribution and the tax challenges of the digitalization of the economy, various agreements have been reached globally, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15 percent (referred to as "GloBE"). To address these concerns, the IASB has amended IAS 12. The adoption of this standard did not have an impact on the consolidated financial statements.

***Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)***

Targeted amendments to IAS 12 clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions. The adoption of this standard did not have an impact on the consolidated financial statements.

**Recent Accounting Pronouncements (not yet adopted)**

***Classification of Liabilities as Current or Non-current (Amendments to IAS 1)***

On January 23, 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements (the 2020 amendments), to clarify the classification of liabilities as current or non-current. The Company does not anticipate the change to have an impact on the consolidated financial statements.

***Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)***

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. The Company does not anticipate the change to have an impact on the consolidated financial statements.

***Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)***

On May 25, 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments are effective for periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available. The Company does not anticipate the change to have an impact on the consolidated financial statements.

***Lack of Exchangeability – Amendments to IAS 21***

On August 15, 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability. The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. The Company does not anticipate the change to have an impact on the consolidated financial statements.

***Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture***

On September 11, 2014, the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely. Adoption is still permitted. The Company does not anticipate the change to have an impact on the consolidated financial statements.

**Critical Accounting Estimates, Judgements and Assumptions**

Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to historical experience, expectations of the future and other relevant factors and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates. The preparation of financial statements also requires management to exercise judgement in applying the Company's accounting policies.

The Company's critical accounting estimates and judgements include those related to the initial measurement, useful life, recognition and recoverability of internally generated intangibles, valuation of share-based payments and assessment of gross versus net revenue recognition as further described in the note 4 of the audited annual consolidated financial statements.

These accounting estimates have been applied in a manner consistent with that in prior period and there are no known trends, commitments, events, or uncertainties that we believe will materially affect the assumptions utilized in the audited annual consolidated financial statements of the Company.

**Related Parties**

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company (directly or indirectly), including the founders, directors and executives of the Company.

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Remuneration of key management of Company were as follows:

In CAD \$	Year ended December 31,	
	2023	2022
Salary and related costs	\$ 6,488,347	\$ 4,085,988
Share-based compensation	2,646,009	5,999,142
Total	\$ 9,134,356	\$ 10,085,130

On December 31, 2023, the Company had an outstanding loan receivable balance of \$1.8 million owed by certain directors and officers of the Company ("debtors") related to payments made by the Company on behalf of these directors and officers for the withholding tax liability from the exercise of RSUs in 2021. The taxes owing by the individuals were paid by the Company on behalf of the directors and officers as a loan, with a maturity date of November 30, 2025, bearing an interest set as the CRA's prescribed interest rate per annum for the applicable period of the outstanding balance. The loan receivable from related parties can be repaid any time prior to maturity without penalty. The Company recorded a loan receivable balance on the consolidated statement of financial position representing the amount collectible upon maturity. The debtors provided, as security, outstanding securities in the Company and authorized the Company to sell or redeem any such securities equal to the unpaid amount in the event of default.

As of January 1, 2023, the loan receivable balance was nil as loan settlement agreements were previously entered into by the Company with each of the debtors that involved certain employment and/or service contract commitments by the debtors in exchange for advances provided to such individuals to settle the loans (the "Settlement Arrangements" - see note 15 of the Annual Financial Statements for the year-ended December 31, 2022). The Company recorded the advances as a prepaid asset on the statement of financial position with a three-year amortization term. The maturity date was subsequently amended and extended to November 30, 2025. On March 21, 2023, the Company and each of the debtors subsequently agreed to terminate the Settlement Arrangements and reinstated the loan receivable agreements that were previously in place before the settlements. As a result, during the year, the prepaid asset was reclassified to loans receivable from related parties in the consolidated statement of financial position. The Settlement Arrangements and their subsequent cancellation were reviewed and approved by independent and disinterested directors of the Board.

During the year ended December 31, 2023, the Company recognized \$0.1 million in interest income compared to \$0.05 million for the same period in 2022 related to the loan receivable from related parties in the consolidated statements of operations and comprehensive income (loss).

#### **Capital Risk Management**

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its growth activities and to maintain its ongoing operations. In the future, the Company may attempt to raise additional capital through the issuance of equity and or debt financing.

The Company's capital structure is comprised of issued capital. As of December 31, 2023, the Company had no short-term debt obligations. There are no changes to the Company's capital management strategy from December 31, 2022.

#### **Financial Risk Management**

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the accounting and finance department governed by policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department has the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

#### ***Currency risk***

The Company operates in Canada and has subsidiaries in United States and Mexico. The Company has exposure to foreign exchange risk. Foreign exchange risk arises from purchase and sales transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

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The Company's main objective in managing its foreign exchange is to generate revenue or borrow in USD as a natural hedge against movements in the foreign exchange rate and to maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12-month horizon. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and Canadian cash needs. The Company does not use derivative instruments to mitigate this risk.

As of December 31, 2023, a 5% fluctuation of the USD relative to the CAD would impact net income (loss) by \$0.8 million (2022 - \$0.3 million). Exchange differences on settlement of monetary items are reported as foreign exchange gain (loss) in the consolidated statement of operations and comprehensive income (loss).

#### ***Interest rate risk***

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. As of December 31, 2023, the Company had no outstanding debts and is not exposed to significant interest rate risk.

#### ***Credit risk***

Credit risk is the risk that the counter party will default on its contractual obligations resulting in financial losses to the Company. The Company has adopted a policy of dealing with credit-worthy counterparties. The Company's exposure and credit rating of counterparties is continuously monitored.

The Company's accounts receivable as of December 31, 2023, includes an exposure to credit risk on cash & cash equivalents and amounts owing on trade receivable balance. Management actively mitigates the risk by ensuring receivables remain current. Amounts receivable net of allowance for expected credit loss from customer programs have been realised in full after the year end. As of the year-ended December 31, 2023, the aging of the majority of outstanding receivables is current and less than 30 days.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

The Company was able to raise equity financing through IPO and options & warrants exercises and credit facilities to fund eligible receivables for operational growth, new business initiatives and operating working capital requirements, which has significantly reduced liquidity risk.

At present, the Company is largely economically dependent on its payment services agreements with DoorDash, Lyft and Uber. A loss or non-renewal of one or more of these payment service agreements would have a significant financial impact on the Company. The Company is mitigating the counterparty risk by initiating business diversification strategies and the implementation of new customer prefunded instant payment solution programs and services.

#### ***Fair value***

The estimated fair values of cash and cash equivalents, pre-funded deposits, accounts receivable, accounts payable, accrued liabilities, pre-funded liabilities, loan receivables from related parties approximates their carrying values due to the relatively short-term nature of the instruments.

#### **Normal Course Issuer Bid ("NCIB")**

On November 16, 2023, the Company announced that the TSX had accepted the notice filed by the company to renew its NCIB program for its Common Shares through the facilities of the TSX and all available Canadian markets and alternative trading platforms. The Company may, during the 12-month period of November 20, 2023 to November 19, 2024, purchase for cancellation up to 2,389,813 of its Common Shares, representing 5% of the 47,796,268 Common Shares issued and outstanding as of November 9, 2023. All Common Shares purchased by the Company under the NCIB will be cancelled.

Pursuant to the NCIB, the Company repurchased and cancelled 39,300 Common Shares at an average purchase price of \$4.87 per share (\$0.2 million) in the year ended December 31, 2023, compared to 1,194,800 Common Shares at an average price of \$4.54 per share (\$5.4 million) in 2022.



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A shareholder may obtain a copy of the filed NCIB notice accepted by the TSX without charge by contacting the Company by written request to: Payfare Inc., PO Box 343 Don Mills Station, Don Mills, ON, Canada, M3C 2S7 or by email to legal@payfare.com.

#### ***Subsequent event***

On April 3, 2024, following the Company's application to the Ontario Securities Commission ("OSC") for a MCTO to be imposed in respect of its delay in filing its audited annual financial statements, management's discussion and analysis, annual information form, and related certifications, all for the year ended December 31, 2023 (collectively, the "Annual Filings"), the OSC granted the MCTO. The MCTO prohibits the Chief Executive Officer and the Chief Financial Officer of the Company from trading in securities of the Company for so long as the Annual Filings are not filed.

On June 18, 2024, on account of the continued delay in the Annual Filings, the MCTO was converted to a general cease trade order ("CTO") and all trading in securities of the Company were halted. The delay in the Annual Filings was as a result of a delay by one of the Company's material vendors in completing its annual System and Organization Controls ("SOC 1") audit.

The SOC 1 audit report was subsequently received from the vendor on June 30, 2024 and the Company completed its Annual Filings on July 3, 2024. The Company expects the OSC to revoke the CTO following its review of such filings. The Company has and will continue to work with the vendor to put in place certain measures going forward to ensure timeliness delivery of future SOC 1 reports and will evaluate further processes related with such third party to avoid the delays experienced with the Annual Filings for 2023.

Subsequent to December 31, 2023, 8,732 RSUs were vested and converted into Common Shares, and 35,576 stock options were exercised to purchase Common Shares with exercise prices ranging from \$3.77 to \$5.67 per share for total cash proceeds of \$0.2 million. 33,189 stock options were exercised to purchase Common Shares during December 2023 for total cash proceeds of \$0.1 million.

#### **Definitions – IFRS, Additional GAAP and Non-GAAP Measures**

##### IFRS Measures

##### ***Cost of services***

Cost of services consists of expenses related to servicing the customers' instant pay and mobile banking solutions. These expenses include interchange and related network fees, Automated Teller Machine (ATM) fees, issuer bank and payment processor costs, interest on its funding facility, know your customer (KYC), roadside assistance, card set-up and printing costs and customer support expenses for resources directly associated with the cost of services.

##### ***Gross profit***

Gross profit is revenue less cost of services.

##### ***Other operating expenses***

Other operating expenses includes consultants and professional fees, legal fees, claims and settlements, travel and entertainment, bad debt expense and cardholder losses, computer and software, marketing and customer acquisition costs, recruiting, rent, insurance, telecommunications, dues and listing fees, director fees, repairs & maintenance and office supplies.

##### ***Finance income (costs)***

Finance income (costs) consist of interest charged on short-term debts, interest earned on cash and cash equivalents, bank service fees, amortization of deferred financing costs and accretion expense. The deferred financing costs are amortized using the effective interest method over the term of the loan.

##### Additional GAAP Measures

##### ***Income (loss) from operations***

Income (loss) from operations exclude foreign exchange gain (loss), finance income (costs), amortization of deferred income, income taxes and change in fair value of derivative liability. We consider income (loss) from operations to be representative of the activities that would normally be regarded as operating for the Company. We believe this measure provides relevant information that can be used to assess the consolidated performance of the Company and therefore, provides meaningful information to investors.

#### Non-GAAP Measures

This MD&A includes certain measures, which have not been prepared in accordance with IFRS. Management measures the success of its strategy using key performance indicators - such as EBITDA, Adjusted EBITDA, active user, total gross dollar value ("Total GDV"), Adjusted net income (loss), Adjusted net income (loss) per share and free cash flow. These measures are provided as additional information to complement IFRS measures by providing further understanding of our results of operations from management's perspective, to provide investors and security analysts with supplemental measures to evaluate the financial performance of the Company and highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-GAAP and supplementary financial measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets and strategic business plans and to evaluate and price potential acquisitions. Accordingly, these non-GAAP and supplementary financial measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. Such measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other corporations. The non-GAAP and supplementary financial measures are not subject to standard industry definition and our definitions and method of calculation may differ from other issuers and therefore may not be comparable to similar measures presented by other issuers.

#### **EBITDA**

EBITDA means net income (loss) before amortization and depreciation expenses, foreign exchange gain (loss), amortization of deferred income, finance and interest income/ costs, current tax expense and change in fair value of derivative liability.

#### **Adjusted EBITDA**

Adjusted EBITDA adjusts EBITDA for share-based compensation expense, restructuring costs and non-recurring expense items. Non-recurring expense items are transactions or events which management believes will not re-occur within the foreseeable future and includes legal and professional fees related to claim settlements, acquisition, divestiture, asset impairment charges and going public transaction. See "Results of Operations - EBITDA and Adjusted EBITDA" for reconciliation of net income (loss) to each of EBITDA and Adjusted EBITDA.

#### **Active user**

The Company determines the number of users to our services based on active users. Active users represent users who have loaded earnings and direct deposits on their card in the period.

#### **Total gross dollar value ("Total GDV")**

Total Gross dollar value load ("Total GDV") is the aggregate dollar amount of active user earnings and direct deposits loaded on their payment card during the period.

#### **Adjusted net income (loss)**

Adjusted net income (loss) adjusts net income (loss) for share-based compensation expense, restructuring costs and non-recurring expense items. Non-recurring expense items are transactions or events which management believes will not re-occur within the foreseeable future and includes legal and professional fees related to claim settlements, acquisition, divestiture, asset impairment charges and going public transaction. See "Results of Operations – Net income (loss) and Adjusted net income" for reconciliation of net income (loss) to Adjusted net income.

#### **Adjusted net income (loss) per share**

Adjusted net income (loss) per share is calculated as Adjusted net income (loss) divided by the basic weighted average number of shares outstanding during the period.

***Free cash flow***

The Company defines its free cash flow as cash from operating activities less cash used in investing activities (including additions to intangible assets and purchase of building, property and equipment).

**Internal Controls Over Financial Reporting and Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

The Company's Chief Executive Officer and the Chief Financial Officer are responsible for the design of internal controls over financial reporting within the Company to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The system is intended to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are reliable. Management also takes steps to assure the flow of information and communication is effective, and monitors performance and our internal control procedures. Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that:

(i) the audited annual consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the period presented by the audited annual consolidated financial statements; and

(ii) the audited annual consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the period presented.

Management assessed the effectiveness of our internal control over financial reporting as at December 31, 2023, based on the criteria set out in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that it was effective at that date.

There were no changes in the Company's internal controls over financial reporting during the Company's most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

All internal control systems, however, no matter how well designed, have inherent limitations, and even systems that have been determined to be effective can only provide reasonable assurance about the preparation and presentation of financial statements. Due to its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future period are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may change.

**Risk Factors**

Payfare is exposed to several risks and uncertainties. The risks and uncertainties described below are those management currently believes to be material, but they are not the only ones we face. If additional risks and uncertainties not presently known to us or that we currently believe to be immaterial actually occur or become material risks, our business, prospects, financial condition and financial performance could be materially and adversely affected.

The following is a summary of material risks that could affect the financial condition, operating results or business of Payfare:

**BUSINESS RISKS**

***Growth Company***

*Although we have experienced substantial revenue growth during our limited operation, we may not be able to sustain this rate of growth or maintain current revenue levels.*

While we have seen an increase in our operating income and net income in recent quarters, growth in cardholder-generated revenues and other fees, cash transfer revenues or interchange fee revenues may, in the future, stagnate or decline.

Accordingly, there can be no assurance that our rate of growth will continue in future fiscal periods and there may be fluctuations and declines in our operating revenues, operating income or net income.

Our continued growth depends on a number of factors, including on our ability to retain current on-demand platform clients such as DoorDash, Uber and Lyft (collectively, with other similar companies "Gig Platforms") and the cardholders ("Cardholders") of the Payfare platform, and attract new Gig Platform clients and Cardholders to our services (including to our newly announced products, services and verticals) and to increase our card revenues and other fees, cash transfer revenues and interchange revenues collectively per Cardholder. Our operating revenues could suffer if we are unable to increase the number of Gig Platform clients and Cardholders of Payfare's revenue generating financial and card services, to increase our Cardholders' use of Payfare's services, and to expand and adapt our service offerings to meet Cardholders' evolving needs. In addition, the negative impact on our operating revenues caused by any failure to increase the number of clients and Cardholders of our services could be exacerbated by the loss of other Gig Platform clients and Cardholders of our services as we focus our marketing efforts on attracting new Gig Platform clients. We may fail to expand our Gig Platform client and Cardholder base for a number of reasons, including our inability to develop or adapt services that appeal to our Gig Platform clients and Cardholders and lead to increased usage of Payfare's services, or our loss of current, or failure to add new, Gig Platform clients and Cardholders.

We may not be able to increase our network of Cardholders or our Cardholders' use of our services, which have been two important contributors to our growth. We may be unable to generate increases in usage of our services or Cardholder retention for a number of reasons, including our inability to maintain our existing distribution channels, the failure of our usage incentives to influence Cardholder behavior, our inability to predict accurately consumer preferences or industry changes and to modify our services on a timely basis in response thereto and our inability to produce new features and services that appeal to Cardholders.

As the financial services industry continues to develop, our competitors may be able to offer services that are, or that are perceived to be, substantially similar to or better than ours or which are more cost effective to the client or the Cardholder. Even if we are successful at increasing service fee revenues, interchange revenues, and other fees through our various initiatives and strategies, we may experience a decline in growth rates. If our operating revenue growth rates slow materially or decline, our business, operating results and financial condition would be adversely affected.

### **Limited Operating History**

*We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.*

We launched operations in 2016 and we have since expanded our platform features and services, changed our pricing methodologies and expanded into new markets. This limited operating history and our evolving business make it difficult to evaluate our future prospects and the risks and challenges we may encounter. These risks and challenges include our ability to:

- accurately forecast our revenue and plan our operating expenses;
- increase the number of clients and Cardholders and retain existing clients and Cardholders using our services;
- successfully launch and market new products and services;
- successfully compete with current and future competitors;
- successfully expand our business in existing markets and enter new markets and geographies;
- anticipate and respond to macroeconomic changes and changes in the markets in which we operate;
- maintain and enhance the value of our reputation and brand;
- adapt to rapidly evolving trends in the ways clients and Cardholders interact with technology;
- avoid interruptions or disruptions in our service;
- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased usage, as well as the deployment of new features and services;
- hire, integrate, and retain talented technology, sales, customer service, and other personnel;
- effectively manage rapid growth in our personnel and operations;
- and effectively manage our costs related to Cardholders.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this "Risk Factors" section, our business, financial condition, and results of operations could be adversely affected. Further, because we have limited historical financial data and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition, and results of operations could be adversely affected.

### ***History of Net Losses***

*We have a history of net losses, we anticipate increasing expenses in the future and we may not be able to maintain or increase profitability in the future.*

We have incurred net losses in each year since operating up until 2022, anticipate increasing expenses in the future; and therefore may not be able to achieve profitability in the near future. While we have a net income of \$13.1 million in the year ended December 31, 2023, as of December 31, 2023, we had an accumulated deficit of \$92.3 million. We have expended and expect to continue to expend substantial financial and other resources on developing our platform, including expanding our platform offerings, developing or acquiring new platform products and features and services, expanding into new verticals, markets and geographies and increasing our sales and marketing efforts. These efforts may be more costly than we expect and may not result in increased revenue or growth in our business. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from maintaining or increasing profitability or positive cash flows on a consistent basis. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition, and results of operations could be adversely affected.

If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses in the future and may not be able to maintain or increase profitability.

### ***Reliance on Key Clients***

*Our business is reliant on contracts with Gig Platforms operating in the gig industry in order to attract Cardholders. There can be no assurance that we will be able to maintain our relationships with these Gig Platform clients or that these Gig Platform client relationships will result in an increasing number of Cardholders.*

The gig economy, with Gig Platforms and their workers that are potential users of the Payfare platform ("Gig Workers"), is concentrated. The Gig Workers associated with our largest two Gig Platform clients may not be easily replaced and the non-renewal or loss of any one or more of such Gig Platform clients may have a material adverse impact on the business and financial condition of the Company. In addition, if we are unable to add new Gig Platform clients and grow our network of Cardholders from our largest Gig Platform clients, we may not realize anticipated levels of growth in the future.

A majority of our Cardholders are Gig Workers on relatively few Gig Platforms and most of our revenues were derived from our top two Gig Platform clients, each of which will have their long-term agreements coming up for renewal (or auto-renewal) in the near to medium term. While we expect this concentration of revenue to decrease over time, we may continue to depend upon a relatively small number of Gig Platform clients for a significant portion of our revenue into the foreseeable future. The loss of a significant Gig Platform client or failure to attract new Gig Platforms to our new and existing products could materially adversely affect our business, financial condition and financial performance.

### ***Reliance on Third-Party Service Providers***

*Our operations are closely integrated with services provided by key third-party service providers, including payment processors. Replacing key third-party service providers would be time-consuming and disruptive to our business.*

Our payment solutions are closely integrated and dependent on key third-party service providers, on whom we are reliant for payment processing, card issuance, customer support, identity verification, and more. Errors by, disruption to, delays in receiving SOC or other relevant certifications, or erosion of our relationship with our key third-party service providers or failure by our service providers to meet their audit (including for financial or SOC), controls, or regulatory obligations may have a significant impact to our system and processes. Failure or errors made by a third-party service provider, or failure or errors made by the Company in properly integrating with a third-party service provider, may result in Payfare suffering financial loss, loss of cardholders or clients, and damage to our reputation. As a consequence of our close integration with certain key third-party service providers, it would be time-consuming and disruptive to our business to replace key third-party service providers in the event they are unable or unwilling to provide us with their services in the future. The Company

may not be able to negotiate favourable pricing with key third-party service providers, which may inhibit the Company's ability to maintain or improve our margins.

In the most recent 12 months, the Company experienced a delay in the receipt of the SOC 1 auditor's report from one of its material third-party service providers. This caused a delay in the timing for the filing of the Company's Annual Filings and forced the Company to apply for a MCTO from the OSC. The delay had an impact on the Company's ability to meet its continuous disclosure obligations under applicable securities laws. While the Company remedied the continuous disclosure defaults, and takes reasonable and industry-accepted measures to carry out due diligence and compliance reviews of third parties it contracts with, there are no guarantees that such material third-party service provider, or any other service provider or vendor, are not delayed or in breach of certain contractual and/or compliance commitments to the Company, which may in turn cause future delays or defaults in reporting obligations of the Company.

In addition, certain of the Company's third-party service providers may have operations or a portion of their operations located outside of North America. Conducting business with such third-party service providers, may subject us to additional risks, including but not limited to: operational challenges caused by a reliance of operations in markets with different languages, and cultural differences; compliance with legislative and regulatory regimes which differ from those of our current operating jurisdictions and general political, social and economic instability and related conditions. These risks could adversely affect our operations, financial condition and regulatory and reporting obligations.

We may enter into long-term/multi-year agreements with third-party service providers, which may include minimum commitments or penalties for early termination of the agreement, which may result in financial losses to the Company. Our agreements with third-party vendors may also include exclusivity commitments which may impair our ability to negotiate better pricing or other terms with a competing service provider or our ability to attract new clients. Long-term commitments with service providers may also result in a decline in the quality of service from the service provider, with little or no ability for us to enforce higher quality services without expending substantial resources and/or incurring financial loss. Our outsourcing arrangements (some of whom are based outside of North America), and any interruptions or difficulties experienced with respect to these arrangements could result in increased expenses, interruption in our services, and loss of cardholders, clients and revenue.

### ***Interchange and Transaction Fees***

*Changes in interchange rates and other transaction-related fees, could adversely affect our business, financial position and results of operations.*

A substantial portion of our operating revenues is derived from interchange fees and service fees charged in connection with Cardholder card transactions, which include retail merchant purchases, online e-commerce purchases, long term balance maintenance, ATM withdrawals, bill payments and funds transfers other accounts. We expect interchange and other transaction-related revenues to continue to represent a significant percentage of our total operating revenues. The interchange revenues and other transaction-related revenues that we earn are highly dependent on the rates that the payment networks set and adjust from time to time, which may also be subject to regulatory limits and/or government intervention.

### ***Growth Management***

*We must grow rapidly to achieve our strategic objectives. If we fail to grow, or fail to manage growth effectively, our value may decline.*

The payment technology and financial services industries are dynamic and management believes that our success depends upon our ability to adapt to market trends and develop innovative technologies and solutions for the evolving needs of our Gig Platform clients and Cardholders. We will need to continually grow and expand the scope of our services in order to keep pace with the growth and change in our markets and to develop the reach and scale necessary to compete effectively with our competitors. Our growth depends to a significant degree upon the quality of our strategic vision and planning. The payment technology and financial services industries are evolving rapidly, and if we make strategic errors, there is a significant risk that we will lose our competitive position and be unable to recover and achieve our growth objectives. Our ability to grow requires access to and prudent deployment of, capital for hiring, expansion of physical and technological infrastructure to run our platform, acquisition of companies or technologies, and development and integration of supporting technical, sales, marketing, finance, administrative, and managerial infrastructure. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Further, the rapid growth trajectory that we are pursuing may strain our organization and our ability to continue such growth while maintaining quality operations.

Our growth strategy is dependent upon expanding our service offerings into new business areas and verticals or new geographic markets. There can be no assurance that these new business areas or geographic markets will generate the anticipated Gig Platform or employer clients, Cardholders, and revenue. In addition, any expansion into new business areas, verticals or geographic markets could expose us to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment; different Gig Platform/employer client and Cardholders preferences or habits; adverse exchange rate fluctuations; adverse tax consequences; difficulties staffing and managing new operations; infringement of third-party intellectual property rights; the cost of adapting our products and services for new markets; or difficulties collecting accounts receivable.

### ***Maintaining and Increasing Cardholder Transactions***

*If we are unable to attract or retain a critical mass of Cardholders, whether as a result of competition or other factors, our financial performance and prospects may be adversely affected.*

Our success depends on our ability to maintain or increase our network scale by attracting Gig Platform and their Gig Workers to our platform. If clients choose not to use our services, we may lack a sufficient supply of Cardholders to offer our services profitably. Our business depends on attracting a large number of Cardholders to our platform and recognizing revenues from a large number of financial transactions completed by those Cardholders, through the interchange and other fees we collect. If we do not maintain a sufficient Cardholder base, we may see a reduction in the number of transactions completed through our platform, which may result in a material adverse effect on our financial condition.

### ***Fluctuation of Financial Results***

*The demands of scaling our business may result in fluctuating financial results due to factors that may be beyond the control of management, which may make it difficult to predict future operating results.*

The Company is rapidly expanding and, as such, our financial performance may be materially affected by the decisions of management and/or Gig Platform clients and Cardholders, in addition to a variety of other factors, many of which may be beyond our control including, but not limited to, general economic conditions or conditions in the industries in which our Gig Platform clients operate; technological innovations and the adoption of technical standards; and increased operating expenses. Fluctuating operating results could cause significant, unanticipated quarterly losses and cause our performance to fall below the expectations of investors, all of which could materially adversely affect the market price of our Common Shares.

### ***Repayment Risks***

*We are subject to payment-related risks from one of our key Gig Platform clients. We advance payments on behalf of one of our Gig Platform clients before such Gig Platform client repays us.*

One of our Gig Platform clients periodically advances us funds to be transferred to their related Gig Worker Cardholders, who typically receive payment from us on a daily or per trip basis. Under this program, funds are paid to these Gig Worker Cardholders on our Platform upon their completion of work for such Gig Platform client, prior to our Gig Platform client advancing funds to us for such work. If we are unable to collect or make adjustments to receivables from such Gig Platform client, we could incur write-offs for bad debts, which could have a material adverse effect on operations for the period in which the write-offs occur. While we maintain reserves and may in the future maintain credit facilities in order to fund payments to our Cardholders, non-payment or significant payment delays by our Gig Platform client may adversely affect our available working capital and liquidity. In the future, bad debt may exceed reserves for such contingencies and our bad debt exposure may increase over time. Any increase in write-offs for bad debt could have a materially negative effect on our business, financial condition and operating results.

### ***Currency***

*We conduct business in several countries and a majority of our revenues are denominated in US dollars. We present our revenues in Canadian dollars and incur most of our operating expenses in local currencies. In the future, the expansion of our business into new jurisdictions may introduce different payment schedules and require us to use the currencies of the local jurisdictions, which could impact operations in certain markets.*

We transact a majority of our business in Canadian dollars and US dollars and may in the future have other material international revenue, as well as costs denominated in such other currencies. While the majority of our revenues are denominated in US dollars, most of our operating expenses are incurred in Canadian dollars. This exposes us to the risk of

fluctuations in foreign currency exchange rates and changes in exchange rates which are reflected in reported income and loss from our international businesses included in our consolidated statements of operations as we translate the financial statements of our foreign subsidiaries into Canadian dollars in consolidation.

A fluctuation in the exchange rates for the Canadian Dollar or the US Dollar, or other currencies in which we currently or in the future may transact may therefore affect reported revenue and expenses from our international businesses included in our consolidated statements of operations. Significant fluctuation in the exchange rates of foreign currencies may negatively impact our business, prospects, financial condition and financial performance.

In addition, clients in international markets may remit payments to us on different or unpredictable schedules. Such payments may also be subject to unexpected regulatory requirements and other barriers. We may be subject to limitations on the repatriation of earnings in each of the countries where we, including our international subsidiaries do business. There can be no assurance that arbitrary changes in exchange controls in each of the countries where we do business, or may do business in the future, will not take place, which may adversely impact our ability to receive cash payments from our subsidiaries and the ability of investors to recover their investment.

The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. If we decide to hedge our foreign currency exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide us from foreign currency fluctuations and can themselves result in losses.

### **International Business**

*Our business operates in multiple jurisdictions and we may expand our operations to other jurisdictions around the world, including those in markets in which we have limited experience. If we are unable to manage the risks presented by operating internationally, our financial results and future prospects may be adversely impacted.*

Our business operates predominately in Canada and the United States and we may, in the future, expand to offer services in other jurisdictions around the world. We have limited experience operating in jurisdictions outside of Canada and the United States and expect to make investments to expand our international operations and compete with local and regional competitors. Such investments may not be successful and may negatively affect our operating results. In addition, if our business expands into international jurisdictions, such entries would require management attention and financial resources that would otherwise be spent on other parts of the business.

Conducting our business internationally, particularly in regions in which we have limited experience operating, may subject us to additional risks, including but not limited to: operational challenges caused by operating in markets with different languages, consumer preferences and cultural differences; the use of resources to localize our business; compliance with legislative and regulatory regimes which differ from those of our current operating jurisdictions and which may pose new restrictions on the way our business operates; competition from local service providers with more experience and scale in the international jurisdiction; challenges managing growth across multiple jurisdictions; adverse tax consequences; fluctuations in currency exchange rates; increased financial and reporting obligations; challenges protecting our intellectual property; and general political, social and economic instability and related conditions. These risks could adversely affect our operations, prospects and financial condition.

### **Innovation and Expansion to New Markets**

*In order to meet our growth objectives, we will need to rely upon our ability to innovate, expand our service offerings and expand our market reach internationally.*

In order for us to compete effectively and keep pace with industry growth rates and trends, we must develop and expand the features of our platform and improve the responsiveness, functionality and features of our services. Such expanded features may include the ability to receive funds from multiple Gig Platforms, provide additional banking services, or advancing credit or credit-like facilities to our Cardholders. The payment technologies and financial services industries are characterized by rapid technological change, changes in Cardholder and client requirements and preferences, frequent product and service introductions reflecting new technologies and the emergence of new industry standards and practices, any of which could render Payfare's existing operations and proprietary technology and systems obsolete.

Payfare's success depends, in part, on its ability to develop leading technologies useful in its business, enhance its existing services, develop new services and technology that address the increasingly sophisticated and varied needs of its existing and prospective Cardholders and respond to technological advances and emerging industry standards and practices on a



cost-effective and timely basis. Our growth plans also depend on our ability to increase our business in existing and new markets, verticals and effectively increase use of our services among our clients' user base through the implementation of new service offerings. In order to innovate successfully, we must hire, train, motivate, and retain talented employees in a competitive recruiting environment, and we must deploy them based on the development priorities we establish in light of our view of the future of the payment technology and financial services industries. There can be no assurance that Payfare will successfully implement new technologies or adapt its platform and transaction-processing systems to client requirements or emerging industry standards. If Payfare is unable to adapt in a timely manner in response to changing market conditions or client requirements for technical, legal financial or other reasons, the Company's growth and operations could be materially adversely affected. In addition, new product and service offerings may not correctly anticipate market demand, may not address demand as effectively as competing offerings, and may not deliver the results that we forecast.

### ***Attraction and Retention of Management Team***

*We depend on the experience and expertise of our senior management team and key employees, and the loss of any key employee, or the inability to identify and recruit executive officers and key employees in a timely manner, could harm our business, prospects, financial condition and financial performance.*

Our ongoing and future success depends upon the continued service of our senior management team and key employees, including key technical and sales employees, as well as our ability to continue to attract and retain additional highly qualified personnel. Each member of our senior management team, key personnel and other employees could terminate his or her relationship with us at any time and the Company may not be able to replace such persons readily, if at all. As we continue to grow, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. Additionally, the Company may incur additional expenses to recruit and retain new executive officers or other key employees. If we fail to identify, recruit and integrate strategic hires, or if new members of our senior management team do not successfully transition into their new positions or fail to create effective working relationships among the other members of management, our business, operating results and financial condition could be adversely affected. Any such changes in leadership or the loss of our founder or other members of our senior management team or key personnel, could significantly delay or impede the achievement of our business objectives and could harm our business and our client relationships, especially in the event that we have not been successful in developing adequate succession plans. As we move into new markets, we will need to attract and recruit skilled employees in those locales. We have limited experience with recruiting in markets outside of our existing operating jurisdictions and may face additional challenges in attracting, integrating and retaining international employees.

### ***Confidentiality Agreements and Disclosure of Trade Secrets***

*Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.*

In order to protect the Company's technologies and processes, the Company relies in part on confidentiality agreements with its employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover the Company's trade secrets and proprietary information, and in such cases the Company could not assert any trade secret rights against such parties. To the extent that the Company's employees, contractors or other third parties with whom it does business use intellectual property owned by others in their work for the Company, disputes may arise as to the rights in related or resulting know-how and inventions. The loss of trade secret protection could make it easier for third parties to compete with the Company's services by copying functionality. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise the Company's ability to enforce its trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Company's proprietary rights, and failure to obtain or maintain protection of its trade secrets or other proprietary information could harm the Company's business, results of operations, reputation and competitive position.

### ***Prepaid Card Industry Factors***

*Our business could suffer if there is a decline in the use of prepaid cards as a payment mechanism or there are adverse developments with respect to the prepaid financial services industry in general.*

As the financial services industry evolves, consumers may find prepaid financial services to be less attractive than traditional or other financial services. Consumers might not use prepaid financial services for any number of reasons, including the general perception of our industry. For example, negative publicity surrounding other prepaid financial service providers could impact our business and prospects for growth to the extent it adversely impacts the perception of prepaid financial

services among consumers. If consumers do not continue or increase their usage of prepaid cards, our operating revenues may remain at current levels or decline. Projected growth of prepaid financial services may not occur or may occur more slowly than estimated. If consumer acceptance of prepaid financial services does not continue to develop or develops more slowly than expected or if there is a shift in the mix of payment forms, such as cash, credit cards, traditional debit cards and prepaid cards, away from our services, it could have a material adverse effect on our financial position and results of operations.

### **Competition**

*We operate in a competitive industry that includes companies that have more operating experience and greater financial, technical and marketing resources than we do. We may not be able to compete for clients and Cardholders successfully against current and future competitors, and our competitors may offer solutions that are perceived by our clients and Cardholders to be more attractive. These factors could result in declining revenue or the inability to grow our business.*

The payment technology and financial services industries are subject to the rapid development of service offerings, changing standards and evolving consumer demands, all of which affect our ability to remain competitive. We expect competition to increase as the barriers to enter these industries are low. Mounting competition may force us to charge less for our services or offer pricing models that are less attractive to us and decrease our margins.

We may be confronted by rapidly changing technology, evolving Cardholder needs and the frequent introduction by our competitors of new and enhanced products and services. Some of our existing and potential competitors are more established, have longer operating histories, benefit from greater name recognition, may have offerings and technology that we do not or which are more advanced and established than ours, and may have more financial, technical, sales, and marketing resources than we do. In addition, some competitors, particularly those with a more diversified revenue base and a broader range of products and services, may have greater flexibility than we do to compete aggressively on the basis of price and other contract terms, or to compete with us by offering Cardholders services that we may not provide. Some competitors are able or willing to agree to contract terms that expose them to risks that might be more appropriately allocated to clients. In order to compete effectively we might need to accommodate risks that could be difficult to manage or insure. In addition, as a result of product and service offerings introduced by us or our competitors, our industries will experience disruptions and changes in business models, which may result in the loss of clients. Our innovation efforts may lead us to introduce new products and services that compete with our existing services. New or stronger competitors may emerge through acquisitions and industry consolidation or through development of disruptive technologies. If our offerings are not perceived as competitively differentiated, due to competition and growth in the industry or our failure to develop adequately to meet market demands, we could lose clients or Cardholders or be compelled to reduce prices, making it more difficult to grow the business profitably.

As technology continues to improve and market factors continue to compel changes to our business, competition and pricing pressure may increase and market saturation may change the competitive landscape in favor of larger competitors with greater scale and broader product and service offerings, including those that can afford to spend more than we can to grow more quickly and strengthen their competitive position through innovation, development and acquisitions. In order to compete effectively, we may need to innovate, further differentiate our offerings and expand the scope of our operations more quickly than would be feasible through our own internal efforts. However, because some capabilities may reside only in a small number of companies, our ability to accomplish necessary expansion through acquisitions may be limited because available companies may not wish to be acquired or may be acquired by larger competitors with the resources to outbid us, or we may need to pay substantial premiums to acquire those businesses.

### **Reliance on Card-Issuing Banks**

*Substantially all of our debit and prepaid cards are issued by a small number of card-issuing banks, which relationships are a critical component of our ability to conduct our business and to maintain our revenue and expense structure.*

We may be unable to maintain relationships with the banks that issue our cards for a variety of reasons, including increased regulatory oversight, more burdensome regulation of the financial services and consumer lending industries, increased compliance requirements or changes in business strategy. If we do not maintain existing banking relationships, we would incur significant costs in order to change bank service providers and we may be unable to provide our services for an indeterminate period of time, creating contingent liabilities for us and jeopardizing relationships with our clients and Cardholders. As a result, the failure to maintain adequate banking relationships could have a material adverse effect on our business, results of operations and financial condition.

Our agreements with the banks, which issue cards to our Cardholders, provide for revenue-sharing arrangements and/or cost and expense allocations between the parties. Changes in the revenue-sharing arrangements or the costs and expenses that we have to bear under these relationships could have a material impact on our operating expenses. In addition, we may be unable to maintain adequate banking relationships or renew our existing agreements on terms that are favourable to the Company.

***Changes to Bank Fees or Practices, or Payment Card Networks***

*Changes in bank and service fees, could adversely affect our business, financial position and results of operations.*

We are reliant on banks and other payment processors to process transactions and must pay fees for their services. Payment card networks and other financial intermediaries may from time to time increase the fees they charge for transactions completed through their networks. The cost of these increased fees may be passed on to us by our payment processor(s), who may also increase their own fees for payment processing. Any increase in these fees could increase our operating costs and reduce our profitability.

***Changes by Payment Card Networks***

*Payment Card Networks may change their rules, standards, interchange rates or fees, adversely affecting our business and financial performance.*

The Company and the banks that issue Payfare payment cards are subject to rules, standards and guidelines established by payment card networks, such as Visa and Mastercard and failure to comply with these rules, standards and guidelines may result in fines and penalties that may impact our operations, including potential termination of payment card network registration held by the banks that issue Payfare cards. Changes to payment network card rules, standards, guidelines or fees charged by payment card networks may occur without prior notice to the Company and may increase our operating costs and require material resources to make technological changes to our platform. Increases in payment card network fees will increase our cost of doing business, have an adverse effect on our business and financial condition, and may result in loss of clients.

Payment card networks may change interchange rates or the classification of our commercial and small business card programs, which may have a significant impact on the Company's financial condition and the ability to maintain or increase profitability in the future, as a material source of our revenue is derived from small business and commercial interchange rates, and we expect interchange revenues to continue to represent a material portion of our total operating revenues going forward. Decreases in interchange revenue may also adversely impact our clients' revenue sources, and may impair our ability to retain and attract clients and cardholders.

***Exposure to Losses Arising from Negative Balances in Cardholder Accounts***

*Cardholder accounts may incur a negative balance, resulting in liability to the Company which may negatively impact our ability to retain cardholders and adversely affect our financial condition.*

In limited circumstances, cardholders' Payfare accounts can incur a negative balance and we may be required to credit cardholder accounts to cover the negative balance or credit the bank that issued the cards. A negative balance may result from certain transactions and circumstances, including (i) fraudulent transaction, (ii) from fluctuations in foreign currency exchange rates following a cardholder's international ATM withdrawal, (iii) failure by a third-party processor, or failure by Payfare to properly integrate with a third-party processor, to block transactions where there are insufficient funds in cardholder accounts to cover the transaction and related applicable fees, or (iv) merchants engaging in forced-post transactions. A forced-post transaction allows merchants to bypass payment network authorization processes by manually entering a previously obtained authorization code, following which the transaction is subsequently settled in the cardholder's account, regardless of whether or not there is sufficient balance in the account to cover the transaction. Where Payfare accounts incur negative balances, we may be liable to the card-issuing banks for any losses associated with negative Payfare account balances. Negative balances in Payfare accounts are deemed receivables due from cardholders and the Company may not be able to recover such receivables from our cardholders. Losses due to negative Payfare account balances may increase, or spike unpredictably, adversely impacting our operations and financial condition.

### ***Security and Infrastructure Risks***

*If we fail to maintain adequate security and supporting infrastructure as we scale our systems we may experience outages and disruptions of our services and may be in breach of our security obligations to our clients and Cardholders. Either of these occurrences could harm our brand and reputation, result in loss of client information, trigger related indemnity obligations and other liabilities, and negatively impact our revenue and financial performance.*

As we grow our business, we expect to continue to invest in technology services, including data centers, network services, storage and database technologies. Creating the appropriate support for our technology platforms, including big data and computational infrastructure, is expensive and complex, and our execution could result in inefficiencies or operational failures and increased vulnerability to cyber-attacks. We make representations to our Cardholders and clients regarding security policies and practices. If we do not adequately implement and enforce our security policies, it could result in a loss of Cardholder confidence, damage to our reputation and a loss of business. Further, security breaches could not only diminish the quality of our services and our performance for Cardholders, they could also result in a violation of security obligations to our clients and Cardholders that are designed to protect the data that we collect, store and transmit for them. Cyber-attacks could include denial-of-service attacks impacting service availability and reliability; the exploitation of software vulnerabilities in internet-facing applications; social engineering of system administrators (tricking company employees into releasing control of their systems to a hacker); or the introduction of computer viruses or malware into our systems with a view to misappropriate confidential or proprietary data. Cyber-attacks of increasing sophistication may be difficult to detect and could result in the theft of our intellectual property, our data and/or our clients' and Cardholders' data. In addition, we are vulnerable to unintentional errors as well as malicious actions by persons with authorized access to our systems. The steps we take to increase the reliability, integrity and security of our systems may be expensive and may not prevent system failures or unintended vulnerabilities resulting from the increasing number of persons with access to our systems, complex interactions within our technology platforms and the increasing number of connections with the technology of clients and third-party partners. Operational errors or failures or successful cyber-attacks could result in damage to our reputation and loss of current and new business partners, as well as exposure to indemnity or other civil claims and other liability to our clients and Cardholders, which could harm our business. In addition, we could be adversely impacted by outages and disruptions in the online platforms of our key business partners.

Payfare aims to mitigate and manage certain cyber security risks by employing specific policies and procedures, carrying out IT security-related audits, establishing internal controls relevant to mitigating security risks, performing certain "penetration" tests either internally or with help of third party consultants, obtaining IT security-related compliance certificates, designating a security or data officer that oversees the IT security of the Company, designating a privacy officer that is accountable for the Company's compliance with applicable privacy laws, using cyber-attack mitigating tools and services, utilizing back-up and disaster recovery services and maintaining specific cyber liability insurance coverage to insure against cyber security incidents. The Company's Audit Committee has been tasked to periodically review the various measures management and the Company has undertaken to manage its cyber security risks.

### ***Reputational and Fraud Risks***

*In the event of negative publicity, or if we fail to detect fraud, our reputation and brand could suffer, negatively impacting our business, prospects, financial condition and financial performance.*

Similar to all public corporations, we are exposed to reputational risk. Reputational risk is the risk that an activity by us or one of our representatives will impair our image in the community or public confidence in our business, which may result in legal action, additional regulatory oversight or have a negative impact on our earnings or future prospects. Factors that can heighten reputational risk include breach of confidentiality or lack of privacy, lack of professionalism, inappropriate resolution of conflicts of interest, fraudulent or criminal activity, misrepresentation (or withholding) of information from shareholders, clients and employees, or any negative publicity regardless of the truth or accuracy of its contents.

We manage reputational risk through the integration of reputational risk assessments in our transaction approval processes, strategy development decisions, and strategic and operational implementation and control processes. Our corporate governance practices, codes of conduct and risk management policies, procedures and training also assist in the management of reputational risk.

Our business depends in part on providing our Cardholders with a service that they trust. We have contractual commitments to take commercially reasonable measures to prevent fraud, and we use a combination of proprietary technology and third-party services to help us meet those commitments. We use third party technology, and our own proprietary technology, to detect suspected fraud by Gig Workers using the Payfare platform, fraud by employees or consultants of Payfare, and other fraud which may affect the integrity of the Payfare platform or our systems. If we fail to detect fraud, we may lose the trust

of our Cardholders which would harm our reputation and could have a material adverse effect on our business, prospects, financial condition and financial performance.

Fraudulent and other illegal activity involving our services could lead to reputational damage to us and reduce the use and acceptance of our services. Criminals are using increasingly sophisticated methods to engage in illegal activities involving financial services and Cardholder information, such as counterfeiting, fraudulent payment or refund schemes and identity theft. We rely upon third parties for transaction processing services, which subjects us and our Cardholders to risks related to the vulnerabilities of those third parties. A single significant incident of fraud, or increases in the overall level of fraud, involving our services could result in reputational damage to us, which could reduce the use and acceptance of our services, cause third-party service providers and financial intermediaries to cease doing business with us or lead to greater regulation or oversight, that would increase our compliance costs. Furthermore, in an effort to counteract fraud involving our services, we may implement risk control mechanisms that could make it more difficult for Cardholders to obtain and use our services, which would negatively impact our operating results.

### ***Future Acquisitions***

*In the future, we may acquire other businesses which could require significant management attention, disrupt our business, dilute shareholder value and adversely affect our operating results.*

We may in the future make acquisitions or investments in complementary companies, services and technologies that we believe fit within our business model and can address the needs of our current and potential Cardholders. In the future, we may not be able to acquire and integrate other companies, services or technologies in a successful manner. We may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. In addition, the pursuit of potential acquisitions may divert the attention of management and cause us to incur additional expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, including increases in revenue, and any acquisitions we complete could be viewed negatively by our clients, investors and industry analysts.

In addition, if we are unsuccessful at integrating such acquisitions or the technologies associated with such acquisitions into our business, our revenue and operating results could be adversely affected. Any integration process may result in unforeseen operating difficulties and require significant management attention and resources, and we may not be able to manage the process successfully. In particular, we may encounter difficulties assimilating or integrating the companies, services, technologies, personnel or operations we acquire, particularly if the key personnel of an acquired business are geographically dispersed or choose not to continue to work for us following the acquisition. Acquisitions may also: disrupt our core business, divert our resources, require significant management attention that would otherwise be available for development of our existing business, increase the scope and complexity of our business, and cause the Company to become more financially leveraged or to incur additional expenses in completing transactions and integrating acquired businesses. In addition, we may not successfully evaluate or utilize the acquired services, technologies, personnel or operations, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. If we fail to properly evaluate, execute or integrate acquisitions or investments, the anticipated benefits of such acquisition or investment may not be realized, we may be exposed to unknown or unanticipated liabilities, and our business, prospects, financial condition and financial performance could be materially and adversely affected.

Future acquisitions may reduce our cash available for operations and other uses and could result in an increase in amortization expense related to identifiable assets acquired. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could adversely affect our financial condition or the value of our Common Shares.

### ***Dilution***

*We may issue additional securities in the future.*

Payfare's articles permit the issuance of an unlimited number of Common Shares and shareholders will have no pre-emptive rights in connection any such further issuance of Common Shares. If the Company raises additional financing through the issuance of Common Shares (including securities convertible or exchangeable into Common Shares) or completes an acquisition or investment by issuing additional Common Shares, such issuance may substantially dilute the interests of holders of Common Shares and reduce the value of their investment.

The Company's Board has the discretion to determine the price and the terms of future issuances and the market price of our Common Shares could decline as a result of issuances of new Common Shares. Moreover, additional Common Shares may be issued by the Company on the exercise of Options, vesting of RSUs or in connection with other incentive securities and upon the exercise of any outstanding Warrants.

### ***Future Financing and Debt***

*We may require additional capital to support our growth, and such capital might not be available on favourable or acceptable terms, if at all. The unavailability of capital could hamper our growth and adversely affect our business.*

To meet our capital needs, we expect to rely on our cash flows from operations. We cannot provide any assurance that our business will generate sufficient cash flows from operations to enable us to fund our liquidity needs. The Company may require equity and/or debt financing in the future to support on-going operations, to undertake capital expenditures, or to complete acquisitions or other investment transactions. Third-party financing in the future may not be available on terms favourable to us, or at all, and we may not manage costs and working capital successfully. Our inability to raise additional capital as needed could impede our growth and could materially adversely affect our business, financial condition and financial performance.

### ***Future Offerings of Debt and Equity Securities***

*Future offerings of debt securities, which would rank senior to our Common Shares in the event of bankruptcy or liquidation, and future offerings of equity securities that may be senior to our Common Shares for the purposes of dividend and liquidating distributions, may adversely affect the market price of our Common Shares.*

In the future, we may complete offerings of debt securities or additional offerings of equity securities in order to raise capital to support the growth and development of the business. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, the market price of our Common Shares may decline, and any new equity securities issued could have rights, preferences and privileges superior to our Common Shares. If the Company raises additional capital by incurring debt, this will result in increased interest expense payable by the Company.

### ***Cash Flows from Operations***

*The Company may have negative cash flows from operating activities.*

The Company may not have consistent positive cash flows from its operating activities, and there are no assurances that the Company will not experience negative cash flows from operations in the future. Operating cash flows may decline in certain circumstances, many of which are beyond the Company's control.

Since the Company expects to continue incurring significant future expenditures in order to develop and expand its business, the Company may continue to report negative cash flows. An inability to generate positive cash flows could have an adverse effect on the liquidity and financial position of the Company and may affect the market price of our Common Shares.

### ***Tax Rules***

*Federal, state, provincial, municipal and local tax rules may adversely impact our financial performance and financial position.*

We are subject to federal, state, provincial, municipal and local taxes in the jurisdictions we operate. If the tax authorities having jurisdiction over our business disagree with the positions we have taken on our tax returns, we could face additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on our financial position and financial performance. In addition, complying with new tax rules, laws or regulations could impact our financial condition, and increases to applicable tax rates and other changes in tax laws, rules or regulations may increase our effective tax rate. Any increase in our effective tax rate could have a material impact on our financial results.

### ***International Tax Rules***

*Changes in international tax rules may adversely affect our cash flows and financial condition.*

Certain of our subsidiaries are subject to taxation in international jurisdictions, including Mexico and the United States. Longstanding international norms and treaties that determine each country's jurisdiction to tax cross-border activities may change and subject the Company to additional taxes in the future. In addition, we are affected by the impact of changes to tax laws or policy or related authoritative interpretations, including to the extent corporate tax reform becomes a key component of budgetary initiatives in the jurisdictions in which we operate. Any increases in tax rates, changes in tax laws or unfavorable resolutions of tax matters could have a material impact on our financial results. Given the uncertainty around any possible changes and their potential interdependency with business and economic factors, there are no assurances as to the likelihood or effect that any changes may have on our cash flows and financial results.

### ***Sales Team Development***

*If we do not effectively train and provide tools and technology to support our sales, client service and operations teams, we may be unable to maintain or increase use of our services by our existing Cardholders or maintain Cardholder satisfaction, and our business could be adversely affected.*

We are substantially dependent on our sales, client service and operations teams to maintain and increase use of our services by existing clients and Cardholders and on our client service and operations teams to maintain Cardholder satisfaction. Our ability to achieve significant revenue growth will depend, in part, on our success in recruiting, training, integrating and retaining sufficient numbers of sales and client service and operations personnel to support growth and maintain client satisfaction.

### ***Political Landscape***

*Our business be materially adversely affected by significant developments stemming from political events and changes.*

Changes in U.S. and international social, political, regulatory and economic conditions, or in laws and policies governing foreign trade, technology, financial services and investments that affect the jurisdictions where we operate could adversely affect our business.

In the United States the *Protecting the Right to Organize Act* (the "**PRO Act**") is currently a proposed bill in the House of Representatives. If enacted, the PRO Act could implement an "economic reality test" which could result in a reclassification of Gig Workers as employees and could require Gig Platforms to significantly alter their existing business model and operations and impact their ability to add and retain Gig Workers and grow their business, which we would expect to have an adverse effect on our business, financial condition and results of operations.

In addition, our business could be negatively affected by new trade agreements between countries, including Canada and the United States, or by the possible imposition of trade or other regulatory barriers in Canada, the United States, or other countries reacting to trade policies adopted in the United States, including sanctions. While the Company does not have operations in Ukraine and Russia or Israel and Palestine, the events in 2022 and 2023 involving Russia's military invasion into Ukraine and Israel's military action in Palestine and the impacts that has had on nations and the impacts felt internationally are yet to be fully determined. The uncertainty posed by the current period of political and trade volatility may result in various negative effects on our business, many of which may not be currently foreseeable. These possible negative effects may adversely affect our operating results, financial condition and growth prospects.

### ***Public Health Crises***

*Global Pandemics could adversely affect our cash flows, financial condition and the growth of our business.*

The international outbreak of the illness similar to COVID-19 (coronavirus, including currently known and future variants) and efforts to contain it may have a significant effect on the global economy and financial markets in the future, including the demand for and prices of products. It may also impact third parties' ability to meet their obligations to the Company and the Company's ability to meet its obligations to third parties or its clients. The extent and impact of a similar pandemic will be unknown and may include volatility in financial markets, a slowdown in economic activity, and raises the prospect of an extended global recession.

COVID-19, or any other contagious disease or public health threat to the human population, could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for the Company's services and negatively impact its operating results and financial performance.

Global pandemics and other public health threats, or a fear thereof, could adversely impact the Company's operations, sales efforts, expansion projects and lead to labour shortages (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if such an occurrence persists for an extended period of time, but the Company anticipates that it would have a material adverse effect on its business, operating results and financial performance. In addition, the Company may also be required to incur additional expenses and/or delays relating to such events, which could have a further negative impact on its business, operating results and financial performance.

### ***Financial Reporting and Internal Controls***

*As a public company, we are required to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be effective, which could adversely affect investor confidence in our Company and, as a result, negatively impact the value of our Common Shares.*

If we or our material vendors fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired. As a public company, we are subject to the reporting requirements of the Canadian Securities Administrators (CSA) and the rules and regulations of the listing standards of the TSX, as well as the OTCQX as operated by the OTC Markets Group in the United States. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the CSA is recorded, processed, summarized, and reported within the time period specified in CSA rules and forms and that information required to be disclosed in reports under applicable securities laws is accumulated and communicated to our principal executive and financial officers.

We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the CSA.

Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which could have a negative effect on the trading price of our Common Shares. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the TSX.

### ***Insurance Coverage***

*Insurance may not cover all risks to which the Company is exposed.*

The Company has insurance to protect its assets, operations, directors and employees. While the Company believes the insurance coverage addresses all material risks to which it is exposed and is adequate and customary in the current state of operations, such insurance is subject to coverage limits and exclusions. The Company's insurance does not cover all the potential risks associated with its operations. Moreover, insurance against certain risks encountered in the operations of the Company may not be generally available on acceptable terms, if at all.



In addition, no assurance can be given that the Company will be able to maintain insurance that will be adequate to cover the Company's liabilities or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, the business, results of operations and financial condition of the Company could be materially adversely affected.

### **Conflicts of Interest**

*Directors and officers may be involved in similar businesses and may have conflicts of interest.*

Certain directors and officers of the Company hold, or may in future hold, interests in other companies involved in the same or similar businesses to the Company or may become directors or officers of other companies. As a result, conflicts of interest may arise between our directors and officers in certain circumstances, which could be adverse to the Company and, whether the conflict of interest is real or perceived, put the reputation of the Company at risk. Any conflicts of interest which may arise will be subject to and governed by the laws applicable directors' and officers' conflicts of interest and fiduciary duties, including the procedures prescribed by the Company's governing corporate law statute respecting disclosable interests.

### **Natural Disasters**

*The Company's business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as terrorism.*

The Company's systems and operations, including its offsite data centers which are managed by third party services providers, are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on the Company's business, operating results and financial condition and its insurance coverage may be insufficient to compensate the Company for losses that may occur.

Acts of terrorism, which may be targeted at metropolitan areas which have higher population density than rural areas, could cause disruptions in the Company's or its clients' businesses or the economy as a whole. The Company may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting any area in which it operates or its datacenters are located, and its business interruption insurance may be insufficient to compensate the Company for losses that may occur.

## **TECHNOLOGY-RELATED RISK FACTORS**

### **Technology Implementation**

*Our technology development efforts may be inefficient or ineffective, which may impair our ability to attract and retain clients and Cardholders.*

Management believes that our future success will depend in part upon our ability to enhance our existing platform, to develop and introduce new services in a timely manner with features and pricing that meet changing client and market requirements, and to persuade Cardholders to adopt same. New elements of our platform must compete with established competitors and may require significant investment in research, development and marketing in order to gain traction amongst Cardholders and potential Cardholders. We schedule and prioritize our development efforts according to a variety of factors including but not limited to, our perceptions of market trends, client and Cardholder requirements, and resource availability. We face intense competition in the marketplace and are confronted by rapidly changing technology, evolving industry standards and consumer needs, and the frequent introduction of new solutions by our competitors. Our solutions are complex and can require a significant investment of time and resources to develop.

These activities can take longer than we expect. We may encounter unanticipated difficulties that require us to re-direct or scale back our efforts and we may need to modify our plans in response to changing Cardholder requirements, market demands, resource availability, regulatory requirements or other factors. If development of our solutions becomes significantly more expensive due to changes in regulatory requirements or industry practices, or other unforeseen factors, we may find ourselves at a disadvantage compared to our larger or more established competitors that may have greater resources to devote to product development and implementation. These factors place significant demands upon our engineering team, require complex planning and decision making, and can result in the acceleration of some initiatives and the delay of others. If we do not manage our development efforts efficiently and effectively, we may fail to produce in a

timely manner, or at all, solutions that respond appropriately to the needs of clients and Cardholders, and our competitors may develop offerings that more successfully anticipate market evolution and address market expectations. If our services are not responsive and competitive, clients may shift their business to competing products or platforms. Clients may also resist adopting our services for various reasons, including reluctance to disrupt existing relationships and business practices or to invest in necessary technological integration, or preference for competitors' offerings or self-developed capabilities.

### **Computer and Payment Network System Risks**

*Our business is dependent on the efficient and uninterrupted operation of computer and payment network systems and data centers.*

Our ability to provide reliable service to Cardholders and other network participants depends on the efficient and uninterrupted operation of our computer network systems and data centers, as well as the computer and payment networks of our third-party card issuers, payment processors and other financial services industry intermediaries. Our business involves sending communications and data for the movement of money, processing of large numbers of transactions and management of the data necessary to do both. Our success depends upon the efficient and error-free handling of the instructions involving money that is remitted to Cardholders' accounts or the banks that issue our cards. We rely on the ability of our employees, systems and processes, and those of the banks that issue our cards, third-party payment processors and other financial services industry intermediaries to process and facilitate these transactions in an efficient, uninterrupted and error-free manner. In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper operation or any other event impacting our systems or processes, or those of our partners, or an improper action by our employees, agents or third-party partners, we could suffer financial loss, loss of Cardholders, regulatory sanctions and damage to our reputation. The measures we have taken, including the implementation of disaster recovery plans and redundant computer systems, may not be successful in preventing network failures or avoiding losses, and we may experience other problems unrelated to system failures. We may also experience software defects, development delays, installation difficulties, or difficulty integrating third-party systems and software with our proprietary systems, any of which could harm our business and reputation and expose us to potential liability and increased operating expenses. Some of our contracts with our clients contain service level standards pertaining to the operation of our systems and provide our clients with the right to predetermined penalties or service credits, or the right to terminate their contracts with us if our system downtime exceeds stated limits. If we face system interruptions or failures, our business interruption insurance may not be adequate to cover the losses or damages that we incur.

### **Systems Management Risks**

*If we do not manage our information technology systems and infrastructure effectively, (i) the quality of our platform, solutions and services and our relationships with our clients and Cardholders may suffer, and/or (ii) our ability to perform essential administrative functions may be impaired. Either or both of these results could have an adverse impact on our business, financial condition and financial performance.*

We rely heavily on information technology, or "IT," systems. We must expand, improve and automate these systems to maintain the quality of our platform and services going forward and, in particular, to avoid service interruptions, security breaches and slower system performance for our enterprise solutions. We also depend on IT systems to help manage essential functions such as revenue recognition, budgeting, forecasting, financial reporting, invoicing, collections and other administrative functions. Despite the use of IT systems, many of our processes remain manual in nature and thus we must also continue to manage our employees, operations, finances, research and development and capital investments efficiently. Our productivity and the quality of our platform may be adversely affected if we do not quickly and effectively integrate and train new employees on our systems, processes and security protocols, or if we fail to appropriately coordinate across functional groups and offices. If we do not adapt to meet the evolving challenges of our business, and if we do not effectively and efficiently scale our operations to support our business, the quality of our platform may suffer, our IT systems and infrastructure may be more prone to security breaches and service interruptions, and relationships with our clients and Cardholders may be harmed, which, in turn, could have an adverse impact on our financial condition and financial performance.

### **Risk of System Failure**

*Errors or failures in our software and systems could adversely affect our operating results and growth prospects.*

We depend on the sustained and uninterrupted performance of our technology platforms. If our technology platforms cannot scale to meet demand, or if there are errors in the execution of any of the functions performed by our platforms, then our

business could be harmed. Because our software is complex, undetected errors and failures may occur, especially when new versions or updates are made. Errors may also occur when integrating third-party software and systems with our existing software and systems. Despite testing, errors or bugs in software have in the past, and may in the future, not be found until the software is in a live operating environment.

Errors or failures in our software could result in negative publicity, damage to our brand and reputation, loss of or delay in market acceptance of our platform, increased costs or loss of revenue, loss of competitive position or claims by Cardholders for losses sustained by them. In the event of a system failure, we may be required to expend additional resources to help mitigate any problems that may result. Alleviating problems resulting from errors in our software could require significant expenditures of capital and other resources and could cause interruptions, delays or the cessation of our business, any of which would adversely impact our reputation as well as our financial position, financial performance and growth prospects.

### ***Reliance on Third Party Open Source Software***

*Certain aspects of our services rely on third-party open source software components and failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell our solutions.*

Our technology platforms, including our computational infrastructure, rely on software licensed to us by third-party authors under "open source" licenses. The use of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar services with less development effort and time and ultimately put us at a competitive disadvantage.

Although we monitor our use of open source software to avoid subjecting our services to conditions we do not intend, the terms of many open source licenses have not been interpreted by Canadian or United States courts and the legal ramifications of such use remain uncertain. The use of open source software may therefore lead to unintended legal consequences that may have a material adverse effect on our proprietary technology and intellectual property, or those of our third-party partners. Moreover, we cannot guarantee that our processes for controlling our use of open source software will be effective.

If we are held to have breached the terms of an open source software license we may: be subject to intellectual property infringement claims, be required to seek licenses from third parties to continue operating our platforms on terms that may not be economically feasible, be required to re-engineer our platforms or the supporting computational infrastructure to discontinue use of certain code, or to make generally available, in source code form, portions of our proprietary code, any of which could adversely affect our business, financial condition and financial performance.

If we fail to manage our *hosting* network infrastructure capacity, our existing customers may experience service outages and our new customers may experience delays in accessing our platform.

We host our platform on data centers provided by Amazon Web Services ("AWS"), a provider of cloud infrastructure services. Our operations depend on the virtual cloud infrastructure hosted in AWS as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Although we have disaster recovery plans that utilize multiple AWS locations, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion, computer viruses, disabling devices, natural disasters, war, criminal act, military actions, terrorist attacks, and other similar events beyond our control could negatively affect the availability and reliability of our platform. A prolonged AWS service disruption affecting our platform for any of the foregoing reasons or the termination of our relationship with AWS could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use.

AWS enables us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions, and provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement by providing prior written notice and may, in some cases, terminate the agreement immediately for cause upon notice. Any disruption of our use of, or interference with, AWS would adversely affect our operations and business.

We have experienced significant growth in the number of Gig Workers using the Payfare platform, transactions completed by Gig Workers, and data volume that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our hosting network infrastructure to meet the needs of all of our Cardholders. However, the provision of new hosting infrastructure may require significant lead time and resources. If we do not accurately predict our infrastructure capacity requirements, our existing clients may experience service outages that may adversely impact our results of operations and lead to customer losses. If our hosting infrastructure capacity fails to keep pace with increased numbers of Cardholders, customers may experience delays as we seek to obtain additional capacity, which could harm our reputation and adversely affect our revenue growth.

### ***Difficulty Protecting Proprietary Technology***

*Our rights with respect to our intellectual property may be difficult to protect or to enforce. This could enable others to copy or use aspects of our platform without compensation, which could erode our competitive advantages and harm our business.*

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop under the intellectual property laws of Canada and the United States. We rely on trademark, copyright, trade secret and patent laws, confidentiality procedures and contractual provisions to protect our proprietary methods and technologies. Uncertainty may result from changes to intellectual property legislation enacted in Canada and the United States, including Canada's Anti-Spam Legislation and the America Invents Act, and other national governments and from interpretations of the intellectual property laws of Canada and the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to obtain adequate protection for our intellectual property, or to prevent third parties from infringing upon or misappropriating our intellectual property.

Unauthorized parties may attempt to copy aspects of our technology or obtain and use information that we regard as proprietary. We generally enter into confidentiality and/or license agreements with our employees, consultants, and clients, and generally limit access to, and distribution of, our proprietary information. We cannot provide any assurances that any steps taken by us to protect our proprietary information will prevent misappropriation of our technology and proprietary information. Policing unauthorized use of our technology is difficult. The laws of some countries may not afford us the same protections for our intellectual property rights as those of Canada and the United States, and mechanisms for enforcing our rights with respect to intellectual property in such countries may be inadequate. From time to time, it may be necessary for us to take legal action to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Such litigation could result in substantial costs and the diversion of limited resources and could negatively affect our business, financial condition and financial performance. If we are unable to protect our proprietary rights (including aspects of our platform), we may find ourselves at a competitive disadvantage to others who have not incurred the same level of expense, time and effort to create and protect their intellectual property.

### ***Internet and Mobile Device Risks***

*Our business could be adversely impacted by changes in the Internet and mobile device accessibility of Cardholders.*

Our business depends on Cardholders' access to our platform via a mobile device or personal computer and the Internet. We may operate in jurisdictions that provide limited Internet connectivity, particularly as we expand internationally. Internet access and access to a mobile device or personal computer are frequently provided by companies with significant market power that could take actions that degrade, disrupt, or increase the cost of Cardholders' ability to access our platform. In addition, the Internet infrastructure that we and Cardholders rely on in any particular geographic area may be unable to support the demands placed upon it and could interfere with the speed and availability of our services. Any such failure in Internet or mobile device or computer accessibility, even for a short period of time, could adversely affect our results of operations.

### ***Third Party Intellectual Property Claims***

*We may be exposed to infringement or misappropriation claims by third parties, which, if determined against us, could subject us to significant liabilities and other costs.*

Our success may depend on our ability to use and develop new technologies, services and know-how without infringing the intellectual property rights of third parties. The Company has no assurance that third parties will not assert intellectual property claims against it. We are subject to additional risks if entities licensing intellectual property to us do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against us, the Company will be required to defend itself in litigation or administrative proceedings,

which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, require us to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

## **LEGAL AND REGULATORY RISK FACTORS**

### ***Regulatory Risks***

*Legislation or regulations may be introduced which have a negative effect on our business, operations or future prospects.*

If local, state or federal legislative or regulatory changes are made in respect of financial services or technology companies, Earned Wage Access (EWA), among other industries or sectors, our business may be adversely affected or we may be unable to carry on the business of the Company as currently conducted or contemplated. For example, as a technology provider, a program manager, and/or agent for a regulated party, Payfare is currently exempt from certain registration and licensing requirements for money transmission or money services. Changes in interpretations of the law, amendments to or new legislation or regulations introduced in any of the jurisdictions in which we operate could subject our business to new restrictions, or result in increased costs associated with complying with such legislation and regulations. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Earned Wage Access for hourly paid employees in particular is a vertical that is subject to a multitude of legislation and rules, from Federal to Provincial/State laws, lending to payday loans, usuary to consumer protection laws. Governments are changing such laws that apply to EWA yearly given the popularity and the impacts they are having for individuals who need an EWA service. There are no defined set of laws that apply across all jurisdictions, which will make it challenging for any entrant to develop a product offering that is compliant everywhere. Payfare, along with its partners and counsel are monitoring for new legislation, interpretations and amendments to ensure it is up to speed and compliant as it explores various opportunities to develop and launch EWA services. Notwithstanding, the EWA industry is still in its early stages of growth, and many laws and regulations remain untested at this time, and the Company will face a certain level of risk (like all new entrants), as to whether policymakers will continue to permit EWA services, increase its regulation and/or limit its application.

### ***Compliance and Risk Management Risks***

*The Company's compliance and risk management programs may not be effective and may result in outcomes that could materially and adversely affect the Company's reputation, financial condition and operating results, among other things.*

Through contract or by operation of law, the Company is subject to anti-money laundering laws such as the Canadian *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its regulations, and the U.S. *Bank Secrecy Act*. The Company's ability to comply with applicable laws and regulations is largely dependent on the establishment and maintenance of compliance, review and reporting systems, as well as the ability to attract and retain qualified compliance and other risk management personnel. In the event the Company enters into new markets, or verticals, it may become subject to laws and regulations which differ from those of its current markets or verticals and which may conflict with other laws and regulations to which it is subject. The Company cannot provide any assurance that its compliance policies and procedures will be effective or that the Company will always be successful in monitoring or evaluating applicable risks. In the case of alleged non-compliance with applicable laws or regulations, the Company could be subject to investigations and legal or regulatory proceedings that may result in substantial penalties or claims against it. Any such claims may materially and adversely affect the Company's reputation, financial condition and the value of any investment in the Company.

### ***Employee and Third Party Misconduct***

*Operational risks, such as misconduct and errors of employees or entities with which the Company does business, may be difficult to detect and deter and could cause material reputational and financial harm to the Company.*

The Company's employees and agents could engage in misconduct, which may include conducting and concealing unauthorized activities, or improperly using or disclosing confidential information. It may not be possible to deter misconduct by employees or others, and the precautions that the Company takes to prevent and detect these activities may not be effective in all cases. Any unauthorized actions by the Company's employees or agents could lead to regulatory or criminal proceedings, which, in each case, could have a material and adverse effect on the Company. Furthermore, the Company's

employees could make errors recording or executing transactions, which may result in additional material costs to the Company.

### ***Personal Data Collection Risk***

*Measures we take to protect our Cardholders' personal information may be inadequate and there is a risk of a data breach or the loss or theft of such personal information.*

Legislation and regulation of digital businesses, including privacy and data protection regimes, could create unexpected additional costs, subject us to enforcement actions for compliance failures, or cause us to change our technology solution or business model, which may have an adverse effect on the demand for our platform.

Many local, provincial/state, national, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of data collected from and about consumers and devices, and the regulatory framework for privacy issues is evolving worldwide. Various Canadian, U.S., Mexican and foreign governments, consumer agencies, self-regulatory bodies, and public advocacy groups have called for new regulation directed at the collection and retention of personal information, and we expect to see an increase in legislation and regulation related to the collection and use of such data. Such legislation or regulation could affect the costs of doing business.

While we take measures to protect the security of information that we collect, use and disclose in the operation of our business, if we experience a data breach we may face claims by Cardholders whose personal information is disclosed without authorization, which claims may have a material adverse effect on our business and financial condition. We may also be subject to various regulatory proceedings, enforcement and additional oversight as a result of any loss or disclosure of personal information.

### ***Litigation***

*We may be subject to various litigation and other proceedings.*

All industries, including the payment technology and financial services industries, are subject to legal claims, with and without merit. We may become party to litigation in the ordinary course of business, which could adversely affect our business. Should any litigation in which we become involved be determined against us, such a decision could adversely affect our ability to continue operating, the market price for our Common Shares, and could use significant financial and other corporate resources of the Company. Even if the Company is successful in litigation, litigation can significantly redirect our resources. Litigation may also negatively affect our reputation.

### ***Anti-money laundering***

*Money laundering and terrorist financing are receiving significant attention as nations attempt to deal with the harmful legal, economic, and social consequences of illegal activities.*

Governments, law enforcement agencies, and regulators around the world employ a variety of means, including establishing regulatory requirements applicable to financial institutions, to curtail the ability of criminal and terrorist elements to profit from, or finance, their activities. It is widely recognized that financial institutions are uniquely positioned and possess the necessary infrastructure to assist in the fight against money laundering, terrorist financing, and criminal activity through prevention, detection, and the exchange of information. Money laundering, terrorist financing and economic sanctions violations represent regulatory, legal, financial and reputational risk to the Company. We are by contract or by operation of law, subject to a number of expanding and constantly evolving anti-money laundering/anti-terrorist financing (AML/ATF) laws, regulations and economic sanctions internationally, given the Company's global footprint. The Company is committed to sustaining secure financial systems in the countries around the world in which it maintains operations by taking the necessary action, using a risk-based approach. The Company's AML program includes policies and internal controls with respect to client identification and due diligence, transaction monitoring, investigating and reporting of suspicious activity, and evaluation of new services to prevent or detect activities that may pose AML risk to the Company. The AML program also facilitates an annual AML/ATF risk assessment process and ensures that management and all employees undergo initial and ongoing AML/ATF training.

### ***Regulatory Requirements***

*Operating in multiple countries requires us to comply with different legal and regulatory requirements.*

Our operations subject us to laws and regulations of multiple jurisdictions, as well as Canadian and U.S. laws governing international operations, which are often evolving and sometimes conflict. For example, the *Foreign Corrupt Practices Act* ("FCPA") and comparable U.S. and foreign laws and regulations prohibit improper payments or offers of payments to foreign governments and their officials and political parties by Canadian, U.S. and other business entities for the purpose of obtaining or retaining business. Other laws and regulations prohibit bribery of private parties and other forms of corruption. As we expand our international operations we are exposed to increased risk of unauthorized payment or offers of payment or other inappropriate conduct by one of our employees, consultants, agents, or other contractors, including by persons engaged or employed by a business we acquire, which could result in our violation of various laws, including the FCPA. The safeguards we implement to discourage these practices may prove to be ineffective and violations of the FCPA and other laws may result in severe criminal or civil sanctions or other liabilities or proceedings against us, including class action lawsuits and enforcement actions from the Canadian, U.S. or foreign regulators. Other laws applicable to our international business include local employment, tax, privacy, data security, and intellectual property protection laws and regulations. These regulations and requirements may differ significantly from the requirements applicable to our business in Canada, the United States and Mexico, and may require engineering, infrastructure and other costly resources to accommodate and may result in decreased operational efficiencies and performance. As these laws continue to evolve and we expand to more jurisdictions or acquire new businesses, compliance will become more complex and expensive and the risk of non-compliance will increase.

### ***Compliance with Payment Network Rules***

*Changes in rules or standards set by payment networks, or changes in debit network fees or services, could adversely affect our business, financial position and results of operations.*

We are subject to association rules that could subject us to a variety of fines or penalties that may be levied by our financial institution partners, card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as MasterCard PTS. The termination of the card association registrations held by us or any changes in card association or other debit network rules or standards, including the interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card associations may increase the fees that they charge, which could increase our operating expenses, reduce our profit margins and may adversely affect our business, results of operations and financial condition.

### ***KYC Compliance Risks***

*We rely on third-party services to comply with KYC requirements and if such providers fail to provide accurate information or we do not maintain business relationships with them, our business, financial condition, and results of operations could be adversely affected.*

The Company seeks to implement and maintain anti-money-laundering, "know your customer" and other policies and procedures that are consistent with applicable Canadian and U.S. laws and regulations and with financial services industry best practices. Nonetheless, the Company may not be able to prevent illegal activity from occurring on or through its platforms, including the unauthorized use of a validly opened account. Failure to meet applicable AML/KYC legal and regulatory requirements could result in regulatory fines, sanctions or restrictions, which in each case could materially and adversely affect the Company's reputation and financial condition.

Furthermore, the Company will use and rely on third-party service providers to complete key aspects of AML/KYC screenings. Although the Company will perform due diligence on such providers, there can be no assurance that in all events such providers will detect all potential illegal activity or comply with all aspects of applicable law and regulation. If such a provider were to fail to perform to agreed standards or maintain full compliance, it could have a material and adverse effect on the Company's business and operations.