FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: XS Financial Inc. (the "Issuer").

Trading Symbol: XSF

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Unaudited condensed consolidated interim financial statements for the three-month period ended June 30, 2021, as filed with the securities regulatory authorities are attached to this form 5 as Appendix "A".

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in the Issuer's financial statements for the interim period ended June 30, 2021, attached hereto as Appendix "A". For information supplementary to that contained in the notes to the unaudited condensed consolidated interim financial statements with respect to related party transactions, please refer to the Management's Discussion and Analysis ("MD&A") for the three-month period ended June 30, 2021, as filed with the securities regulatory authorities and attached to this Form 5 as Appendix "B".

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

All securities issued and options granted, if any, by the issuer have been disclosed in the Issuer's financial statement notes for the interim period ended June 30, 2021.

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
June 9 2021	Common Shares	Compensation	458,279	$0.224	$102,654	cash	Management	nil

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
April 27, 2021	260,000	Justin Vuong, management		$0.33	April 27, 2026	$0.275
April 27, 2021	100,000	Atlas Advisory, management		$0.33	April 27, 2026	$0.275
June 11, 2021	28,912	Gary Herman, Director		$0.30	June 11, 2026	$0.25
June 11, 2021	83,034	Stephen Christoffersen, Director		$0.30	June 11, 2026	$0.25
June 11, 2021	36,714	Jim Bates, Management		$0.30	June 11, 2026	$0.25

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized	Par Value
Common Shares	unlimited	NPV
Proportionate Voting Shares	unlimited	NPV

(b) number and recorded value for shares issued and outstanding,

Description	Number Issued and Outstanding	Value
Common Shares	75,494,626	$20,383,549
Proportionate Voting Shares	28,358,598 (converted)	$7,656,821

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding	Exercise Price	Expiry Date
Stock Options	1,055,129	0.60	July 19, 2028
Stock Options	1,805,000	0.34	November 25, 2024
Stock Options	1,808,889	0.22	April 20, 2025
Stock Options	16,565	0.23	December 14, 2022
Stock Options	1,880,180	0.33	March 26, 2026
Stock Options	360,000	0.30	April 27, 2026
Stock Options	148,660	0.30	June 11, 2026
TOTAL	**7,074,423**		
Warrants	5,452,134	1.50	September 11, 2024
Warrants	31,765	1.13	November 28, 2020
Warrants	26,470	1.13	December 5, 2020
Warrants	174,115	1.13	December 31, 2020
Warrants	36,818	1.10	May 15, 2021
Warrants	400,000	1.10	March 24, 2024

Warrants	500,000	1.10	April 12, 2024
Warrants	150,000	1.10	July 17, 2024
Warrants	374,308	1.10	September 10, 2024
Warrants	461,818	1.50	September 11, 2024
Warrants	4,706,800	0.30	March 3, 2023
Warrants (PVS, SVS equivalent)	5,251,000	0.45	March 3, 2023
Warrants	40,709,731	0.45	March 3, 2023
TOTAL	**58,042,609**		

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Nil

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

David Kivitz **Chief Executive Officer, Director**
Antony Radbod **Chief Operating Officer, Director**
Nelson Lamb **Chief Financial Officer**
Stephen Christoffersen **Director**
Gary Herman **Director**

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion and Analysis ("MD&A") for the three-month period ended June 30, 2021, attached to this form 5 as appendix "B".

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated September 7, 2021.

David Kivitz
Name of Director or Senior Officer

"David Kivitz"
Signature

CEO
Official Capacity

Issuer Details Name of Issuer XS Financial Inc.	For Quarter Ended June 30, 2021	Date of Report YY/MM/D 2021/09/07
Issuer Address 1901 Avenue of the Stars, Suite 120		
City/Province/Postal Code Los Angeles, California, 90067	Issuer Fax No. ( )	Issuer Telephone No. (310) 683-2336
Contact Name Antony Radbod	Contact Position COO	Contact Telephone No. (310) 683-2336
Contact Email Address ir@xsfinancial.com	Web Site Address xsfinancial.com	

Appendix "A"

XS Financial Inc.

Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Unaudited)

(Expressed in United States Dollars)

XS Financial Inc.

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements, in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

XS Financial Inc.
Unaudited condensed consolidated statements of loss and comprehensive loss
For the three and six months ended June 30, 2021 and 2020
(Expressed in United States dollars)

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue	6	$ 561,579	$ 72	$ 977,751	$ 199,933
Operating expenses					
Administrative expenses	7	700,424	632,606	1,403,020	1,185,797
Sales and marketing expenses	7	64,137	121,332	138,197	167,423
Loss from operations		(202,982)	(753,866)	(563,466)	(1,153,287)
Financing expense, net	14	147,279	138,585	306,445	266,581
Accretion expense	14	88,213	81,879	166,560	151,806
Unrealized loss (gain) in fair value change of investments	8	39,524	(89,266)	(130,430)	1,898,046
Loss on sale of servicing and property equipment	11	-	59,195	-	65,124
Other expense (income)		2,580	(15,439)	(22,306)	(26,439)
Net loss		$ (480,578)	$ (928,820)	$ (883,735)	$ (3,508,405)
Other comprehensive loss					
Items that will subsequently be reclassified to operations:					
Unrealized loss on foreign currency translation		11,788	(3,580)	(64,778)	(17,835)
Comprehensive loss		$ (468,790)	$ (932,400)	$ (948,513)	$ (3,526,240)
Loss per share - basic and diluted		$ (0.00)	$ (0.02)	$ (0.01)	$ (0.07)
Weighted average shares outstanding:					
Basic and diluted		103,500,701	53,574,411	86,995,630	51,539,245

Approved on behalf of the Board:

Gary Herman, Director

Stephen Christoffersen, Director

The accompanying notes are an integral part of these consolidated financial statements.

XS Financial Inc.
Unaudited condensed consolidated statements of financial position
As of June 30, 2021 and December 31, 2020
(Expressed in United States dollars)

	Note	June 30, 2021	(Audited) December 31, 2020
Assets			
Current assets			
Cash		$ 2,856,142	$ 545,990
Investments	8	446,623	316,194
Financing receivables, short-term	9	4,257,936	1,454,927
Prepaid and other current assets	10	61,091	79,233
Total current assets		7,621,792	2,396,344
Non-current assets			
Servicing and property equipment	11	35,758	44,884
Financing receivables, long-term	9	14,903,832	4,852,768
Total non-current assets		14,939,590	4,897,652
Total assets		$ 22,561,382	$ 7,293,996
Shareholders' equity and liabilities			
Current liabilities			
Loans and borrowings, short-term	14	$ 563,100	$ 805,762
Trade and other payables	12	4,832,010	2,264,139
Accrued expenses	13	2,958,804	1,149,641
Amounts due to related parties	19	-	256,486
Total current liabilities		8,353,914	4,476,028
Non-current liabilities			
Loans and borrowings, long-term	14	3,859,650	2,283,890
Total liabilities		12,213,564	6,759,918
Shareholders' equity			
Share capital	16	21,184,751	14,688,043
Reserves		7,854,778	3,589,233
Conversion feature - debentures		939,534	939,534
Accumulated other comprehensive loss		(107,567)	(42,789)
Accumulated deficit		(19,523,678)	(18,639,943)
Total shareholders' equity		10,347,818	534,078
Total shareholders' equity and liabilities		$ 22,561,382	$ 7,293,996

Nature of operations and background information (Note 1)
Going concern (Note 3)
Contingencies (Notes 14 and 19)
Subsequent events (Note 21)

The accompanying notes are an integral part of these consolidated financial statements.

XS Financial Inc.
Unaudited condensed consolidated statements of changes in equity
For the six months ended June 30, 2021 and 2020
(Expressed in United States dollars)

	Note	Number of Common Shares	Number of Proportionate Common Shares	Share Capital	Reserves	Conversion feature for debentures	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at January 1, 2020		29,986,764	12,507	$ 10,342,678	$ 3,234,686	$ 958,935	$ (24,685)	$ (13,586,621)	$ 924,993
Conversion of Sub Receipt debentures to common shares and warrants	15,16	48,181	-	24,510	13,223	(19,401)	-	-	18,332
Issuance of proportionate voting shares	16	-	10,600	3,273,100	-	-	-	-	3,273,100
Issuance of common shares to third party providers	16	950,000	-	171,000	-	-	-	-	171,000
Share-based incentive compensation	18	-	-	-	285,502	-	-	-	285,502
Net loss and comprehensive loss		-	-	-	-	-	(17,835)	(3,508,405)	(3,526,240)
Balance at June 30, 2020		30,984,945	23,107	$ 13,811,288	$ 3,533,411	$ 939,534	$ (42,520)	$ (17,095,026)	$ 1,146,687
Balance at January 1, 2021		32,337,724	23,107	$ 14,688,043	$ 3,589,233	$ 939,534	$ (42,789)	$ (18,639,943)	$ 534,078
Issuance of common shares to consultants and related parties	16	2,447,170	-	575,006	-	-	-	-	575,006
Common shares, proportionate voting shares and warrants issued in connection with private placement, net of issuance costs of $1,464,866	15,16	40,709,731	5,251	5,921,702	3,992,871	-	-	-	9,914,573
Share-based incentive compensation	18	-	-	-	272,674	-	-	-	272,674
Net loss and comprehensive loss		-	-	-	-	-	(64,778)	(883,735)	(948,513)
Balance at June 30, 2021		75,494,625	28,358	$ 21,184,751	$ 7,854,778	$ 939,534	$ (107,567)	$ (19,523,678)	$ 10,347,818

The accompanying notes are an integral part of these consolidated financial statements.

XS Financial Inc.
Unaudited condensed consolidated statements of cash flows
For the six months ended June 30, 2021 and 2020
(Expressed in United States dollars)

	Note	Six months ended June 30, 2021	2020
Cash flows from operating activities			
Loss for the period		$ (883,735)	$ (3,508,405)
Adjustments to reconcile loss to net cash flows:			
Depreciation expense	11	9,126	71,007
Unrealized (gain) loss on investment	8	(130,429)	1,898,046
Loss on sale of servicing and property equipment		-	65,124
Incentive compensation expense	18	272,674	285,502
Common shares issued for services	16	254,001	171,000
Finance and accretion expense	14	166,560	151,806
		(311,803)	(865,920)
Change in working capital items:			
Financing receivables	9	(12,854,073)	543,838
Prepaid and other current assets	10	18,142	49,196
Trade and other payables	12	2,567,871	(33,137)
Accrued expenses	13	1,875,167	(85,288)
Amounts due to related parties	19	(1,486)	32,067
Net cash flows used in operating activities		(8,706,182)	(359,244)
Cash flows from investing activities			
Proceeds from the sale of servicing equipment and property and equipment	11	-	383,400
Purchases of servicing and property equipment	11	-	(251,871)
Net cash flows provided by investing activities		-	131,529
Cash flows from financing activities			
Proceeds from loans and borrowings	14	3,250,000	55,762
Repayment of loans and borrowings	14	(2,083,462)	-
Proceeds from issuance of private placement, net of issuance costs	16	10,595,273	-
Payment of debt issuance costs	16	(680,699)	-
Net cash flows provided by financing activities		11,081,112	55,762
Effect of exchange rate changes on cash		(64,778)	(17,835)
Net increase (decrease) in cash		2,310,152	(189,788)
Cash at beginning of the the period		545,990	2,487,293
Cash at end of the period		$ 2,856,142	$ 2,297,505
Supplemental disclosure of cash flow information:			
Cash paid for interest		$ 304,043	$ 243,054
Non-cash investing and financing activities			
Issuance of proportionate common shares for investment	16	$ -	$ 3,273,100
Conversion of Sub Receipt convertible debt to common stock and warrants	16	-	18,332
Private placement issuance costs - warrants issued	15,16	442,508	-
Issuance of units in connection with the payment of a finance fee related to the private placement	16	341,659	-

The accompanying notes are an integral part of these consolidated financial statements.

(1) Nature of operations and background information

XS Financial Inc. ("XSF", or "the Company"), which changed its name from Xtraction Services Holdings Corp. on June 26, 2020 and formerly known as Caracara Silver Inc. ("Caracara") was incorporated under the laws of the Province of British Columbia on December 3, 2009 and is listed on the Canadian Securities Exchange ("CSE") under the symbol "XSF".

XSF, inclusive of its wholly-owned subsidiary Xtraction Services, Inc ("XSI"), is a specialty finance company that provides equipment leasing solutions in the United States to owner/operators of cannabis and hemp companies including cultivators, oil processors, manufacturers, testing laboratories, among others and operates in one business segment in one geographic area. Its registered office is located at 301 - 1665 Ellis Street, Kelowna, British Columbia, VIY 2B3 and its operations address is 1901 Avenue of The Stars, Suite 120, Los Angeles, California 90067, USA.

Xtraction Services, Inc. ("XSI") was originally established as a Delaware limited liability company on October 9, 2017. In July 2018, XSI filed with the Secretary of State of Delaware to change its corporate status from a Delaware limited liability company to a Delaware corporation and elected to be classified as a corporation. On July 19, 2018, XSI received a Certificate of Conversion and Certificate of Incorporation from the Secretary of State of Delaware.

On March 22, 2019, XSI entered into a definitive merger agreement with Caracara pursuant to which Caracara would acquire all of the issued and outstanding common shares of XSI. The transaction was structured as a “reverse triangular merger” between XSI, Caracara and a wholly-owned subsidiary of Caracara incorporated under the laws of Delaware. On September 11, 2019, the merger became effective whereby Caracara's subsidiary acquired all of the issued and outstanding Class A and Class B common shares, stock options and warrants of XSI and the resulting issuer changed its name from Caracara Silver Inc. to Xtraction Services Holdings Corp. and continued with the business of XSI.

On July 13, 2020, the Company purchased CA Licensed Lenders LLC ("CFLL"), whereby the only asset was a California lenders license.

The accompanying consolidated financial statements have been approved by the Company’s board of directors and are authorized for issuance as of August 30, 2021.

(2) Basis of presentation

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

The condensed consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Xtraction Services, Inc. incorporated in Delaware, United States, CA Licensed Lenders LLC incorporated in California, United States and CSI Princesa Inc. incorporated in Ontario, Canada. The results of subsidiaries acquired or disposed of during the year are included in the condensed consolidated financial statements of loss and comprehensive loss from the effective date of acquisition up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Functional and presentation currency

The condensed consolidated financial statements of the Company are presented in U.S. dollars (USD). The functional currency of the Company and CSI Princesa Inc., its Canadian subsidiary, is the Canadian dollar. The functional currency of Xtraction Services, Inc. and CA Licensed Lenders LLC is the U.S. dollar.

Basis of measurement

The condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value through profit and loss. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. In addition, these condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Use of estimates and judgement

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the management of the Company to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the condensed consolidated financial statements and their effect are disclosed in Note 5 below.

Reclassifications

Certain amounts in the prior periods condensed consolidated financial statements have been reclassified to conform to the current period presentation resulting in changes to previously reported results in the three and six months ended June 30, 2020.

(3) Coronavirus and going concern

Coronavirus

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Canada and the United States. The spread of COVID-19 has caused significant volatility in Canadian, U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Canadian, U.S. and international economies and, although the Company has not experienced any material impact on its operations to date, the Company is unable to determine if it will have a future material impact to its operations or ability to raise funds.

Going concern

The condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses and negative cash flows from operations since inception and has an accumulated deficit of $19,523,678 and $18,639,943 as of June 30, 2021 and December 31, 2020, respectively. These matters, in conjunction with the ongoing COVID-19 global pandemic, are material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company anticipates incurring additional losses until such time that it can generate sufficient revenue from its operations to cover its expenses. Historically, the Company has been successful in obtaining enough funding for operating and capital requirements. The condensed consolidated financial statements do not give effect to any adjustments which may be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated financial statements. These adjustments could be material.

The operations of the Company are subject to certain risks and uncertainties including, among others: uncertainty of product development; technological uncertainty; commercial acceptance of any developed products; dependence on collaborative partners; uncertainty regarding patents and proprietary rights; comprehensive government regulations; market risk; and dependence on key personnel.

(4) Significant accounting policies

The Company has applied the same accounting policies and methods of computation in its interim condensed consolidated financial statements as in its 2020 and 2019 annual financial statements. The Company had no additional new standards adopted that resulted in changes to the Company’s accounting policies for the six months ended June 30, 2021.

Fair value of financial instruments

As at June 30, 2021 and December 31, 2020, the Company had the following financial instruments measured at fair value:

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of June 30, 2021:				
Assets:				
Investments (Note 8)	$ 446,623	$ -	$ -	$ 446,623
As of December 31, 2020:				
Assets:				
Investments (Note 8)	$ 316,194	$ -	$ -	$ 316,194

Transfers between levels are considered to occur on the date that the fair valuation methodology changes. There were no transfers between levels during the current or comparative periods. There were no liabilities at fair value as of June 30, 2021 and December 31, 2020.

(5) Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 4 above, the Company's management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Depreciation of Servicing Equipment and Property and Equipment and Estimate of Useful Lives

Depreciation of servicing equipment and property and equipment is dependent upon estimates of useful lives. The Company estimates the useful lives of these assets based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

Long-Lived Assets and Impairment

Long-lived assets, such as servicing equipment and property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company estimates its recoverable amount. An impairment loss is recognized to the extent the carrying value exceeds its recoverable amount. Fair value is determined using various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Share-based Incentive Compensation

The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The assumptions and models used for estimating fair value for share-based payment transactions is disclosed in Note 18. The expected volatility assumptions for the Company's option and warrant grants are based on both the Company's and comparable companies volatility.

Functional Currency Determination

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates.

Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21. The Effects of Changes in Foreign Exchange Rates may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

Determination of Discount Rates

Determination of the discount rate for term loans and convertible debentures is based on comparison to similar interest-bearing debt instruments of a group of comparative companies.

Determination of Financing Lease or Operating Lease

In making the determination of whether an arrangement should be accounted for as a financing lease or an operating lease, the Company makes certain assumptions including, the interest implicit in the lease and the residual value of the equipment at the end of the lease.

Expected Credit Losses

See Note 9.

Definition of a Business

Determination of whether a set of assets acquired, and liabilities assumed constitute a business under IFRS 3 requires the Company to make certain judgments, taking into account all facts and circumstances.

Contingencies

See Note 14 and 19.

Income, Value Added, Withholding and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company is also subject to tax regulations as they relate to flow-through financing arrangements. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(6) Revenue

The following table presents a disaggregation of revenue by source and timing of revenue recognition:

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue source:				
Financing and other income on financing leases (Note 9)	$ 561,579	$ 72	$ 977,751	$ 56,683
Operating leases	-	-	-	143,250
	$ 561,579	$ 72	$ 977,751	$ 199,933
Timing of revenue recognition under IFRS 15 from contracts with customers:				
Services transferred over time	$ -	$ -	$ -	$ 143,250

Revenue concentration

All of the Company's revenue is derived from customers in the United States with three customers representing 39%, 30%, and 13% and 34%, 31% and 17% of the Company's recognized revenue for the three and six months ended June 30, 2021, respectively. The Company had another three customers that represented 45%, 30% and 11% of the Company's recognized revenue for the six months ended June 30, 2020.

(7) Expenses by nature

The following tables presents an analysis of expense by nature:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Administrative expenses:				
Compensation and benefits	$ 21,957	$ 39,431	$ 41,316	$ 91,837
Incentive compensation	147,763	234,834	272,674	285,502
Contractors and outside services	142,568	31,045	274,144	61,987
Management fee	85,000	60,200	171,001	146,200
Professional fees	211,694	133,379	450,948	280,545
Office rent, utilities and expenses	-	17,520	-	25,691
Travel, meals and entertainment	7,377	1,544	10,974	8,977
Insurance	56,418	52,605	113,606	107,320
Depreciation expense	4,563	33,507	9,126	71,007
Other expenses	23,084	28,541	59,231	106,731
	700,424	$ 632,606	1,403,020	$ 1,185,797
Sales and marketing expenses:				
Compensation and benefits	$ 32,541	$ 22,334	$ 60,376	$ 49,745
Contractors and outside services	19,500	20,650	36,200	30,650
Commissions	-	4,760	-	4,760
Professional fees	-	7,217	-	7,217
Advertising and marketing	8,058	66,261	37,056	73,502
Other expenses	4,038	110	4,565	1,549
	$ 64,137	$ 121,332	$ 138,197	$ 167,423

(8) Investments

In January 2020, the Company entered into a strategic partnership and cooperation agreement with KushCo Holdings Co. Inc. ("KushCo"), A CDN publicly listed company, whereby the Company issued 10,600.3 proportionate voting shares at a share price of approximately $309CAD ($236) (Note 16) for total consideration of $3,273,100 in exchange for 1,653,081 shares of KushCo valued at the fair value of the KushCo shares at the time of receipt based on the quoted market price on the date of the transaction.

The Company recorded the shares received from KushCo as investments on the consolidated statement of financial position. Investments are classified at FVTPL. At June 30, 2021, the investment in KushCo was re-valued at $446,623. The Company recorded an unrealized change in fair value, resulting in a loss of $39,524 and gain of $(89,266) in the condensed consolidated statements of loss and comprehensive loss for the three months ended June 30, 2021 and 2020, respectively, and a gain of $(130,430) and loss of $1,898,046 in the condensed consolidated statements of loss and comprehensive loss for the six months ended June 30, 2021 and 2020, respectively.

(9) Financing receivables

The following table presents financing receivables:

	June 30, 2021	December 31, 2020
Financing receivables, short-term	$ 4,257,936	$ 1,454,927
Financing receivables, long-term	14,903,832	4,852,768
	$ 19,161,768	$ 6,307,695

The Company has entered into lease arrangements as a lessor that are considered to be finance leases. All of the risks and rewards of ownership of the service equipment assets underlying the finance leases are substantially transferred to the lessee.

The following table presents a maturity analysis of lease receivables, including the undiscounted lease payments to be received as at June 30, 2021:

2021 (remaining)	$	3,443,009
2022		6,775,659
2023		6,520,993
2024		5,877,920
2025		1,993,422
Therafter		427,722
Total undiscounted lease payments receivable		25,038,725
Unearned finance income		(5,876,957)
Net investment in lease	$	19,161,768

Allowance for credit losses

The Company measures loss allowances based on an expected credit loss ("ECL") impairment model for all financial instruments except those measured at FVTPL. Application of the model depends on the following credit stages of the financial assets:

(i) Stage 1 - for new leases recognized and for existing leases that have not experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring in the next 12 months;
(ii) Stage 2 - for those leases that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected over the remaining life of the lease; and
(iii) Stage 3 - for leases that are considered to be credit-impaired, a loss allowance equal to full life time ECLs is recognized.

Thus, the evaluation of the allowance for credit losses is performed on a lease by lease basis. Definitions of default have been selected to eliminate the judgement that may otherwise be necessary, given the diversity within the finance receivable portfolio, the lack of individual drivers of changes in credit risk across assets and over time, and the resulting inability to assess which specific assets will be rectified. For the purposes of measuring ECL, a default is defined as leases and loans that have missed one payment and are not subsequently rectified within 60 days.

The Company is entitled to repossess financed equipment if the borrower defaults on their lease obligations. Any amounts recovered from the sale of repossessed equipment are credited to the allowance for credit losses when received.

The process of estimating ECLs uses the following inputs and assumptions to reflect information about past events, current conditions and forecasts of future conditions that are not already captured in the inputs:

- Recoveries of amounts previously written off in the last 12 months, as an estimate of recoveries for the next 12 months;

- An estimate of the effects of natural disasters and economic shocks that have occurred on credit losses in the next 12 months;
- The stage of the business cycle for the industry, which considers: the competitive environment, GDP growth, prevailing interest rates and expectations of future rates, fiscal policy and inflation rates; and
- Current delinquency trends of non-accrual and greater than 30 days delinquency rates.

Determining the inputs listed and ECLs requires significant estimation uncertainty. The estimation and application of forward-looking information requires significant judgement.

As of June 30, 2021, there are no finance receivables past due or impaired and the Company has not recognized and loss allowance for expected credit losses on financing receivables.

(10) Prepaid and other current assets

The following table presents prepaid and other current assets:

	June 30, 2021	December 31, 2020
Prepaid insurance	$ 26,044	$ 52,292
Canada tax receivable	13,656	6,941
Other	21,391	20,000
	$ 61,091	$ 79,233

(11) Servicing, property and equipment

The following table below presents the change in carrying value of the Company's property and equipment from January 1, 2021 through June 30, 2021:

	Computers	Machinery and equipment	Servicing equipment	Total
Cost:				
Balance at January 1, 2021	$ 13,621	$ 3,490	$ 64,825	$ 81,936
Balance at June 30, 2021	$ 13,621	$ 3,490	$ 64,825	$ 81,936
Accumulated Depreciation:				
Balance at January 1, 2021	$ (7,237)	$ (1,687)	$ (28,128)	$ (37,052)
Depreciation	(2,270)	(349)	(6,507)	(9,126)
Balance at June 30, 2021	$ (9,507)	$ (2,036)	$ (34,635)	$ (46,178)
Net book value:				
Balance at December 31, 2020	$ 6,384	$ 1,803	$ 36,697	$ 44,884
Balance at June 30, 2021	$ 4,114	$ 1,454	$ 30,190	$ 35,758

All of the property and equipment is located in the United States.

Equipment sales

During 2020, the Company sold servicing equipment back to the original supplier of the equipment, Khrysos Global Inc. ("Khrysos"), and other third-party buyers for gross proceeds of $383,400 with recognized losses of $59,195 and $65,124 recorded as a loss on sale of servicing equipment within the condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2020, respectively.

Depreciation expense related to servicing, property and equipment is included in administrative expenses within the condensed consolidated statements of loss and comprehensive loss.

(12) Trade and other payables

The following table presents trade and other payables:

	June 30, 2021	December 31, 2020
Trade payables	$ 4,823,330	$ 2,238,228
Credit card payable	8,680	25,911
	$ 4,832,010	$ 2,264,139

(13) Accrued expenses

The following table presents accrued expenses:

	June 30, 2021	December 31, 2020
Accrued servicing equipment purchases	$ 2,734,634	$ 990,554
Accrued professional fees	89,805	2,504
Accrued compensation, commissions, benefits and related taxes	40,083	85,093
Accrued sales tax	86,796	33,246
Accrued other	-	35,744
Unearned revenue	7,486	2,500
	$ 2,958,804	$ 1,149,641

(14) Loans and borrowings

The following table presents loans and borrowings outstanding:

Description	Maturity date	Interest rate	June 30, 2021	December 31, 2020
Line of credit:				
Burling Bank	November, 2022	8.0%	$ -	$ 750,000
Term loans:				
Customers Bank	April, 2022	1.0%	55,762	55,762
Syndication notes	April - December, 2024	12.0%	1,916,538	-
Convertible debentures	March, 2024	10.0%	218,869	218,869
Sub Receipt convertible debentures	September, 2024	10.0%	4,085,852	4,085,852
			6,277,021	5,110,483
Less:				
Unamortized discounts, debt issuance costs and prepaid offering costs [1]			(1,854,271)	(2,020,831)
			$ 4,422,750	$ 3,089,652
Non-current			$ 3,859,650	$ 2,283,890
Current			$ 563,100	$ 805,762

Note to the table:

(1) The carrying value of the convertible debentures and Sub Receipt convertible debentures issued in 2019 were adjusted using a discount rate of 25% to reflect the prevailing borrowing rates associated with debt acquired by companies with a similar credit risk profile as the Company. The debt discount is accreted over the life of the respective debt instruments using the effective interest method.

The following table below shows the change in carrying value of the Company's loans and borrowings from January 1, 2021 through June 30, 2021:

	Line of credit	Term loans	Convertible debentures	Debt discounts and and prepaid costs	Total
Balance at January 1, 2021	$ 750,000	$ 55,762	$ 4,304,721	$ (2,020,831) [1]	$ 3,089,652
Borrowings	1,250,000	2,000,000	-	-	3,250,000
Repayments	(2,000,000)	(83,462)	-	-	(2,083,462)
Amortization and accretion of debt discounts and debt issuance costs	-	-	-	166,560	166,560
Balance at June 30, 2021	$ -	$ 1,972,300	$ 4,304,721	$ (1,854,271)	$ 4,422,750

Note to the table:

(1) Represents debt discounts on loan borrowing proceeds and convertible debt issuances, and debt issuance costs netted against the gross proceeds of the Sub Receipt debenture issuance.

Line of credit

In November 2020, the Company entered into a senior secured revolving credit facility ("line of credit"), with a maximum borrowing base of $2,000,000 and required monthly interest payments with all principal and unpaid interest payments due in November 2022. The line of credit bears interest at an annual rate equal to the greater of (i) 8.0% per annum or (ii) the Wall Street Journal Prime plus 4.0% and may be prepaid with no penalty at any time. The line of credit is subject to monthly financial covenants such as maintaining a maximum total leverage ratio and tangible net worth, such as defined in the agreement. The Company was in compliance with its financial covenants as of June 30, 2021. The line of credit is secured by substantially all of the assets of the Company. The Company incurred interest expense of $2,048 and $44,758, within the condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021.

Term loans

In April 2020, the Company entered into a promissory note with a third-party lender to borrow $55,762 under the U.S. government's Paycheck Protection Program ("PPP") via the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Under the provisions of the PPP, loan proceeds are expected to be used for payroll costs, rent and utilities. The promissory note is unsecured, with a maturity date of April 29, 2022, accrues interest at 1.00% and requires eighteen fixed scheduled monthly amortization payments commencing in November 2020. PPP borrowers may apply for loan forgiveness in an amount equal to the sum of payroll costs, rent and utilities incurred during the 24-week period following the receipt of loan proceeds, whereby not more 40% of the amount forgiven can be attributable to non-payroll costs.

In February 2021, the Company launched its syndication platform by way of entereing into six separate promissory note agreements with third-party lenders totaling $1,000,000 with maturity dates ranging from April 2024 to December 2024. The promissory notes bear interest at a rate of 12% per annum, payable monthly. In June 2021, the Company entered into an additional promissory with the same third-party lender totaling $1,000,000 with a maturity date of November 2024 and an interest rate of 10.25% per annum, payable monthly. Each promissory note is secured by the lease payment streams and the underlying equipment of certain finance leases the Company has entered into with customers. The Company incurred interest expense of $28,655 and $31,988, within the condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021.

Convertible debentures

In March and April 2019, the Company issued $294,000CAD ($218,869) of convertible debentures to investment advisors and brokers for services rendered in raising debt subscriptions. The convertible debentures mature after 5 years and bear interest at a rate of 10% per annum payable in cash in equal quarterly installments. The convertible debentures convert into common shares and warrants at a conversion price of $1.10CAD ($0.82) at the holders' option prior to maturity or upon a change of control. The warrants to be received have an exercise price of a $1.50CAD ($1.12) and have a five-year term. Upon a change in control, the Company is required to purchase the convertible debentures at a price of 105% of the principal balance plus accrued,

unpaid interest. The Company has accounted for the fair value of the convertible debt at issuance of $218,869 as debt issuance costs, within the consolidated statements of financial position and is being amortized to interest expense over the term of the Sub Receipt debentures under the effective interest rate method within the condensed consolidated statements of loss and comprehensive loss. The debt discount of $160,499 is being amortized to interest expense over the term of the convertible debentures under the effective interest rate method within the condensed consolidated statements of loss and comprehensive loss. As of September 11, 2019, with the completion of the reverse acquisition, the debentures were re-issued through the legal parent entity and the underlying functional currency change triggered a reclassification of the debenture liability to equity. The fair value of the debenture liability as at September 11, 2019 immediately prior to the reclassification was $145,989.

In March and April 2019, the Company completed a private placement of 5,882 subscription receipts for aggregate gross proceeds of approximately $5,882,000CAD ($4,500,000) and closing costs of approximately $560,000 CAD ($426,000). The subscription receipts were held in escrow, until satisfaction of the escrow release conditions, at which time each subscription receipt would be convertible into one 10% unsecured convertible debenture of the Company in the principal amount of $1,000CAD ("Sub Receipt debenture"). On September 11, 2019, the escrow conditions were met, and the Company issued $5,882,000CAD ($4,472,085) of Sub Receipt debentures to various investors. The Sub Receipt debentures mature after 5 years and bear interest at a rate of 10% per annum payable in cash in equal quarterly installments. The Sub Receipt debentures convert into common shares and warrants at a conversion price of $1.10CAD ($0.82) at the holders' option prior to maturity or upon a change of control. The warrants to be received have an exercise price of a $1.50CAD ($1.12) and have a five-year term. Upon a change in control the Company is required to purchase the Sub Receipt debentures at a price of 105% of the principal balance plus accrued, unpaid interest.

The principal amount of the debenture was estimated at its fair value of $2,630,804 based on a discount rate of 25%. The Company incurred debt issuance costs, netted against the gross proceeds of the issuance, of $1,398,268CAD ($1,060,821) in connection with the issuance of the Sub Receipt debentures, of which $821,332CAD ($623,112) was allocated to the debenture liability. The debt issuance costs were recorded as a discount on the Sub Receipt debentures carrying value and are being amortized to interest expense over the life of the sub receipts convertible debentures under the effective interest rate method. The residual value of the debenture of $1,841,281 was allocated to the conversion feature and recorded as a component of equity, net of issuance costs of $437,709 and deferred tax impact of $384,000.

In January and March 2020, investors exercised their conversion feature on $25,000CAD ($19,008) and $28,000CAD ($21,288) of the Sub Receipt debentures and received 22,727 and 25,454 common shares and warrants, respectively.

The Company incurred interest expense related to the convertible debentures of $115,375 and $116,293 for the three months ended June 30, 2021 and 2020, respectively, and $227,297 and $215,893 for the six months ended June 30, 2021 and 2020, respectively, within the condensed consolidated statements of loss and comprehensive loss.

(15) Warrants

The following table summarizes warrant activity from January 1, 2021 through June 30, 2021:

	Number of warrants	Weighted average exercise price per share
Outstanding at January 1, 2021	7,375,077	$ 0.16
Granted	43,068,382	$ 0.40
Expired	(436,818)	$ 0.82
Outstanding at June 30, 2021	50,006,641	$ 0.49

Warrant issuances

In March 2021, the Company issued 40,709,731 common share warrants, of which 1,450,000 of the warrants were satisfaction for a corporate financing fee, and 5,251 proportionate voting share warrants related to a private placement equity issuance (Note 16). The warrants have a term of two years and exercise prices of $0.45CAD ($0.36) per share for the common share warrants and $450CAD ($360) per share for the proportionate voting share warrants. The non-corporate financing fee warrants had a value of $5,377,706CAD ($4,267,007) on the date of issue using the Black-Scholes option pricing model and were recorded as a component of equity within the condensed consolidated statements of financial position. The corporate financing fee warrants had a value of $175,194CAD ($137,595) on the date of issue using the Black-Scholes option pricing model and were recorded as a component of equity as non-cash equity issuance costs within the condensed consolidated statements of financial position.

In connection with the private placement the Company issued an additional 2,353,400 common share warrants to brokers and agents for services rendered in the private placement equity issuance. The warrants entitle the holder to acquire one unit at a price of $0.30CAD ($0.24) for a period of two years from the date of issuance. Each unit consists of one common share and one warrant. The warrants to be received have an exercise price of a $0.45CAD ($0.36) and have a two-year term. The warrants had a value of $561,809CAD ($442,508) on the date of issue using the Black-Scholes option pricing model and were recorded as a component of equity as non-cash equity issuance costs within the condensed consolidated statements of financial position.

The grant date fair value of the warrants issued in 2021 was determined using the Black-Scholes option pricing model with the following assumptions:

	Common share warrants	Proportionate voting share warrants	Broker warrants
Expected dividend yield	-	-	-
Expected volatility	156.3%	156.3%	156.3%
Risk-free interest rate	0.1%	0.1%	0.1%
Expected term	2 years	2 years	2 years
Conversion / share price	$ 0.36	$ 360.00	$ 0.24

The following table presents warrants outstanding at June 30, 2021:

Expiration date	Term (years)	Number of warrants outstanding	Number of warrants exercisable	Exercise price US $	Exercise price CAD $
Common share warrants:					
17-Jul-21	2	150,000	150,000	$ 0.84	$ 1.10
3-Mar-23	2	40,709,731	40,709,731	$ 0.36	$ 0.45
3-Mar-23	2	2,353,400	2,353,400	$ 0.36	$ 0.45
12-Apr-24	5	500,000	500,000	$ 0.82	$ 1.10
11-Sep-24	5	374,308	374,308	$ 0.82	$ 1.10
11-Sep-24	5	5,452,134	5,452,134	$ 1.12	$ 1.50
11-Sep-24	5	363,636	363,636	$ 1.13	$ 1.50
11-Sep-24	5	50,000	50,000	$ 1.14	$ 1.50
11-Sep-24	5	22,727	22,727	$ 1.16	$ 1.50
11-Sep-24	5	25,454	25,454	$ 1.05	$ 1.50
Proportionate voting share warrants:					
3-Mar-23	2	5,251	5,251	$ 355.55	$ 450.00
Total	1.9 years	50,006,641	50,006,641	$ 0.49	$ 0.63

Subsequent to June 30, 2021, 150,000 warrants expired.

(16) Share capital

As at June 30, 2021 and December 31, 2020, the Company has an unlimited number of authorized common and proportionate voting shares with no par value. Proportionate voting shares can be converted into common shares at the option of the holders at a ratio of 1,000 to 1 upon approval of the Company's Resulting Issuer Board and satisfaction of the condition that greater than 40% of common and proportionate shareholders are US residents. On all voting matters, common shareholders are entitled to one vote and proportionate voting shareholders are entitled to 1,000 votes per proportionate voting share. Generally, in all other matters the proportionate voting shareholders have the same rights as the common shareholders and will be treated as if they were one class of shares. At June 30, 2021 and December 31, 2020, the Company had 75,494,625 and 32,337,724 issued and outstanding common shares and 28,358 and 23,107 issued and outstanding proportionate voting shares, respectively.

Share issuances

In January 2020, the Company issued 10,600.3 proportionate voting shares at a share price of approximately $309CAD ($236) to KushCo for total consideration of $3,273,100 in exchange for 1,653,081 shares of KushCo valued at the fair value of the KushCo shares at the time of receipt based on the quoted market price on the date of the transaction (Note 8). On completion of the share swap, KushCo became a 19.9% shareholder of the Company.

In January and March 2020, the Company issued 22,727 and 25,454 common shares, respectively, on the conversion of Sub Receipt debentures (Note 14). Total shareholders' equity increased $18,332 as a result of this conversion.

In February and March 2021, the Company received gross proceeds of $13,353,219CAD ($10,595,270), including $1,575,300 CAD ($1,249,940) from a related party Archytas (Note 19), net of cash issuance costs of $864,447CAD ($680,699), from the issuance of 39,259,731 units at a price $0.30CAD ($0.24) and 5,251 proportionate voting units at a price $300CAD ($238). Each unit consists of one common share and one warrant. The warrants to be received have an exercise price of a $0.45CAD ($0.36) and $450CAD ($360) for the units and proportionate voting units, respectively, and have a two-year term (Note 15). The Company recorded $7,975,513CAD ($6,328,263) of the unit value as share capital with the residual value of $5,377,706CAD ($4,267,007) allocated to warrants (Note 15) and recorded as a component of equity within the condensed consolidated statements of financial position.

In connection with the private placement the Company issued an additional 2,353,400 warrants to brokers and agents which entitled the holder to acquire one unit at a price of $0.30CAD ($0.24) for a period of two years from the date of issuance (Note 15), and an aggregate of 1,450,000 units in satisfaction of a corporate finance fee. Each unit consists of one common share and one warrant. The warrants to be received have an exercise price of a $0.45CAD ($0.36) and have a two-year term. The corporate financing fee common shares had a value of $259,824CAD ($204,064) on the date of issue using the Black-Scholes option pricing model and were recorded as a component of equity as non-cash equity issuance costs within the condensed consolidated statements of financial position.

In March and June 2021, the Company issued 2,447,170 common shares at share prices ranging between $0.22CAD ($0.19) and $0.37CAD ($0.30), based on the value of the services provided, to consultants and a related party (Archytas) (Note 19), as consideration for services performed. The Company recorded $404,563CAD ($321,005) for 1,348,542 of the common shares issued as a reduction to accrued expenses for previously accrued bonuses, within the condensed consolidated statements of financial position, and $102,654CAD ($85,000) and $314,293CAD ($254,001) for the remaining 1,098,628 of common shares issued as general and administrative expense, within the condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021, respectively.

(17) Income taxes

The Company recognized a deferred income tax provision of $Nil for both the three and six months ended June 30, 2021 and 2020.

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate was 26.5%, for the three and six months ended June 30, 2021 and 2020.

(18) Share-based compensation

In September 2019, in connection with the Caracara merger, the Company established the Omnibus Incentive Plan ("Incentive Plan") which replaced and governs all options under the Company's previously issued 2018 Stock Option Plan. The Incentive Plan provides for the granting of up 15% of outstanding common shares and is not to exceed a maximum of 10,000,000 share-based equity incentive compensation awards such as stock options and restricted stock awards to directors, officers, employees, contractors, and advisors, as determined by the Company's board of directors.

In March, April and June 2021, the Company granted a total of 2,388,840 options to employees, directors and consultants of the Company with exercise prices of $0.30CAD ($0.25) and $0.33CAD ($0.26). The options have a terms of five years, with vesting terms either immediately or over three years. A total of 576,946 stock options were granted to directors and officers.

The per-share grant date weighted average fair value of stock options was estimated at $0.18 on the date of grant for the six months ended June 30, 2021, using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	-
Expected volatility	151.8% - 156.5%
Risk-free interest rate	0.9%
Expected term	3.5 years
Share price	$ 0.25 - 0.27

The following table summarizes stock option activity under the Option Plan from January 1, 2021 through June 30, 2021:

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual term (years)
Outstanding at January 1, 2021	4,685,583	$ 0.30	4.9
Granted	2,388,840	$ 0.26	
Outstanding at June 30, 2021	7,074,423	$ 0.29	4.5
Exercisable and vested at June 30, 2021	5,586,671	$ 0.29	4.5

As of June 30, 2021, there was approximately $214,000 of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of 0.6 years.

The Company recorded compensation expense for stock options of $147,763 and $234,834 for the three months ended June 30, 2021 and 2020, respectively, and $272,674 and $285,502 for six months ended June 30, 2021 and 2020, respectively, within the condensed consolidated statements of loss and comprehensive loss.

The following table summarizes the stock options outstanding as at June 30, 2021:

Expiry Date	Exercise Price US $	Exercise Price CAD $	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested
July 2028	$ 0.60	$ 0.78	7.05	1,055,129	1,028,101
November 2024	$ 0.26	$ 0.34	3.40	1,805,000	1,547,401
April 2025	$ 0.16	$ 0.22	3.81	1,808,889	1,808,889
December 2025	$ 0.18	$ 0.23	4.46	16,565	16,565
March 2026	$ 0.26	$ 0.33	4.74	1,880,180	677,055
April 2026	$ 0.27	$ 0.33	4.82	360,000	360,000
June 2026	$ 0.25	$ 0.30	4.95	148,660	148,660
	$ 0.29	$ 0.37	4.51	7,074,423	5,586,671

(19) Related party transactions

The following presents balances and transactions between the Company and other related parties as of June 30, 2021 and December 31, 2020, and for the three and six months ended June 30, 2021 and 2020, respectively.

Key management personnel

Key employees include executive management with the authority and responsibility for planning, directing and controlling the activities of the Company. The following table presents compensation and benefit expenses of key employees:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries, contractor costs, management fees and benefits	$ 133,852	$ 91,245	$ 310,289	$ 219,726
Incentive compensation (non-cash)	27,486	35,959	62,712	48,296
	$ 161,338	$ 127,204	$ 373,001	$ 268,022

See also Notes 16 and 18.

Related party transactions and amounts due to related parties

The following table presents expenses incurred on behalf of the Company from the related party, Archytas, for the six months ended June 30, 2021 and 2020:

	Archytas
Amounts due to related parties at January 1, 2020	$ -
Interest expense	48,000
Management fee	146,200
Less payments to related parties	(162,133)
Amounts due to related parties at June 30, 2020	$ 32,067
Amounts due to related parties at January 1, 2021	$ 256,486
Management fee	171,001
Less payment through issuance of common shares	(426,001)
Less payments to related parties	(1,486)
Amounts due to related parties at June 30, 2021	$ -

In March 2021, the Company received gross proceeds of $1,249,940 from Archytas related to the issuance of 5.251 proportionate voting shares to Archytas (Note 16).

Effective January 2019, the Company entered into a management services agreement with Archytas at a monthly rate of $28,667 and a term of five years, with one-year automatic renewals, whereby Archytas will provide day-to-day executive management and support to the Company. Archytas is a shareholder of the Company, having been involved in the initial formation of XSI. In March and June 2021, the Company authorized the issuance of 1,890,824 common shares to Archytas as payment for a 2020 management fee bonus and the 2021 first and second quarter management fees (Note 16). The Company recorded $255,000 as a reduction to accrued expenses for previously accrued bonuses, within the condensed consolidated statements of financial position, and $85,000 and $171,001 as management fee expense, within the condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021. The Company recorded $60,200 and $146,200 of management fee expense, within the condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2020.

In addition, two officers and directors of the Company are partners of Archytas. The agreement cannot be terminated until Archytas holds less than 5% of the fully diluted capital stock of the Company. As at June 30, 2021 and December 31, 2020 and 2019, Archytas held 18.5% and 19.4%, respectively of outstanding voting shares of the Company.

In conjunction with entering into this agreement the Company's CEO and CMO terminated their employment agreements with the Company. Additionally, Archytas will receive a fee for services provided on a successful acquisition, merger or change of control of the Company valued at 2% of the enterprise value of such transaction.

The Company is party to certain management contracts. These contracts require payments of $746,000 upon the occurrence of a change in control of the Company, as defined by each officer's respective consulting agreement. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

(20) Financial instrument risk exposures

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure is the carrying amount of cash, trade and other receivables and financing receivables. The Company does not have significant credit risk with respect to customers. All cash is placed with recognized U.S. and Canadian financial institutions. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company has not recognized any loss allowance for expected credit losses on the trade and financing receivables as of June 30, 2021. See also Note 9.

The Company is entitled to repossess financed equipment if the lessee defaults on their contract in order to minimize any credit losses.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

At June 30, 2021, the Company had current assets of $7,621,792 and current liabilities of $8,353,914. All current liabilities are due within one year.

At June 30, 2021, the Company also has the following obligations due:

	Less than 6 months	6 months to 1 years	1 to 3 years	Over 3 years
Trade and other payables	$ 4,832,010	$ -	$ -	$ -
Accrued expenses	2,868,999	-	-	-
Loans and borrowings [(1)]	246,656	316,444	1,194,584	4,519,337
Balance at June 30, 2021	$ 7,947,665	$ 316,444	$ 1,194,584	$ 4,519,337

Note to the table:

(1) Represents undiscounted loans and borrowings.

Market risk

Currency risk

The Company has determined its functional currency to be the Canadian dollar and U.S. dollar. The operating results and financial position of the Company are reported in U.S. dollars. The Company has minimal financial transactions denominated in currencies other than the Canadian and U.S. dollar. The Company has no hedging agreements in place with respect to foreign exchange rates. The following table presents financial instruments in CAD currency subject to currency risk:

	June 30, 2021	December 31, 2020
Tax receivable	$ 16,932	$ 8,836
Trade payable	$ 67,231	$ 69,128
Loans and borrowings [(1)]	$ 5,668,000	$ 5,668,000

Note to the table:
(1) Represents convertible debentures and sub receipt convertible debentures (Note 14).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's line of credit is subject to fluctuations in interest rates and therefore exposes the Company to interest rate fair value risk. The remainder of the Company's financial debt and lease receivables have fixed rates of interest resulting in limited interest rate fair value risk for the Company.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to equity price risk associated with changes in the market value of its investments. The Company closely monitors equity prices to determine the appropriate course of action to be taken. A 10% change in the quoted market of investments would result in a change of approximately $44,700 in the condensed consolidated statements of loss and comprehensive loss for the six months ended June 30, 2021.

(21) Subsequent events

Line of credit

In July 2021, the Company increased the maximum borrowing base of its line of credit from $2,000,000 to $4,000,000. All terms, including the interest rate, remained unchanged.

Syndication term loans

In July and August 2021, the Company entered into additional promissory note agreements with lenders totaling $3,315,000, of which $350,000 was with related parties and $2,965,000 was with arms-length parties. The $3,315,000 of borrowings has increased the Company's total syndication term loan borrowings to $5,315,000. The additional promissory notes have maturity dates ranging from June 2024 to July 2025, and bear interest rates of 12% per annum, payable monthly. The promissory notes are secured by the lease payment streams and the underlying equipment of certain finance leases the Company has entered into with customers.

Lease Originations

In July and August 2021, the Company completed 10 lease schedules with Columbia Care, Hollister Biosciences, and Ayr Wellness, resulting in lease originations totaling $11.9 million and equipment value totaling $14.2 million.

Debenture Conversion

Subsequent to June 30, 2021, the Company issued 31,818 subordinate voting shares for a conversion of $35,000CDN of the Company's convertible debentures.

Appendix "B"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

The following Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of the operations of XS Financial Inc. ("**XSF**", the "**Company**", "**our**" or "**we**") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2021 and 2020. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the three and six months ended June 30, 2021 and 2020, and the audited financial statements for the years ended December 31, 2020 and 2019 together with the notes thereto. The interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All amounts in the financial statements and this discussion are expressed in United States dollars, unless otherwise stated. The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at August 30, 2021 unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, 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 XSF's securities; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This discussion contains "forward-looking information" and may also contain statements that may constitute "forward-looking statements", collectively "forward-looking information", within the meaning of applicable Canadian securities legislation. Such forward-looking information is not representative of historical facts or information or current condition, but instead represent the beliefs and expectations regarding future events about the business and the industry and markets in which XSF operates, as well as plans or objectives of management, many of which, by their nature, are inherently uncertain. Generally, such forward-looking information can be identified by the use of terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved".

Management considers the assumptions on which forward-looking information is based to be reasonable at the time the statements were made. Accordingly, actual results could differ materially from those expressed or implied within forward-looking information.

GOING CONCERN ASSUMPTION

The condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses and negative cash flows from operations since inception and has an accumulated deficit of $19,523,678 and $18,639,943 as of

June 30, 2021 and December 31, 2020, respectively. These matters, in conjunction with the ongoing COVID-19 global pandemic, are material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company anticipates incurring additional losses until such time that it can generate sufficient revenue from its operations to cover its expenses. Historically, the Company has been successful in obtaining enough funding for operating and capital requirements. The condensed consolidated financial statements do not give effect to any adjustments which may be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated financial statements. These adjustments could be material.

OVERVIEW OF THE COMPANY

Company Background

XSF, which changed its name from Xtraction Services Holdings Corp. on June 26, 2020, and formerly known as Caracara Silver Inc. ("Caracara") was incorporated under the laws of the Province of British Columbia on December 3, 2009, and is listed on the Canadian Securities Exchange ("CSE") under the symbol "XSF".

Xtraction Services, Inc. ("XSI") was originally established as a Delaware limited liability company on October 9, 2017. In July 2018, XSI filed with the Secretary of State of Delaware to change its corporate status from a Delaware limited liability company to a Delaware corporation and elected to be classified as a corporation. On July 19, 2018, XSI received a Certificate of Conversion and Certificate of Incorporation from the Secretary of State of Delaware.

On March 22, 2019, XSI entered into a definitive merger agreement with Caracara pursuant to which Caracara would acquire all of the issued and outstanding common shares of XSI. The transaction was structured as a “reverse triangular merger” between XSI, Caracara and a wholly-owned subsidiary of Caracara incorporated under the laws of Delaware. On September 11, 2019, the merger became effective whereby Caracara's subsidiary acquired all of the issued and outstanding Class A and Class B common shares, stock options and warrants of XSI and the resulting issuer changed its name from Caracara Silver Inc. to XS (formerly known as Xtraction Services Holdings Corp.) and continued with the business of XSI.

On July 13, 2020, the Company purchased CA Licensed Lenders LLC ("CFLL"), whereby the only asset was a California lenders license.

Description of Business

XS Financial provides the U.S. cannabis industry access to competitively-priced, non-dilutive CAPEX financing solutions. Founded in 2017, the Company specializes in providing financing for equipment and other qualified capital expenditures to growing cannabis companies, including cultivators, processors, manufacturers and testing laboratories. In addition, XSF has partnered with over 150 original equipment manufacturers (OEM) through its network of Preferred Vendor partnerships. This powerful dynamic provides an end-to-end solution for customers, resulting in recurring revenues, strong profit margins, and a proven business model for XSF stakeholders.

The Company predominantly generates equipment leases through its employee sales force, who focus on equipment vendors and direct equipment users. XSF distinguishes itself from traditional equipment leasing companies in that it:

- offers equipment-specific leasing, sale-leasebacks, and purchasing solutions;
- contracts are primarily generated through its relationships with industry vendors that provide XSF services at the point of sale, and direct relationships; and
- provides equipment procurement

XSF provides customers with the option of leasing equipment in consideration for monthly lease payments (pursuant to lease agreements).

Recent Developments and Outlook

Revenue Activity

XSF continues to assess numerous leasing opportunities and intends to focus on pursuing those opportunities that align with its growth objectives. Target leasing opportunities will primarily consist of leases to businesses underpinned by recurring, predictable revenues, sound balance sheets and experienced management teams. While the Company recognizes the challenging market dynamics of the Cannabis sector, XSF remains well-positioned to execute its business plan since many Cannabis businesses require mission-critical equipment to operate and grow but lack sufficient access to new capital or are burdened with expensive sources of financing. The Company books revenue that is derived from financing income earned on the financing component of lease transactions and operating leases. Financing income is the interest earned by the Company on our lease arrangements.

During the quarter ended June 30, 2021, the Company saw an increased customer count and and completed 14 lease transactions with publicly-traded and private cannabis companies including Columbia Care Inc. ("Columbia Care"), Ayr Wellness Inc., ("Ayr Wellness"), Green Peak Industries LLC ("Skymint Brands"), and an undisclosed confidential company. During this period, the Company originated over $11,900,000 million of leases. For comparison, the Company added one (1) new customer and completed 3 new lease transaction totaling approximately $1,960,000 during the same period in 2020.

Syndication Platform and Issuance of Note payable

In February 2021, the Company launched its syndication platform and entered into six separate promissory note agreements with a third-party lender totaling $1,000,000 with maturity dates ranging from June 2024 to December 2024. In June 2021, the Company entered into a seventh promissory note with the same lender for $1,000,000 and a maturity date of November 2024. The promissory notes bear interest at a rate of 12% per annum, payable monthly. Each promissory note is secured by the lease payment streams and the underlying equipment of certain finance leases the Company has entered into with customers.

Private Placement Equity Issuance

In February and March 2021, the Company received gross proceeds of approximately $13,350,000CAD ($10,595,000), including approximately $1,575,300 CAD ($1,250,000) from a related party, Archytas, net of issuance costs of approximately $864,000CAD ($681,000), from the issuance of 39,259,731 units at a price $0.30CAD ($0.24) and 5,251 proportionate voting units at a price $300CAD ($238). Each unit consists of one common share and one warrant. The warrants to be received have an exercise price of a $0.45CAD ($0.36) and $450CAD ($360) for the units and proportionate voting units, respectively, and have a two-year term.

In connection with the private placement the Company issued an additional 2,353,400 warrants to brokers and agents which entitled the holder to acquire one unit at a price of $0.30CAD ($0.24) for a period of two years from the date of issuance, and an aggregate of 1,450,000 units in satisfaction of a corporate finance fee. Each unit consists of one common share and one warrant. The warrants to be received have an exercise price of a $0.45CAD ($0.36) and have a two-year term.

Components of Our Results of Operations

Revenue

The Company's revenue is derived from financing income earned on the financing component of lease transactions and operating leases. Starting in 2020, the Company shifted to predominantly entering lease arrangements that generate financing income only.

Operating Expenses

Operating expenses consist of administrative, selling and marketing costs. Administrative expenses primarily represent contractor costs, personnel costs, including salaries, benefits, incentive-based non-cash compensation, management fees and other professional service costs, including legal and accounting, to support Company operations. Selling and marketing costs primarily represent marketing activities, commissions, trade shows, contractor costs and personnel costs, including a portion of salaries, benefits and marketing activities related to customer acquisition.

Other (Income) Expense

Other (income) expense consists of (i) financing interest expense on notes payable and convertible debentures, (ii) non-cash interest expense for debt issuance costs and debt discounts related to the issuance of our convertible debentures, (iii) gains and losses on the sale of servicing equipment and property and equipment and (iv) mark-to-market changes in the fair value of the Company's investment in KushCo.

Income Taxes (Recovery)

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events.

RESULTS OF OPERATIONS

The following table sets forth selected financial information for the periods indicated that was derived from our audited financial statements and the respective accompanying notes prepared in accordance with IFRS.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	$ 561,579	$ 72	$ 977,751	$ 199,933
Operating expenses	$ 764,561	$ 753,938	$ 1,541,217	$ 1,353,220
Other expense	$ 277,596	$ 174,954	$ 320,269	$ 2,355,118
Net loss	$ (480,578)	$ (928,820)	$ (883,735)	$ (3,508,405)
Loss per share - basic and diluted	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.07)
Weighted average shares outstanding - basic and diluted	103,500,701	53,574,411	86,995,630	51,539,245

	June 30, 2021	December 31, 2020
Total assets	$ 22,561,382	$ 7,293,996
Total liabilities	$ 12,213,564	$ 6,759,918

Three Months Ended June 30, 2021 as compared to the Three Months Ended June 30, 2020

Revenue

Revenues for the three months ended June 30, 2021 were $561,579 compared with $72 for the three months ended June 30, 2020.The increase of $561,507 for three months ended June 30, 2021 as compared to the same period in 2020 was attributable to revenue recognized from financing income associated with 33 new financing leases between 6 customers from 2020 to 2021. This increase was partially offset by a decrease in operating lease revenue resulting from all operating leases terminating or completing in 2020.

Operating Expenses

Operating expenses for three months ended June 30, 2021were $764,561 compared with $753,938 for three months ended June 30, 2020.The following table presents the components of operating expenses:

	Three months ended June 30,	
	2021	2020
Administrative expenses:		
Personnel and contractor costs	$ 164,525	$ 70,476
Professional fees	211,694	133,379
Incentive compensation	147,763	234,834
Occupancy expenses	-	17,520
Management fee	85,000	60,200
Insurance	56,418	52,605
Depreciation expense	4,563	33,507
Other	30,461	30,085
Total administrative expenses	700,424	632,606
Selling and marketing expenses:		
Personnel and contractor costs	$ 52,041	$ 42,984
Marketing and trade shows	8,058	66,261
Professional fees	-	7,217
Other	4,038	4,870
Total selling and marketing expenses	64,137	121,332
	$ 764,561	$ 753,938

Administrative expenses for three months ended June 30, 2021 were $700,424 compared with $632,606 for three months ended June 30, 2020. The increase of $67,818 for the three months ended June 30, 2021, as compared to same period in 2020 was primarily attributable to an increase of approximately $119,000 in the use of third-party contactors and employees, and management fee expense and an increase of approximately $78,000 in professional fees related to the Company's growth and financing activities. The above increases are partially offset by a decrease of approximately $87,000 in non-cash incentive compensation expense associated with the April 2020 stock option grant that vested immediately upon grant, and a decrease of approximately $46,000 in rent expense and depreciation expense from 2020 to 2021.

Selling and marketing expenses for three months ended June 30, 2021 were $64,137 compared with $121,332 for three months ended June 30, 2020. The decrease of $57,195 for the three months ended June 30, 2021, as compared to the same period in 2020 was primarily attributable to a $63,000 expense in 2020 related to non-cash marketing services paid through the issuance of common shares.

Other Expense

Other expense for three months ended June 30, 2021 was $277,596 compared with $174,954 for three months ended June 30, 2020. The increase in other expense of $102,642 for the three months ended June 30, 2021 as compared to same period in 2020 was primarily attributable to the increase in unrealized losses of approximately $129,000 related to the fair value change of the KushCo investment from a gain of approximately $(89,000) in 2020 to loss of approximately $40,000 in 2021. To a lesser degree the increase was attributable to an increase in financing and accretion expenses from 2020 to 2021. The above increases are partially offset by the loss of approximately $59,000 in 2020 related to the sale of servicing equipment.

Net Loss

The Company's loss for three months ended June 30, 2021 was $(480,578) compared to a loss of $(928,820) for three months ended June 30, 2020. The Company anticipates further improvement in net income (loss) throughout 2021 due to the increase in new leasing activity.

Six Months Ended June 30, 2021 as compared to the Six Months Ended June 30, 2020

Revenue

Revenues for the six months ended June 30, 2021 were $977,751 compared with $199,933 for the six months ended June 30, 2020.The increase of $777,818 for six months ended June 30, 2021 as compared to the same period in 2020 was attributable to revenue recognized from financing income associated with 36 new financing leases between 7 customers from 2020 to 2021. This increase was partially offset by a decrease in operating lease revenue resulting from all operating leases terminating or completing in 2020.

Operating Expenses

Operating expenses for six months ended June 30, 2021were $1,541,217 compared with $1,353,220 for six months ended June 30, 2020.The following table presents the components of operating expenses:

	Six months ended June 30,	
	2021	**2020**
Administrative expenses:		
Personnel and contractor costs	$ 315,460	$ 153,824
Professional fees	450,948	280,545
Incentive compensation	272,674	285,502
Occupancy expenses	-	25,691
Management fee	171,001	146,200
Insurance	113,606	107,320
Depreciation expense	9,126	71,007
Other	70,205	115,708
Total administrative expenses	1,403,020	1,185,797
Selling and marketing expenses:		
Personnel and contractor costs	$ 96,576	$ 80,395
Marketing and trade shows	37,056	73,502
Professional fees	-	7,217
Other	4,565	6,309
Total selling and marketing expenses	138,197	167,423
	$ 1,541,217	$ 1,353,220

Administrative expenses for six months ended June 30, 2021 were $1,403,020 compared with $1,185,797 for six months ended June 30, 2020. The increase of $217,223 for the six months ended June 30, 2021, as compared to same period in 2020 was primarily attributable to an increase of approximately $162,000 in personnel and contractor costs related to an increase in the use of third-party contactors and employees and an increase of approximately $170,000 in professional fees related to the Company's growth and financing activities. The above increases are partially offset by decreases of approximately $128,000 in

rent expense, depreciation expense and bad debt expense associated with the write-off a doubtful account in 2020.

Selling and marketing expenses for six months ended June 30, 2021 were $138,197 compared with $167,423 for six months ended June 30, 2020. The decrease of $29,226 for the six months ended June 30, 2021, as compared to the same period in 2020 was primarily attributable to a $63,000 expense in 2020 related to non-cash marketing services paid through the issuance of common shares, partially offset by an increase in marketing and promotional activity and commissions.

Other Expense

Other expense for six months ended June 30, 2021 was $320,269 compared with $2,355,118 for six months ended June 30, 2020. The decrease in other expense of $2,034,849 for the six months ended June 30, 2021 as compared to same period in 2020 was primarily attributable to the decrease in unrealized losses of approximately $2,028,000 related to the fair value change of the KushCo investment from a loss of approximately $1,898,000 in 2020 to a gain of approximately $(130,000) in 2021. To a lesser degree the decrease was attributable to a loss of approximately $65,000 in 2020 related to the sale of servicing equipment. The above decreases are partially offset by an increase in financing and accretion expenses from 2020 to 2021.

Net Loss

The Company's loss for six months ended June 30, 2021 was $(883,735) compared to a loss of $(3,508,405) for six months ended June 30, 2020. The Company anticipates further improvement in net income (loss) throughout 2021 due to the increase in new leasing activity.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company's liquidity needs are primarily to finance growth initiatives including equipment acquisition, leasing activities, debt service and for general corporate purposes. The Company's primary source of liquidity to date has been funds generated by private placement equity raise via equity, convertible debentures, and debt, including term loans and a line of credit. The Company has been generating revenue from operations since the third quarter of 2018. The Company's ability to fund its operations, make planned capital expenditures, satisfy scheduled debt payments and repay or refinance indebtedness depends on the Company's future operating performance and cash flows. These cash flows are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond the Company's control (see "*Financial Instruments and Financial Risk Management*").

As of June 30, 2021, the Company had $2,856,142 of cash, working capital (deficit) (current assets minus current liabilities) of $(732,122) and an accumulated deficit of $(19,523,678) compared with $545,990 of cash, working capital (deficit) of $(2,079,684) and an accumulated deficit of $(18,639,943) as of December 31, 2020. The increase in cash and working capital by $2,310,152 and $1,347,562, respectively, is directly attributable to the March 2021 private placement equity issuance in which the Company raised approximately $9,900,000 of cash, net of issuance cost, and net debt borrowings of approximately $1,167,000, offset by purchases of equipment related to new financing leases as well as the ongoing funding of operations. The increase in accumulated deficit of $(883,735) was attributable to the funding of operations.

The Company anticipates incurring additional losses until such time that it can generate sufficient revenue from its operations to cover its expenses. Historically, the Company has been successful in obtaining enough funding for operating and capital requirements.

Cash Flows

The following table sets forth the primary sources and uses of cash for the six months ended June 30, 2021 and 2020:

	Six months ended June 30,	
	2021	**2020**
Cash flows (used in) operating activities	$ (8,706,182)	$ (359,244)
Cash flows provided by investing activities	$ -	$ 131,529
Cash flows provided by financing activities	$ 11,081,112	$ 55,762

Cash Flow from Operating Activities

Net cash used in operating activities for the six months ended June 30, 2021 was $(8,706,182) primarily due to a change in working capital items of $(8,394,379) related to new financing leases and a loss for the period of $(883,735). The above decreases were offset in part by non-cash adjustments of $571,932 including mark-to-market fair value change of investments, accretion of debt issuance costs and discounts, common shares issued for services, depreciation and non-cash incentive compensation.

Net cash used in operating activities for the six months ended June 30, 2020 was $(359,244) primarily due to a loss for the period of $(3,508,405) partially offset by non-cash adjustments of $2,642,485

including mark-to-market fair value change of investments, accretion of debt issuance costs and discounts, depreciation and non-cash incentive compensation and changes to working capital items of 506,677.

Cash Flow from Investing Activities

No cash was provided by or used in investing activities for the six months ended June 30, 2021.

Net cash provided by investing activities for the six months ended June 30, 2020 of $131,529 was attributable to $383,400 of proceeds received from the sale of servicing equipment, offset in part by $(251,871) for the purchase of servicing equipment.

Cash Flow from Financing Activities

Net cash provided by investing activities for the three months ended June 30, 2021 was $11,081,112 and was attributable to $9,914,574 of net proceeds received from the Company's private placement equity issuance in March 2021, and net debt borrowings of $1,166,538 .

Net cash provided by investing activities for the six months ended June 30, 2020 of $55,762 was attributable to proceeds received from a third party lender under the U.S. government's Paycheck Protection Program ("PPP") via the Coronavirus Aid, Relief, and Economic Security ("CARES") Act loan borrowings.

CONTRACTUAL OBLIGATIONS

In the normal course of business, the Company may be subject to contractual obligations to make future payments in relation to contracts or other financial commitments. As of June 30, 2021, the Company is not aware of any legal or financial contractual obligations or financial commitments outside of its loans and borrowings and related party management services agreement.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company has no material undisclosed off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that are material to investors.

RELATED PARTY TRANSACTIONS

Related parties include officers and employees of the Company that are investors, debt holders and the Company's former provider of servicing equipment.

Key Management and Personnel

Key employees include executive management with the authority and responsibility for planning, directing and controlling the activities of the Company. The following table presents compensation and benefit expenses of key employees:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries, contractor costs, management fees and benefits	$ 133,852	$ 91,245	$ 310,289	$ 219,726
Incentive compensation (non-cash)	27,486	35,959	62,712	48,296
	$ 161,338	$ 127,204	$ 373,001	$ 268,022

Related Party Transactions and Amounts Due to Related Parties

The following table presents expenses incurred on behalf of the Company by Archytas:

Amounts due to related parties at January 1, 2020	$ -
Interest expense	48,000
Management fee	146,200
Less payments to related parties	(162,133)
Amounts due to related parties at June 30, 2020	$ 32,067

Amounts due to related parties at January 1, 2021	$ 256,486
Management fee	171,001
Less payment through issuance of common shares	(426,001)
Less payments to related parties	(1,486)
Amounts due to related parties at June 30, 2021	$ -

In March 2021, the Company received gross proceeds of $1,249,940 from Archytas related to the issuance of 5,251 proportionate voting shares to Archytas.

Related Party Management Services Agreement

Effective January 2019, the Company entered into a management services agreement with Archytas at a monthly rate of $28,667 and a term of five years, with one-year automatic renewals, whereby Archytas will provide day-to-day executive management and support to the Company. Archytas is a shareholder of the Company, having been involved in the initial formation of XSI. In addition, two officers and directors of the Company are partners of Archytas. In March and June 2021, the Company authorized the issuance of 1,890,824 common shares to Archytas as payment for a 2020 management fee bonus and the 2021 first and second quarter management fees. The Company recorded $255,000 as a reduction to accrued expenses for previously accrued bonuses and $85,000 and $171,001 as management fee expense for the three and six months ended June 30, 2021, respectively. The Company recorded $60,200 and $146,200 of management fee expense for the three and six months ended June 30, 2020, respectively. The agreement cannot be terminated until Archytas holds less than 5% of the fully diluted capital stock of the Company. As at June 30, 2021 and December 31, 2020, Archytas held 18.5% and 19.4%, respectively of outstanding voting shares of the Company.

In conjunction with entering into this agreement the Company's CEO and COO terminated their employment agreements with the Company. Additionally, Archytas will receive a fee for services provided on a successful acquisition, merger or change of control of the Company valued at 2% of the enterprise value of such transaction.

The Company is party to certain management contracts. These contracts require payments of $746,000 upon the occurrence of a change in control of the Company, as defined by each officer's respective consulting agreement. As a triggering event has not taken place, the contingent payments have not been reflected in the condensed consolidated financial statements.

CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

New standards adopted

The Company had no additional new standards adopted that resulted in changes to the Company's accounting policies for the six months ended June 30, 2021.

New standards and interpretations to be adopted in future periods

There are no new IFRS standards or interpretations expected to go into effect subsequent to the report date that would have a material impact on the Company's financial statements whether or not the policy is adopted early.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements are described below.

Revenue Recognition

The Company recorded all financing leases entered into for the period on a net basis as the Company no longer meets the definition of a manufacturer or dealer resulting in only the recognition of financing income revenue in the consolidated statements of loss and comprehensive loss. Historically, the Company also completed equipment sales revenue transactions whereby the Company recorded revenue on a gross basis which included factoring in the notional value of the equipment.

Depreciation of Servicing Equipment, Property and Equipment, and Estimate of Useful Lives

Depreciation and amortization of servicing equipment and property and equipment is dependent upon estimates of useful lives. The Company estimates the useful lives of these assets based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

Long-Lived Assets and Impairment

Long-lived assets, such as servicing equipment and property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company estimates its recoverable amount. An impairment loss is recognized to the extent the carrying value exceeds its recoverable amount. Fair value is determined using various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Share-based Incentive Compensation

The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The assumptions and models used for estimating fair value for share-based payment transactions is disclosed in Note 18 of the Company's interim financial statements. The expected volatility assumptions for the Company's option and warrant grants are based on both the Company's and comparable companies volatility.

Functional Currency Determination

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates.

Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21. The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary

economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

Determination of Discount Rates

Determination of the discount rate for term loans and convertible debentures is based on comparison to similar interest-bearing debt instruments of a group of comparative companies.

Determination of Financing Lease or Operating Lease

In making the determination of whether an arrangement should be accounted for as a financing lease or an operating lease, the Company makes certain assumptions including, the interest implicit in the lease and the residual value of the equipment at the end of the lease.

Expected Credit Losses

Allowance for credit losses

The Company measures loss allowances based on an expected credit loss ("ECL") impairment model for all financial instruments except those measured at fair value through profit and loss. Application of the model depends on the following credit stages of the financial assets:

(i) Stage 1 - for new leases recognized and for existing leases that have not experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring in the next 12 months;
(ii) Stage 2 - for those leases that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected over the remaining life of the lease; and
(iii) Stage 3 - for leases that are considered to be credit-impaired, a loss allowance equal to full life time ECLs is recognized.

Thus, the evaluation of the allowance for credit losses is performed on a lease by lease basis. Definitions of default have been selected to eliminate the judgement that may otherwise be necessary, given the diversity within the finance receivable portfolio, the lack of individual drivers of changes in credit risk across assets and over time, and the resulting inability to assess which specific assets will be rectified. For the purposes of measuring ECL, a default is defined as leases and loans that have missed one payment and are not subsequently rectified within 60 days.

The Company is entitled to repossess financed equipment if the borrower defaults on their lease obligations. Any amounts recovered from the sale of repossessed equipment are credited to the allowance for credit losses when received.

The process of estimating ECLs uses the following inputs and assumptions to reflect information about past events, current conditions and forecasts of future conditions that are not already captured in the inputs:

- Recoveries of amounts previously written off in the last 12 months, as an estimate of recoveries for the next 12 months;
- An estimate of the effects of natural disasters and economic shocks that have occurred on credit losses in the next 12 months;

- The stage of the business cycle for the industry, which considers: the competitive environment, GDP growth, prevailing interest rates and expectations of future rates, fiscal policy and inflation rates; and
- Current delinquency trends of non-accrual and greater than 30 days delinquency rates.

Determining the inputs listed and ECLs requires significant estimation uncertainty. The estimation and application of forward-looking information requires significant judgement.

Definition of a Business

Determination of whether a set of assets acquired, and liabilities assumed constitute a business under IFRS 3 requires the Company to make certain judgments, taking into account all facts and circumstances.

Income, Value Added, Withholding and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company is also subject to tax regulations as they relate to flow-through financing arrangements. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company categorizes its financial assets and liabilities measured and reported at fair value in the financial statements on a recurring basis based upon the level of judgments associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity associated with the inputs used to determine the fair value of financial assets and liabilities, are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Each major category of financial assets and liabilities measured at fair value on a recurring basis is categorized based upon the lowest level of significant input to the valuations. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company’s risk management processes:

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure is the carrying amount of cash, trade and other receivables and financing receivables. The Company does not have significant credit risk with respect to customers. All cash is placed with recognized U.S. financial institutions. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company has not recognized any loss allowance for expected credit losses on the trade and financing receivables as of June 30, 2021.

The Company is entitled to repossess financed equipment if the lessee defaults on their contract in order to minimize any credit losses.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

At June 30, 2021, the Company had current assets of $7,621,792 and current liabilities of $8,353,914. All current liabilities are due within one year.

At June 30, 2021, the Company also has the following obligations due:

	Less than 6 months	6 months to 1 years	1 to 3 years	Over 3 years
Trade and other payables	$ 4,832,010	$ -	$ -	$ -
Accrued expenses	2,958,804	-	-	-
Loans and borrowings [(1)]	246,656	316,444	1,194,584	4,519,337
	$ 8,037,470	$ 316,444	$ 1,194,584	$ 4,519,337
Commitments	-	-	-	-
Balance at June 30, 2021	$ -	$ -	$ -	$ -

Note to the table:
(1) Represents undiscounted loans and borrowings.

Market Risk

Currency Risk

The Company has determined its functional currency to be the Canadian dollar and U.S. dollar. The operating results and financial position of the Company are reported in U.S. dollars. The Company has minimal financial transactions denominated in currencies other than the Canadian and U.S. dollar. The Company has no hedging agreements in place with respect to foreign exchange rates. The following table presents financial instruments in CAD currency subject to currency risk:

	June 30, 2021	December 31, 2020
Tax receivable	$ 16,932	$ 8,836
Trade payable	$ 67,231	$ 69,128
Loans and borrowings [(1)]	$ 5,668,000	$ 5,668,000

Note to the table:
(1) Represents convertible debentures and sub receipt convertible debentures.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's line of credit is subject to fluctuations in interest rates and therefore exposes the Company to interest rate fair value risk. The remainder of the Company's financial debt and lease receivables have fixed rates of interest resulting in limited interest rate fair value risk for the Company.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to equity price risk associated with changes in the market value of its investments. The Company closely monitors equity prices to determine the appropriate course of action to be taken. A 10% change in the quoted market of investments would result in a change of approximately $44,700 in the condensed consolidated statements of loss and comprehensive loss for the six months ended June 30, 2021.

Disclosure Controls and Procedures

The Company's management, with the participation of its President and CEO and CFO, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the certifying officers have concluded that, as of the end of the year covered by this report, the disclosure controls and procedures effectively provide reasonable assurance that information required to be disclosed, in reports the Company is required to file or submit under Canadian securities laws, was recorded, processed, summarized and reported within the appropriate time periods specified by those laws. The Company's certifying officers, being the President and CEO and the CFO have evaluated the effectiveness of the Company's disclosure controls and procedures. The certifying officers also concluded that material information was accumulated and communicated to management of the Company, including the President and CEO and the CFO, as appropriate to allow timely decisions regarding disclosure.

Internal Controls over Financial Reporting

The Company's President and CEO, and the CFO are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the President and CEO and the CFO, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes, in accordance with IFRS. The Company's internal control over financial reporting includes policies that:

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with IFRS and that the Company's receipts and disbursements are made only in accordance with authorizations of management and the Company's Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's management believes that its policies and procedures provide the best controls achievable under the constraints described above, subject to the limitations below.

Limitation of Controls and Procedures

The Company's management including the President and CEO and the CFO believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. The inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can be circumvented by the individual acts of some persons, by collusion of two or more individuals or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and therefore there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Accounting Responsibilities, Procedures and Policies

The Board of Directors, which among other things is responsible for the consolidated financial statements of the Company, delegates to management the responsibility for the preparation of the consolidated financial statements. Responsibility for their review rests with the Audit Committee. Each year the shareholders appoint independent auditors to audit and report directly to them on the consolidated financial statements.

The Audit Committee is appointed by the Board of Directors and all of its members are non-management directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues, and to confirm that all administrative duties and responsibilities are properly discharged. The Audit Committee also reviews the consolidated financial statements and MD&A and considers the engagement or reappointment of external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders. The external auditors have full and free access to the Audit Committee.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Canada and the United States. The spread of

COVID-19 has caused significant volatility in Canadian, U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Canadian, U.S. and international economies and, although the Company has not experienced any material impact on its operations to date, the Company is unable to determine if it will have a future material impact to its operations or ability to raise funds.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking information" as defined in applicable securities laws. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking in nature. The forward-looking information in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 75,526,444 common shares, 28,358 proportionate voting shares, 50,006,641 warrants and 7,074,423 stock options issued and outstanding.

SUBSEQUENT EVENTS

Line of credit

In July 2021, the Company increased the maximum borrowing base of its line of credit from $2,000,000 to $4,000,000. All terms, including the interest rate, remained unchanged.

Syndication term loans

In July and August 2021, the Company entered into additional promissory note agreements with lenders totaling $3,315,000, of which $350,000 was with related parties and $2,965,000 was with arms-length parties. The $3,315,000 of borrowings has increased the Company's total syndication term loan borrowings to $5,315,000. The additional promissory notes have maturity dates ranging from June 2024 to July 2025, and bear interest rates of 12% per annum, payable monthly. The promissory notes are secured by the lease payment streams and the underlying equipment of certain finance leases the Company has entered into with customers.

Lease Originations

In July and August 2021, the Company completed 10 lease schedules with Columbia Care, Hollister Biosciences, and Ayr Wellness, resulting in lease originations totaling $11.9 million and equipment value totaling $14.2 million.

Debenture Conversion

Subsequent to June 30, 2021, the Company issued 31,818 subordinate voting shares for a conversion of $35,000CDN of the Company's convertible debentures.