POSaBIT Systems Corporation

Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(expressed in United States Dollars)

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McGovern
Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of POSaBIT Systems Corporation

Opinion

We have audited the consolidated financial statements of POSaBIT Systems Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a loss and had negative cash flows from operations during the year ended December 31, 2024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

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Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Soheil Talebi.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 23, 2025

(Expressed in United States Dollars)

	2024	2023
	$	$
ASSETS		
Current assets		
Cash	**999,076**	1,522,155
Accounts receivables *(note 6)*	**851,775**	1,247,511
Current portion of contract asset *(note 10)*	**3,559,270**	2,513,939
Inventory *(note 7)*	**100,059**	13,971
Prepaid expenses and other assets *(note 8)*	**150,368**	301,557
Total current assets	**5,660,548**	5,599,133
Deposit	**-**	120,000
Equipment *(note 9)*	**18,189**	47,417
Revenue-generating equipment *(note 9)*	**-**	820,125
Right-of-use asset *(note 9)*	**10,242**	133,144
Contract asset *(note 10)*	**2,914,751**	6,441,498
Total assets	**8,603,730**	13,161,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *(notes 11 & 16)*	**3,002,551**	2,646,118
Current portion of lease liability *(note 12)*	**10,890**	122,580
Holdbacks payable *(note 5)*	**500,000**	500,000
Income taxes payable *(notes 25)*	**114,183**	123,825
Total current liabilities	**3,627,624**	3,392,523
Credit facility *(note 14)*	**4,467,032**	4,398,970
Government loan *(note 13)*	**50,135**	49,420
Lease liability *(note 12)*	**-**	10,891
Total liabilities	**8,144,791**	7,851,804
Shareholders' equity		
Common shares *(note 15.2)*	**27,470,927**	27,449,828
Shares to be issued *(note 15.3)*	**514,004**	857,359
Contributed surplus *(note 15.5)*	**5,247,084**	6,399,470
Warrant reserve *(note 15.4)*	**2,120,066**	2,461,834
Deficit	**(34,341,503)**	(31,638,228)
Currency translation reserve	**(551,639)**	(220,750)
Total shareholders' equity	**458,939**	5,309,513
Total liabilities and shareholders' equity	**8,603,730**	13,161,317

Nature of operations and going concern ***(note 1)***
Commitments and litigation ***(note 24)***
Subsequent events ***(note 26)***

Approved for filing by the Board of Directors, April 23, 2025

"Mike Apker" **(Director)**

"Don Tringali" **(Director)**

(Expressed in United States Dollars)

	2024	2023
	$	$
REVENUE *(note 18)*	**15,273,846**	43,575,060
COST OF SALES		
Processing fees	**6,351,158**	30,495,245
Software license fees	**288,207**	654,041
Hardware cost of sales *(note 7)*	**1,147,312**	1,364,385
Sales labour and commissions	**482,640**	1,839,370
Total cost of sales	**8,269,317**	34,353,041
GROSS MARGIN	**7,004,529**	9,222,019
OPERATING EXPENSES		
Administrative *(notes 16 & 22)*	**8,983,721**	13,153,127
Amortization and depreciation *(note 9)*	**152,131**	303,615
Foreign exchange gain	**(298,941)**	(608,792)
Investor relations and public reporting	**82,734**	117,297
Marketing	**37,432**	321,526
Professional fees	**2,034,294**	2,011,157
Share-based compensation *(note 15.5)*	**1,184,450**	3,471,246
Total operating expenses	**12,175,821**	18,769,176
OTHER INCOME (EXPENSES)		
Bad debts (net of bad recoveries) *(notes 6 & 19)*	**(16,210)**	(639,772)
Change in expected credit losses and bad debts *(notes 4.7.1 and 6)*	**10,917**	(8,615)
Change in fair value of derivative liability	**-**	5,996,544
Finance costs *(notes 6, 14 & 18)*	**(454,530)**	(322,418)
Gain on debt modification *(note 14)*	**-**	75,975
Interest accretion (non-cash) *(notes 12 & 13)*	**(18,175)**	(518,371)
Impairment of intangible assets	**-**	(2,709,258)
Impairment of goodwill	**-**	(4,257,493)
Interest income *(note 10)*	**891,729**	1,055,959
Other income *(note 20)*	**-**	102,720
One-time settlements *(note 24.3)*	**(350,000)**	(2,214,408)
Transaction costs *(note 21)*	**(210,976)**	(538,936)
Impaired revenue-generating equipment *(note 9)*	**(410,062)**	-
Total other expense	**(557,307)**	(3,978,073)
LOSS PRIOR TO INCOME TAXES	**(5,728,599)**	(13,525,230)
Income tax (recovery) expense *(note 25)*	**12,240**	(235,200)
NET LOSS	**(5,716,359)**	(13,760,430)
Basic and fully-diluted loss per common share *(note 4.1)*	**(0.037)**	(0.093)
Weighted average number of common shares outstanding - basic and fully-diluted *(note 4.1)*	**156,383,047**	148,737,752

(Expressed in United States Dollars)

	2024	2023
	$	$
Net loss	**(5,716,359)**	(13,760,430)
Other comprehensive loss:		
Items that may not be reclassified to net loss		
Foreign translation adjustment on parent	**(330,888)**	(577,795)
	(330,888)	(577,795)
Net comprehensive loss	**(6,047,247)**	(14,338,225)

(Expressed in United States Dollars)

	Common shares		Shares to be issued						
	Number	Amount	Number	Amount	Contributed surplus	Warrant reserve	Deficit	Currency translation reserve	Total
		$		$	$	$	$	$	$
December 31, 2022	139,815,388	20,069,158	-	-	3,443,880	1,725,064	(20,002,061)	357,045	5,593,086
Shares issued for cash	7,640,475	3,652,320					-	-	3,652,320
Shares issued on conversion of debt	2,877,874	250,000	-	-	-	-	-	-	250,000
Fair value of derivative liability on converted shares	-	599,535	-	-	-	-	-	-	599,535
Shares issued for Acquisition *(note 5)*	4,968,584	4,112,033	-	-	-	-	-	-	4,112,033
Shares to be issued for Acquisition *(note 5)*	-	-	2,484,293	1,713,690	-	-	-	-	1,713,690
Shares issued for Acquisition holdback *(note 5)*	621,073	514,004	(621,073)	(514,004)	-	-	-	-	-
Forfeit of shares to be issued for Acquisition	-	-	(413,635)	(342,327)	-	-	342,327	-	-
Fair value of issued warrants	-	(1,829,579)	-	-	-	1,829,579	-	-	-
Exercise of warrants	186,732	22,253	-	-	-	-	-	-	22,253
Fair value of exercised warrants	-	15,000	-	-	-	(15,000)	-	-	-
Fair value of issued compensation warrants	-	-	-	-	-	208,066	-	-	208,066
Compensation warrants surrendered	-	-	-	-	-	(208,066)	208,066	-	-
Warrants surrendered	-	-	-	-	-	(1,077,809)	1,077,809	-	-
Exercise of options	240,050	25,509	-	-	-	-	-	-	25,509
Fair value of exercised options	-	19,595	-	-	(19,595)	-	-	-	-
Expiry of options	-	-	-	-	(496,061)	-	496,061	-	-
Share-based compensation	-	-	-	-	3,471,246	-	-	-	3,471,246
Net loss	-	-	-	-	-	-	(13,760,430)	-	(13,760,430)
Net comprehensive loss	-	-	-	-	-	-	-	(577,795)	(577,795)
December 31, 2023	156,350,176	27,449,828	1,449,585	857,359	6,399,470	2,461,834	(31,638,228)	(220,750)	5,309,513

(Expressed in United States Dollars)

	Common shares		Shares to issued		Contributed	Warrant		Currency translation	
	Number	Amount	Number	Amount	surplus	reserve	Deficit	reserve	Total
		$		$	$	$	$	$	$
December 31, 2023	156,350,176	27,449,828	1,449,585	857,359	6,399,470	2,461,834	(31,638,228)	(220,750)	**5,309,513**
Shares issued on vesting of RSUs	**12,500**	**8,875**	-	-	**(8,875)**	-	-	-	-
Exercise of warrants	**135,823**	**12,224**	-	-	-	-	-	-	**12,224**
Expired warrants	-	-	-	-	-	**(341,768)**	**341,768**	-	-
Expired options	-	-	-	-	**(2,319,109)**	-	**2,319,109**	-	-
RSUs forfeit	-	-	-	-	**(8,852)**	-	**8,852**	-	-
Forfeit of shares to be issued ***(note 5)***	-	-	**(828,512)**	**(343,355)**	-	-	**343,355**	-	-
Share-based compensation	-	-	-	-	**1,184,450**	-	-	-	**1,184,450**
Net loss	-	-	-	-	-	-	**(5,716,359)**	-	**(5,716,359)**
Net comprehensive loss	-	-	-	-	-	-	-	**(330,889)**	**(330,889)**
December 31, 2024	**156,498,499**	**27,470,927**	**621,073**	**514,004**	**5,247,084**	**2,120,066**	**(34,341,503)**	**(551,639)**	**458,939**

(Expressed in United States Dollars)

	2024	2023
OPERATING ACTIVITIES	**$**	$
Net loss	**(5,716,359)**	(13,760,430)
Adjustment for non-cash items		
Amortization and depreciation *(note 9 & 10)*	**152,131**	303,615
Change in fair value of derivative liability	**-**	(5,996,544)
Change in expected credit losses and bad debts	**242,793**	648,387
Depreciation on revenue-generating equipment *(note 9)*	**410,063**	229,947
Foreign exchange gain	**(330,889)**	(643,689)
Gain on debt modification *(note 14)*	**-**	(75,975)
Loss on disposal of revenue-generating equipment *(note 9)*	**410,062**	176
Impairment of goodwill	**-**	4,257,493
Impairment of intangible assets	**-**	2,709,258
Interest accretion *(notes 12, 13 & 14)*	**86,237**	565,245
Share based compensation *(note 15.5)*	**1,184,450**	3,471,246
Working capital changes in operating assets and liabilities *(note 23.1)*	**3,046,250**	861,607
Cash used for operating activities	**(515,262)**	(7,429,664)
INVESTING ACTIVITIES		
Acquisition costs *(note 5)*	**-**	(1,154,000)
Cash acquired on Acquisition *(note 5)*	**-**	105,083
Purchase of equipment *(note 9)*	**-**	(26,608)
Purchase of revenue-generating equipment *(note 9)*	**-**	(878,765)
Return of other deposit *(note 13)*	**120,000**	-
Cash provided from (used for) investing activities	**120,000**	(1,954,290)
FINANCING ACTIVITIES		
Advance on credit facility *(note 14)*	**-**	4,750,000
Exercise of options *(note 15.5)*	**-**	25,509
Exercise of warrants *(note 15.4)*	**12,224**	22,253
Issuance of common shares for cash	**-**	3,652,320
Repayment of lease liabilities *(note 12)*	**(132,000)**	(47,903)
Repayment of convertible notes on maturity	**-**	(565,000)
Repayment of Government loan *(note 13)*	**(8,041)**	(7,310)
Cash provided by (used in) financing activities	**(127,817)**	7,829,869
Change in cash during the year	**(523,079)**	(1,554,085)
Cash, beginning of year	**1,522,155**	3,076,240
Cash, end of year	**999,076**	1,522,155

Supplemental cash flow information *(note 23.2)*

1. NATURE OF OPERATIONS AND GOING CONCERN

POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**"), was incorporated on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia). On April 5, 2019, the Company completed the reverse acquisition of POSaBIT, Inc. ("**POSaBIT US**"), a private company incorporated under the laws of the State of Washington, by way of a triangular merger (the "**Transaction**"). Upon completion of the Transaction, the Company changed its name to POSaBIT Systems Corporation and now primarily involve point-of-sale arrangements designed to offer consumers an easy way to purchase goods and services. Pursuant to the Transaction, the shareholders of POSaBIT US received 1.7539815 securities of the Company for each security of POSaBIT US held including common shares, options, and warrants.

In connection with the Transaction, the Company delisted from the TSXV and obtained listing on the Canadian Securities Exchange ("**CSE**") under the trading symbol "**PBIT**".

The Company's head office is located at 4786 1st Ave. S., Suite 10, Unit E2, Seattle, WA, 98134. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K0A1.

These consolidated financial statements (the "**Consolidated Financial Statements**") have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Consolidated Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

The Company has incurred a net loss of $5,716,359 and negative cash flow from operations of $515,262 for the year ended December 31, 2024 (net loss of $13,760,430 and negative cash flow from operations of $7,429,664 for the year ended December 31, 2023). These conditions indicate the existence of a material uncertainty that casts significant doubt as to whether the Company can continue as a going concern.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

The Consolidated Financial Statements were approved and authorized for issuance by the Board on April 23, 2025.

2.2 Basis of consolidation

The Consolidated Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiary, POSaBIT US, Inc. ("**POSaBIT US**" or the "**Subsidiary**"), POSaBIT Payments Inc. ("**POSaBIT Payments**"), a wholly-owned subsidiary of the Subsidiary and Triangle Pay Inc. ("**Triangle**"), a wholly-owned inactive subsidiary of the Subsidiary.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

2.3 Basis of presentation and measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, modified where applicable. In addition, the Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. ADOPTION OF NEW AND REVISED STANDARDS

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. The new standards replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments – Disclosures*. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to asses the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI.
The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

4.1 Loss per common share – basic and fully-diluted

The basic loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted net loss per common share reflects the potential dilution of common-share equivalents (the "**Potentially Dilutive Instruments**"), such as outstanding stock options, share purchase warrants, restricted share units and convertible debt in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. In certain circumstances, basic loss per common share may also be adjusted for the effect of assumed conversion of the Potentially Dilutive Instruments.

4.2 Cash and cash equivalents

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

4.3 Convertible notes

Convertible notes are financial instruments whose components may be allocated between a debt component and an option for the holder to convert the debenture into equity of the Company. The identification of such components embedded within a convertible note requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option is fixed, the financial liability, represents the discounted obligation to repay the cash component and is initially measured at fair value and subsequently measured at amortized cost. The residual amount is recognized in equity. Transaction costs are apportioned to the debt and equity components in proportion to the allocation of proceeds.

Where the conversion option is variable, the derivative liability is measured first and carried at fair value and the residual balance represents the debt component measured at amortized cost. Transaction costs are apportioned to the debt and derivative liability components in proportion to the allocation of proceeds.

For the reporting and comparative periods, the Company has no convertible notes outstanding.

4.4 Equipment and Revenue-generating equipment

Equipment

Equipment is recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring the assets to the location and condition necessary for them to be operated in the manner intended by management. Equipment is amortized on a straight-line basis over an estimated five-year useful life.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Revenue-generating equipment

The Company records depreciation on its revenue-generating equipment under hardware cost of sales to more accurately estimate the cost of this equipment over time.

This payment-processing equipment is rented to customers. Revenue-generating equipment is amortized on a straight-line basis over an estimated one-year useful life (2023, two-year useful life).

At each reporting period, the Company evaluates the remaining useful life of its revenue-generating equipment to determine obsolescence and any required charge to reflect the net asset values. During the year ended December 31, 2024, the Company recorded a one-time charge to write-off the remaining revenue-generating equipment due to obsolescence (*note 9*).

4.5 Goodwill and Other Purchased Intangibles

i) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of a subsidiary or gain of control over assets is measured at cost less accumulated impairment losses
Identifiable intangible assets	Identified intangible assets, including customer relationships, acquired contracts, acquired technology and tradenames that are acquired and have useful lives are measured at cost less accumulated amortization and any accumulated impairment losses

ii. Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits of the asset to which they relate. All other expenditures are recognized in the statements of comprehensive loss as incurred.

4.6 Equity

The common shares, warrants and contributed surplus are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares that are issued, are deducted from the proceeds of the offering. Share capital issued for other than cash is valued at the price at which the stock trades on the date of issuance. Contributed surplus includes the value of share-based payments and expired warrants. Deficits include all current and prior period retained losses.

The Company uses the Black-Scholes option pricing model to calculate the fair value of warrants issued as part of the Company's public and/or private placements. Proceeds from financings, net of issuance costs, are allocated between common shares and warrants issued using the relative fair value method.

4.7 Financial instruments

4.7.1 Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

All recognized financial assets are subsequently measured at amortized cost, fair value through other comprehensive income ("**FVOCI**") or fair value through profit or loss ("**FVTPL**"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest ("**SPPI**") are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash, accounts receivable and contract asset.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows meet the SPPI test, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, or non-trading assets that do not meet the SPPI test, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets measured at fair value through profit or loss.

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

4.7.2 Financial liabilities

Recognition and initial measurement

Financial liabilities are designated as either (i) fair value through profit or loss (FVTPL); or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are comprised of accounts payable and accrued liabilities, credit facility, holdback payable, and government loan.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

4.7.3 Fair value hierarchy

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

4.8 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A previously-recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

4.9 Functional and presentation currency

The Financial Statements are presented in USD. The functional currency of the Company is the Canadian dollar and the functional currency of the Subsidiary and POSaBIT Payments Inc. is the US dollar. The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

4.10 Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Income tax estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4.11 Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost of finished goods and packaging materials comprises purchase cost and other manufacturing expenses. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale. A provision is made for slow moving inventory, where considered necessary.

4.12 Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability consists of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected

to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.
The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are presented as property and equipment and the lease liabilities are presented as loans on the consolidated statement of financial position.

IFRS 16 provides an exemption to the lease treatment above for short-term and low-value leases, which may be expensed and not capitalized. A short-term lease is defined as a lease with a term of twelve months or less and that does not contain a purchase option. Although IFRS does not impose a discrete amount to define a low-value lease, the guidance provides that the underlying asset may not be dependent on, or highly-interrelated with, other leased assets.

4.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.14 Related-party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management) are also considered related parties.

4.15 Revenue recognition

The Company earns revenue from i) Payment services, ii) Point-of-Sale ("**POS**") Services, iii) and iii) License of technology and support services related thereto. The Company also earns revenue from rental and sale of hardware related to its payment and POS services.

The Company accounts for its revenue in accordance with the five steps in IFRS 15 Revenue from Contracts with Customers. The Company often enters into customer contracts to supply a bundle of products and services (e.g. hardware, software and related after-sales service). The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

The consideration under the Company's contracts with customer includes a variable amount. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Payment services

Revenue from Payment services is derived by the Company from soliciting and selling customers transaction processing services which are ultimately settled by 3rd party payment processors which POSaBIT works with as an agent. Transaction processing services are services to process cashless payments. The Company provides these services under contracts which typically have an initial term of one year and then month to month after the first year is completed.

The Company has determined that it has three performance obligations under these contracts: 1) the rental of payment terminal and 2) payment processing services and 3) payments portal reporting.

The Company rents payment terminals to its customers as well as software and a reporting portal (and software updates) that enables the payment terminals to interface with the customers' existing POSaBIT Point of Sale solution. In the case where a customer is not using the POSaBIT Point of Sale, the customer has to manually interact with the payment terminal. The Company has determined that the hardware, software and software updates are highly interdependent on each other and represent a single performance obligation. The Company charges a fixed monthly operations and reporting fee over the duration of the contract.

In providing payment processing services, the Company promises to provide the customer with various services such as access to a 3rd party payment processor, training, support services and reporting portal access. The Company has determined that it provides a significant service of integrating these services to deliver a combined output such that, in the context of the actual contract, there is a single performance obligation. The Company charges the end consumer a fixed, non-cash adjustment fee for each processed transaction.

Revenue for the rental of payment terminals and payment processing services is recognized over time, equal to the amount the Company is entitled to invoice as this is commensurate with the value received by its customers.

POS Services

Under its POS services contracts, the Company provides its customers with a traditional software-as-a-service subscription to its proprietary software (“SAAS subscriptions”) as well as the sale and installation of payment terminals, with an initial term of one year, renewing annually after the first-year anniversary.

Revenue for SAAS subscription services is recognized over time based on the fixed monthly fee charged over the duration of the contract.

Revenue from the sale and one-time installation fees of the Point-of-Sale devices is recognized at the point in time when control over the goods has transferred to the customer, being the point in time on which the installation is completed. Consideration for the sale and installation of payment terminals is fixed. Variable consideration, if any, is not material.

License of technology and Support services

Under its licensing contracts, the Company provides its customer with a perpetual, non-exclusive and non-transferable license for the right to use the Company’s proprietary technology. In addition, the Company provides the customer with basic support services and software updates and upgrades, only to the software that has changed as defined by the license agreement.

The Company has determined that it has two performance obligations under these contracts: 1) License of technology (comparative period only) and 2) Support services.

The total consideration under the Company’s licensing contracts consists of both fixed and variable consideration and is paid in monthly installments over the term of the contract. The total variable consideration is not considered material. The Company estimated the total stand-alone selling price for the support services based on the expected cost plus a margin approach.

The license is a right to use the proprietary technology as it exists at the inception of the contract. Revenue is therefore recognized at a point in time, being the date of acceptance by the customer.

There is a significant financing component for the Company’s existing licensing contract considering the length of time between the customer’s payment and the transfer of the license. As such, the transaction price allocated to the license is discounted, using the interest rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception.

Revenue for support services is recognized over time, on a straight-line basis over the term of the contract. This method provides a faithful depiction of the transfer of services because the work required does not vary significantly from month-to-month.

4.16 Share-based payments and warrants

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model. The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company reviews its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss in accordance with IFRS 2 *Share-based Payments*, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

4.17 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 Employee Benefits respectively

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree, are measured in accordance with IFRS 2 Share-based Payment at the acquisition date during the year ended December 31, 2023 (see below).

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

4.18 Significant accounting estimates and judgements

Application of accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognised and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made.

Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

The following areas require management's significant accounting estimates and judgments:

Significant accounting estimates include:

i. Impairment of financial assets – see notes **4.7.1** and **6.**
ii. The valuation of share-based payments – see notes **4.16** and **15.**
iii. Income taxes – see note **4.10.**
iv. Impairment of non-financial assets – see notes **4.8, 5 and 9.**
v. Provisions – see note **4.13.**

Significant accounting judgments include:

i. the classification of financial assets and financial liabilities,
ii. the evaluation of the Company's ability to continue as a going concern,
iii. the determination of the functional currency of the Company and subsidiaries, and
iv. the determination of the revenue recognition pattern of Software Sales.
v. the allocation of the transaction price to each distinct performance obligation by comparing the relative standalone selling prices to the selling prices of similar goods or services,
vi. the impairment of intangible assets and goodwill,
vii. the allocation between license and service revenue,
viii. the discount interest rate used for present value calculations for license revenue recognition and credit facility fair value,
ix. the relative fair-value allocation between common shares and warrants.

5. BUSINESS COMBINATION (2023)

Acquisition of Hypur Inc. ("Hypur")

On April 1, 2023, the Company acquired certain assets of Hypur (the "**Acquisition**"), a Nevada corporation for a purchase price of approximately $7,500,000, subject to certain contingencies. The acquisition meets the criteria of a business combination under IFRS 3, Business Combination.

The Acquisition was completed by way of an asset purchase agreement (the "**Agreement**") dated April 1, 2023, by and among the Company, POSaBIT Payments, a wholly owned subsidiary of the Company and Hypur, in exchange for (1) $1,654,000 in cash (of which $500,000 was held back (the "**Cash Holdback**")) and, subject to potential indemnity claims, would be released six months after closing), *plus* (2) 6,210,730 common shares of the Company with a fair value of $5,140,041 (of which, 1,242,146 common shares with an estimated fair value of $1,028,008 were held back (the "**Equity Holdback** and, subject to potential indemnity claims).

(Expressed in United States Dollars)

Pursuant to the Agreement and provided certain conditions are met, the Company agreed to issue a further 1,242,147 common shares between three months and 18 months after closing (the "**Contingent Consideration**") based upon completion of certain contingent criteria and timing. In estimating the fair value of the contingent consideration to be $685,682, the Company considered the required timing of issuance and the anticipated completion of the conditions underlying the release. The Company has valued the common shares based on the prevailing market value of the shares.

Estimated fair value of net assets acquired:

	$
Cash	105,083
Inventory	237,147
Debt-free working capital acquired	**342,230**
Contracts	2,680,000
Technology	170,000
Tradename	30,000
Identifiable intangible assets acquired	**2,880,000**
Goodwill	**4,257,493**
Purchase price	**7,479,723**

Consideration:		$
Cash		1,154,000
Cash holdback (the "**Cash Holdback**")		500,000
Total cash	**# of shares**	**1,654,000**
Common shares issued on closing	4,968,584	4,112,033
Equity Holdback to be released 6 months after closing (the "**First Holdback**")	621,073	514,004
Equity Holdback to be released 1 year after closing (the "**Second Holdback**")	621,073	514,004
Contingent Consideration (to be released 3 months after closing (certification considerations) (the "**2023 Forfeited Consideration**")	413,635	342,327
Contingent Consideration to be released 3 months after closing (employment considerations) (part of the "**2024 Forfeited Consideration**")	413,635	-
Contingent Consideration (to be released 1 year after closing (part of the "**2024 Forfeited Consideration**")	414,877	343,355
Total equity	**7,452,877**	**5,825,723**
Total consideration		**7,479,723**

(Expressed in United States Dollars)

During 2023, the Company has released the First Holdback and transferred the fair value of the 2023 Forfeited Consideration of 413,635 shares ($342,327) to retained earnings.

During 2024, the Company transferred the fair value of the 2024 Forfeited Consideration of 828,512 shares ($343,355) to retained earnings. The Company has not yet released the Cash Holdback nor the Second Holdback and is a party to a lawsuit (note 24.2) with Hypur in this regard.

During the year ended December 31, 2023, the Company impaired the entire goodwill and intangible assets due to the payment processor's inability to process pin debit transactions for the cannabis sector. Excluding the impairments and write-offs to Contracts, Technology and Tradename intangible assets and Goodwill (the "**Intangible Assets**") and receivables, during the year ended December 31, 2024, Hypur operations have contributed $147,442 (2023 - $2,294,607) of revenue. Operating expenses of $356,309 (2023 - $248,212) and Impairments to the Intangible Assets of $nil (2023 - $2,709,258), Goodwill impairment of $nil (2023 - $4,257,493) and bad debts of $nil (2023 - $149,749), resulted in a net loss of $221,300 (2023 – net loss of $7,188,124) toward the consolidated net loss of the Company.

6. ACCOUNTS RECEIVABLE

	December 31, 2024	December 31, 2023
	$	$
Trade receivables	**556,404**	1,061,027
Receivables due from processors	**553,268**	834,871
Bad debt write-offs	**(253,710)**	(639,772)
Allowance for expected credit losses	**(4,187)**	(8,615)
	851,775	1,247,511

The trade receivables are generally on terms due within 30 days.

7. INVENTORY

	December 31, 2024	December 31, 2023
	$	$
Finished goods – POS equipment	**100,059**	13,971

During the year, the Company acquired $nil (2023 - $237,147) of inventory through completion of the Acquisition (note 5). The Company expensed $709,942 (2023 - $605,428) and impaired $70,159 (2023 - $ 409,030), included in hardware cost of sales.

(Expressed in United States Dollars)

8. PREPAIDS EXPENSES AND OTHER ASSETS

	December 31, 2024	December 31, 2023
	$	$
Administrative	**51,571**	80,068
Insurance	**69,583**	154,844
Investor relations and public reporting	**5,634**	5,837
Marketing	**-**	764
Professional fees	**-**	14,157
Software sales	**-**	24,654
	126,788	280,324
Deposits	**13,175**	11,000
Canadian sales taxes recoverable	**10,405**	10,233
	150,368	301,557

9. EQUIPMENT, REVENUE-GENERATING EQUIPMENT AND RIGHT-OF-USE ASSET

	Equipment	**Revenue Generating Equipment**	**Right-of-use Asset**	**Total**
Cost	**$**	**$**	**$**	**$**
December 31, 2022	202,007	570,381	-	772,388
Additions	26,608	878,765	184,355	1,089,728
Disposals	-	(44,783)	-	(44,783)
December 31, 2023	228,615	1,404,363	184,355	1,817,333
Disposals	**(60,635)**	**-**	**-**	**(60,635)**
Impairment	**-**	**(1,404,363)**	**-**	**(1,404,363)**
December 31, 2024	**167,980**	**-**	**184,355**	**352,335**
Accumulated depreciation	**$**	**$**	**$**	**$**
December 31, 2022	99,532	398,897	-	498,429
Depreciation	81,666	229,947	51,210	362,823
Disposals	-	(44,606)	-	(44,606)
December 31, 2023	181,198	584,238	51,210	816,646
Depreciation and amortization	**29,228**	**410,063**	**122,903**	**562,194**
Disposals	**(60,635)**	**-**	**-**	**(60,635)**
Impairment	**-**	**(994,301)**	**-**	**(994,301)**
December 31, 2024	**149,791**	**-**	**174,113**	**323,904**

(Expressed in United States Dollars)

	Equipment	Revenue Generating Equipment	Right-of-use Asset	Total
Net book value	**$**	**$**	**$**	**$**
December 31, 2023	47,417	820,125	133,144	1,000,686
December 31, 2024	**18,189**	**-**	**10,242**	**28,431**

The depreciation of revenue generating equipment is included in the hardware cost of sales.

For the year ended December 31, 2024, the Company recorded a one-time impairment to revenue-generating equipment in the amount of $410,062, to account for obsolescence. The charge reduced the net book value to zero.

10. CONTRACT ASSET

During the year ended December 31, 2022, the Company entered into a software licensing agreement (the "**License Contract**") with a large Cannabis technology company ("**Licensee**"), for the right to use the Company's proprietary technology.

Pursuant to the License Contract, the Licensee will make the following license fee payments to the Company:

	Payment Timing	Amount
		$
Signing fee	On signing	300,000
Support fee	On signing	200,000
Year 1 license fee	On signing	3,900,000
Year 2 license fee	Monthly, commencing on August 31, 2023	4,650,000
Year 3 license fee	Monthly, commencing on August 31, 2024	5,400,000
Year 4 license fee	Monthly, commencing on August 31, 2025	6,150,000
Total payments		**20,600,000**

The Company has assessed that the License Contract includes two performance obligations: 1) License of technology and 2) Support services. The Company allocated the total payment under the License Contract, as $14,420,000 to the license and $6,180,000 to support services.

The license of technology includes a significant financing component because of the extended payment terms, resulting in a discounted contract asset.

A continuity of the Company's contract asset related to license of technology is as follows:

(Expressed in United States Dollars)

	$
Balance, December 31, 2022 (as restated)	8,029,317
Add: interest income	1,055,959
Add: reversal of deferred revenue	901,250
Less: amounts received	(1,031,089)
Balance, December 31, 2023	8,955,437
Add: interest income	**891,729**
Add: Reversal of deferred income	**1,545,000**
Less: amount received	**(4,918,145)**
	6,474,021
Less: Current portion	**(3,559,270)**
Balance, December 31, 2024	**2,914,751**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
	$	$
Accounts payable	**1,386,612**	966,498
Accrued liabilities	**741,482**	273,435
Salaries and bonuses payable	**874,457**	1,406,185
	3,002,551	2,646,118

12. LEASE LIABILITY

The Company has recognized a right-of-use asset (*note 9*) for its office premises with a corresponding lease liability which is initially measured at the present value of the future lease payments. In accordance with IFRS 16, the Company then recognizes depreciation of right-of-use asset and interest expense on lease liability in profit or loss.

The Company has entered into one lease for office space. In order to calculate the present value of the future lease payments, the Company has used a discount rate of 12% which represents its estimated incremental borrowing rate. Prior to the adoption of IFRS 16, this lease was accounted for as an operating lease. Changes to the Company's lease liability is as follows:

(Expressed in United States Dollars)

	$
Balance, December 31, 2022	173,354
Interest expense	8,020
Lease payments	(47,903)
Balance December 31, 2023	133,471
Interest expense	**9,419**
Lease payments	**(132,000)**
	10,890
Current portion	**(10,890)**
Balance December 31, 2024	**-**

13. GOVERNMENT LOAN

Due the global outbreak of Novel Coronavirus ("**COVID-19**"), the federal US Government amended its small business administration ("**SBA**") loans to provide relief from the financial effects of COVID-19. On May 18, 2020, the SBA provided the Company with a reduced-interest loan ("**SBA Loan**") of $150,000. The SBA Loan has an interest rate of 3.75%, is amortized over 30 years and allows for no repayment during the first year. Commencing in year 2, the Company is required to make monthly payments of $731, which will be applied first to outstanding interest and then to principal. Any outstanding principal and interest is due on May 18, 2050.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the SBA Loan at $40,535, using a discount rate of 18%, which was the estimated rate for a similar loan without the reduced-interest component. The difference of $109,465 will be accreted to the loan liability over the 30-year term of the SBA Loan and offset to other income in the consolidated statements of loss. As at and for the year ended December 31, 2024, the Company recorded interest accretion on the SBA Loan of $8,755 (2023 - $8,696) in the consolidated statements of loss and included the carrying value of $50,135 (2023 - $49,420) on the statement of financial position.

14. CREDIT FACILITY

In March 2023, the Company entered into a credit facility agreement (the "**Credit Facility**") that provides a maximum drawdown of $8,000,000, has a term of three years and accrues interest at 10% per annum from the closing date of the drawdown and ending on the second anniversary of the closing date and 12% thereafter. Interest only to be paid quarterly on the amount drawn down, with outstanding principal and interest due on March 30, 2026.

Pursuant to the Credit Facility, in 2023 the Company issued 300,000 advisory warrants (the "**Advisory Warrants**"). The fair value of the Advisory Warrants of $208,066 was estimated using the Black Scholes option model with assumptions as disclosed in note 15.4. The fair value of the Advisory Warrants has been offset against the face value of the Credit Facility and will be accreted over the term of the Credit Facility.

(Expressed in United States Dollars)

In November 2023, the Credit Facility was amended to extend its term by two years to mature March 30, 2028 (the "**Modification**"). The Company completed its analysis of the Modification pursuant to IFRS 9 *Financial Instruments* to determine whether the amendment was a substantial or non-substantial modification. The Company determined the Modification was not substantial and has accounted for the change pursuant to a non-substantial debt modification. In 2023, the fair value of the debt modification of $189,835, resulted in a gain of $75,975 and a $113,860 adjustment due to change in exchange rates, both recorded in the consolidated statements of loss. Total interest expense charged during the year ended December 31, 2024 is $475,000 (2023- $258,121).

A continuity of the Credit Facility follows:

	$
Balance, December 31, 2022	-
Drawdowns	4,750,000
Fair value of Modification	(189,835)
Estimated fair value of Advisory Warrants	(208,069)
Interest accretion	46,874
Balance, December 31, 2023	4,398,970
Interest accretion	**68,062**
Balance, December 31, 2024	**4,467,032**

During the year ended December 31, 2024, the Company recorded interest accretion on the credit facility of $68,062 (2023 - $46,874) in the consolidated statements of loss and recorded interest payable of $64,110 in the consolidated statements of financial position.

The Credit Facility was provided by a 10% or greater shareholder of the Company (*note 16*).

15. SHARE CAPITAL

Common and preferred shares

15.1 Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

15.2 Issued and outstanding

Year ended December 31, 2024

15.2.1 In June 2024, 12,500 common shares with a fair value of $8,875, were issued on the vesting of the same number of RSUs.

15.2.2 In October 2024, 135,823 common shares were issued on the exercise of the same number of warrants, raising proceeds of $12,224.

Year ended December 31, 2023

15.2.3 In January 2023, $25,000 of convertible debt was converted and 279,687 common shares were issued.

15.2.4 In January 2023, the Company completed a private placement consisting of 4,533,333 units (each a "**2023 Unit**"), raising gross proceeds of $3,000,000. Each 2023 Unit consists of 1 common share and 0.95 warrants (each full warrant, a "**2023 Warrant**"). A total of 4,306,666 2023 Warrants were issued, with each 2023 Warrant exercisable for 3 years at a price of C$1.25. The relative fair value of the 2023 Warrants was estimated at $1,490,465 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.42%, cumulative volatility of 167.14%, dividends of $0.00 and an underlying share price of C$1.25. There were no financing costs of the private placement. The 2023 Warrants have been recorded in warrant reserves on consolidated statements of financial position. These units were subscribed by a a related party of the Company.

15.2.5 In January 2023, 105,238 warrants were exercised raising proceeds of $14,996. The fair value of the exercised warrants of $15,000 was transferred from warrant reserve to common shares.

15.2.6 In February 2023, 81,494 warrants were exercised raising proceeds of $7,265.

15.2.7 In April 2023, the Company completed the Hypur Acquisition (note 5), issuing 4,968,584 common shares with an estimated fair value of $4,112,033.

15.2.8 In September 2023, the Company issued 240,050 common shares on the exercise of the same number of options. The exercise raised gross proceeds of $25,509 and the fair value of $19,595, was transferred to commons shares.

15.2.9 In October 2023, $225,000 of Convertible Notes were converted and 2,598,187 common shares were issued.

15.2.10 In November 2023, 621,073 common shares with a deemed value of $514,004, were issued regarding the release of the First Holdback (note 5).

15.2.11 In December 2023, the Company completed a private placement (the "**December 2023 Financing**") consisting of 3,107,142 units (each a "**December 2023 Unit**"), raising gross proceeds of $652,320. Each December 2023 Unit consists of 1 common share and 0.88 warrants (each full warrant, a "**December 2023 Warrant**"). A total of 2,734,284, December 2023 Warrants were issued, with each December 2023 Warrant exercisable for 5 years at a price of C$0.40. The relative fair value of the December 2023 Warrants was estimated at $339,114 using the Black-Scholes option pricing model with the following assumptions: estimated life of 5 years, risk-free interest rate of 3.17%, cumulative volatility of 215.78%, dividends of $0.00 and an underlying share price of C$0.40. There were no financing costs of the private placement. The December 2023 Warrants have been recorded in warrant reserves on consolidated statements of financial position. Out of the total December 2023 unit, a 2,857,929 units were issued to a related party of the Company.

A greater than 10% shareholder participated in the December 2023 Financing subscribing for 2,857,929 December 2023 Units.

15.3 Shares to be issued

Pursuant to the terms of the Acquisition (note 5), the Company expected to issue 1,242,146 Equity Holdback shares with a fair value of $1,028,008 and up to 1,242,147 Contingent Consideration shares with a fair value of $685,682. During 2023, the Company has released the First Holdback (621,073 shares) with a fair value of $514,004.

During 2024, the Company recognized the 2024 Forfeited Consideration of 828,512 shares (2023 Forfeited Consideration – 413,635), with a total of $343,355 (2023 - $342,327) transferred to retained earnings. Further, the Company is a party to a lawsuit (note 26.2) with Hypur regarding the release of the Cash Holdback and the Second Equity Holdback.

15.4 Warrants

2024

In October 2024, 3,400,356 warrants expired, unexercised. The fair value of the expired warrants of $341,768 was transferred to retained earnings.

2023

In addition to the 4,306,666, 2023 Warrants issued in January 2023 *(note 15.2.4)*, the 186,732 warrants exercised in January and February 2023 *(notes 15.2.5 and 15.2.6)* and the 2,734,284 warrants issued in December 2023 *(note 15.2.11)*, in March 2023, the Company issued the Advisory Warrants pursuant to the advance under the Credit Facility (note 14). Each Advisory Warrant is exercisable for a period of 3 years at an exercise price of C$1.50. The fair value of the Advisory Warrants was estimated at $208,066 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.51%, cumulative volatility of 167.14%, dividends of $0.00 and an underlying share price of C$1.50. The fair value of the Advisory Warrants has been offset to the Credit Facility.

In November 2023, the Company amended the maturity of 3,375,000 warrants issued on June 29, 2022 (“**Amendment 1 Warrants**”) and 4,306,666 warrants issued on January 27, 2023 (“**Amendment 2**”), extending the maturity dates by two years. Pursuant to IFRS 9, there was no adjustment made to the fair values of the underlying warrants.

Further, in connection with the December 2023 Financing, the Company entered into a warrant cancellation agreement, whereby the Amendment 1 Warrants and 475,000 advisory warrants (the “**Cancelled Advisory Warrants**”), were cancelled. The fair value of the Amendment 1 Warrants of $1,077,809 and the fair value of the Cancelled Advisory Warrants of $208,069 were transferred to retained earnings.

A continuity of the Company’s outstanding warrants follows:

(Expressed in United States Dollars)

	Number of warrants	Exercise price
		$
Outstanding at December 31, 2022	9,781,710	C0.61
Issued during 2023	7,515,950	C0.96
Exercised	(186,732)	C0.10
Surrendered during 2023	(3,850,000)	C1.06
Balance, December 31, 2023	13,260,928	C0.68
Exercised during 2024	**(135,823)**	**C0.12**
Expired during 2024	**(3,400,356)**	**C0.35**
Balance, December 31, 2024	**9,724,749**	**C0.79**

The outstanding issued warrants balance as at December 31, 2024, is comprised of the following items:

Date of expiry	**Type**	**Number of warrants**	**Exercise price**
			$
November 13, 2025	Warrants	1,602,710	C0.12
June 29, 2027	Warrants	1,021,456	C1.00
January 26, 2026	Warrants	4,306,666	C1.25
July 10, 2027	Warrants	59,633	C0.21
December 29, 2028	Warrants	2,734,284	C0.40
Balance, December 31, 2024		**9,724,749**	**C0.79**

The weighted average remaining life of the warrants is 1.81 years.

15.5 Incentive securities and contributed surplus

POSaBIT has an incentive plan (the “**Plan**”) pursuant to which Options and Restricted Stock Units (“**RSU’s**”) to purchase and receive, respectively, common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The Plan allowed for a fixed issuance of up to 20% of the issued and outstanding common shares upon completion of the Transaction, which at that time totalled 16,610,000. During the year ended December 31, 2021, the Company received approval from the CSE to also issue RSUs and to increase the number of available options and RSUs to 26,610,000. As at December 31, 2024, the Company had 7,688,848 (December 31, 2023 – 3,928,371) options and RSUs available for issuance.

2024

On May 24, 2024, the Company issued 220,000 stock options to eligible participants of the Plan. The stock options are exercisable at a price of C$0.17 until May 24, 2034. The fair value of $27,434 was estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 3.7%, share price of C$0.17 and an expected volatility of 156%, based on historical share prices.

(Expressed in United States Dollars)

On July 18, 2024, the Company issued 30,000 stock options to eligible participants of the Plan. The stock options are exercisable at a price of C$0.135 until July 18, 2034. The fair value of $2,958 was estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 3.37%, share price of C$0.135 and an expected volatility of 156%, based on historical share prices.

On October 29, 2024, the Company issued 2,500 stock options to an eligible participant of the Plan. The stock options are exercisable at a price of C$0.12 until September 30, 2034. The fair value of $207 was estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 3.26%, share price of C$0.115 and an expected volatility of 156%, based on historical share prices.

2023

On January 31, 2023 the Company granted 1,200,000 stock options to eligible participants of the Plan. The stock options are exercisable at a price of C$1.10 until January 31, 2033. The fair value of $553,346 was estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 2.92%, share price of C$1.13 and an expected volatility of 171%, based on historical share prices.

On April 17, 2023 the Company granted 682,500 stock options to eligible participants of the Plan. The stock options are exercisable at a price of C$0.95 until April 17, 2033. The fair value of $231,765 was estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 3.08%, share price of C$0.95 and an expected volatility of 171%, based on historical share prices.

On July 07, 2023 the Company granted 100,000 stock options to eligible participants of the Plan. The stock options are exercisable at a price of C$0.79 until July 07, 2033. The fair value of $21,075 was estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 3.56%, share price of C$0.79 and an expected volatility of 168%, based on historical share prices.

During the year-ended December 31, 2024, the weighted average fair value of options granted by the Company is $0.12 (2023 – $0.79)

The number and prices of the outstanding options are as follows:

	Number of options	**Weighted average exercise price (per option)**
		$
December 31, 2022	19,101,590	C0.38
Granted	1,982,500	C1.03
Exercised	(240,050)	C0.14
	(1,208,075)	C0.86
December 31, 2023	19,625,965	C0.40
Granted	**252,500**	**C0.17**
Expired	**(4,377,977)**	**C0.70**

(Expressed in United States Dollars)

	Number of options	Weighted average exercise price (per option)
December 31, 2024	**15,500,488**	**C0.29**

The options outstanding and exercisable as at December 31, 2024, are comprised of the following items:

Date of expiry	Number of options outstanding	Exercise price (per option)	Weighted average remaining life (years)
		$	
March 4, 2026	1,835,356	C0.04	1.2
May 9, 2027	2,630,972	C0.04	2.4
January 9, 2028	1,208,269	C0.04	3.0
May 9, 2028	35,079	C0.09	3.4
October 4, 2029	526,000	C0.15	4.8
October 1, 2030	3,788,662	C0.10	5.8
March 10, 2031	634,400	C0.28	6.2
May 26, 2031	1,190,000	C0.32	6.4
July 21, 2031	225,000	C0.45	6.6
September 24, 2031	625,000	C1.23	6.7
December 15, 2031	70,000	C1.31	7.0
July 1, 2032	60,000	C0.63	7.5
November 15, 2032	841,750	C0.67	7.9
December 21, 2032	125,000	C1.07	8.0
January 31, 2033	1,000,000	C1.10	8.1
April 17, 2033	400,000	C0.95	8.3
July 23, 2033	52,500	C0.79	8.6
May 30, 2034	220,000	C0.17	9.4
July 18, 2034	30,000	C0.13	9.6
September 30, 2034	2,500	C0.12	9.8
Outstanding	**15,500,488**	**C0.29**	**4.9**
Exercisable	**13,624,188**	**C0.22**	**4.5**

(Expressed in United States Dollars)

Date of expiry	Number of options outstanding	Exercise price (per option)	Weighted average remaining life (years)
		$	

The number and prices of the outstanding RSUs are as follows:

	Number of RSUs	Weighted average grant-date fair value (per RSU)
		$
December 31, 2022	1,228,922	C0.98
Granted	1,916,742	C0.92
Expired	(100,000)	C0.63
December 31, 2023	3,045,664	C0.97
Granted	**400,000**	**C0.24**
Exercised	**(12,500)**	**C0.95**
Expired	**(12,500)**	**C0.95**
December 31, 2024	**3,420,664**	**C0.91**

(Expressed in United States Dollars)

The RSUs outstanding as at December 31, 2024 are comprised of the following items:

Date of expiry	Number of RSUs outstanding	Weighted average grant-date fair value	Weighted average remaining life until vesting (years)
December 31, 2023 *(deferred)*[1]	400,000	C1.01	-
April 25, 2024 *(deferred)*[1]	191,742	C0.97	-
July 6, 2024 *(deferred)*[1]	75,000	C0.77	-
December 31, 2024 *(deferred)*[1]	400,000	C0.32	-
April 17, 2025	125,000	C0.95	0.3
January 1, 2026	367,647	C1.31	1.0
July 21, 2026	361,275	C0.63	1.5
April 17, 2027	1,500,000	C0.95	2.3
Outstanding	**3,420,664**	**C0.88**	**1.3**

[1]The recipients of these fully-vested RSUs have deferred issuance until separation from the Company.

For the year ended December 31, 2024, the Company recognized share-based compensation expense for both options and RSUs of $1,184,450 (2023 - $3,471,246).

16. RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

Key management compensation

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, named executive officers, being the Chief Executive Officer and the Chief Financial Officer. Others include the Company's Chief Technology Officer and its Chief Revenue Officer, Chief Compliance Officer and the Chief Strategic Officer. Compensation paid or payable to key management is detailed below:

(Expressed in United States Dollars)

Year ended December 31,	2024	2023
	$	$
Executive Compensation to key managers	2,390,105	2,296,736
Share-based compensation to key managers	929,540	2,825,909
Totals	3,319,645	5,122,645

See more details on related party (greater than 10% shareholder) share subscriptions in notes 15.2.4 and 15.2.11 together with credit facility in note 14.

17. FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

As at December 31, 2024, the Company's financial instruments consist of cash, accounts receivable, contract asset, accounts payable and credit facility. The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity.

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest-rate risk, capital management risk and foreign exchange risk. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's financial performance. Risk management is carried out by the senior management team.

a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables and monies due from its processors.

The Company believes that its receivables balance is fully collectable. After providing for estimated credit losses, as at December 31, 2024, $851,775 (December 31, 2023 – $1,247,511) in receivables was outstanding. The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. As at December 31, 2024 and 2023, the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses are nominal.

The Company maintains bank deposits with reputable financial institutions.

Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

b) Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as its loans bear fixed rates of interest.

d) Capital management risk

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to provide returns to the shareholders and to maintain an optimal capital structure to minimize the cost of capital. The Company considers shareholders' deficiency as capital.

To maintain or adjust the capital structure, the Company may issue new shares to the shareholders, draw upon existing credit facilities or sell assets. There are no changes in the Company's capital management policies for the years ended December 31, 2024 and 2023. There are no external capital management requirements or covenants as at December 31, 2024 and December 31, 2023, other than those imposed through ongoing listing requirements of the CSE.

e) Foreign exchange risk

The Company's operations are mainly completed in US dollars. However, the Company is a Canadian public company and therefore has transactions denominated in the Canadian dollar. As well, it has raised capital in Canadian dollars. As such, the Company is susceptible to changes in foreign exchange rates, mainly for translation of Canadian-dollar denominated borrowings, trade payables and operating expenses. Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the USD at December 31, 2024, would have decreased the net asset position of the Company by $55,717. A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

18. REVENUE

The Company earns revenue from i) Payment services, ii) Point-of-Sale ("**POS**") Services, iii) License of technology and iv) Support services related to its license of technology. The Company also earns revenue from rental and sale of hardware related to its payment and POS services.

	2024	2023
	$	$
Payment services	**11,173,652**	39,964,234
POS services	**2,555,194**	2,065,826
Support services (note 10)	**1,545,000**	1,545,000
	15,273,846	43,575,060

(Expressed in United States Dollars)

Included in POS services is $483,158 (2023 - $240,896) relating to the sale of hardware and installation services that have been recognized at a point in time. Revenue from the License of technology is recognized at a point in time. No revenue from the licensing of technology has been earned during the years ended December 31, 2024 or 2023.

19. BAD DEBT RECOVERIES

In June 2024, the Company received a settlement of $237,500 from an outstanding claim due to POSaBIT from a former channel partner.

20. OTHER INCOME (2023)

On January 27, 2023, the Company signed a securities purchase agreement (the "**SPA**") with Akerna Corp for all the outstanding securities of Akerna Ample Exchange Inc. and all membership interests in MJ Freeway. LLC. It was anticipated that the transaction would close in 2023. On April 5, 2023, the Company received notice from Akerna Corp that they believed an offer received from another buyer was likely to result in a superior offer and, unless the Company exercised its rights under the SPA to match or better the competing offer, Akerna Corp. intended to terminate the SPA. The Company elected not to increase its offer and the SPA was terminated. Pursuant to the terms of the SPA, on June 20, 2023, the Company received $202,820 from Akerna Corp. The Company offset $100,100 of legal costs incurred regarding this proposed transaction. The resulting other income of $nil (2023 - $102,720) has been recorded in the consolidated statements of loss.

21. TRANSACTION COSTS

The Company incurred the following transaction costs:

	2024	2023
	$	$
Abandoned acquisition costs	**-**	294,132
Advisory warrant accretion	**68,062**	46,874
Interest deferral fees	**50,000**	-
Legal and advisory fees	**86,614**	-
Shareholder settlement	**-**	129,110
Software integration costs	**6,300**	68,820
	210,976	538,936

22. ADMINISTRATIVE COSTS

The Company incurred the following administrative costs:

Year ended December 31,	**2024**	2023
	$	$
General	**1,459,508**	1,874,193
Meals and entertainment	**61,595**	106,002
Rent	**7,815**	37,088
Salaries and wages	**7,426,032**	10,857,450

(Expressed in United States Dollars)

Year ended December 31,	**2024**	2023
	$	$
Travel	**28,771**	278,394
Total administrative costs	**8,983,721**	13,153,127

23. ADDITIONAL CASH FLOW INFORMATION

23.1 Working capital changes in operating assets and liabilities

Year ended December 31,	**2024**	2023 *(note 2.4)*
	$	$
Receivables	**152,943**	849,225
Change in current portion of contract asset	**(1,045,331)**	(2,513,939)
Change in long term portion of contract asset	**3,526,747**	1,587,819
Inventory	**(86,088)**	687,242
Income taxes payable	**(9,642)**	(147,065)
Prepaid expenses and other assets	**151,189**	212,433
Accounts payable and accrued liabilities	**356,432**	185,892
Working capital changes in operating assets and liabilities	**3,046,250**	861,607

23.2 Supplemental cash flow information

Year ended December 31,	**2024**	2023
	$	$
Cash interest paid	**425,000**	348,980
Advisory warrants issued for credit facility	**-**	208,069
Equity consideration for Hypur Acquisition	**-**	5,825,723
Non-cash financing activities:		
Issuance of shares on vesting of RSUs	**8,875**	-
Conversion of convertible notes	**-**	250,000

(Expressed in United States Dollars)

24. COMMITMENTS AND LITIGATION

24.1 Litigation

The Company is, from time to time, involved in various claims and legal proceedings. When the Company cannot reasonably predict the likelihood or outcome of any claim, no provision is made within the consolidated statements of comprehensive loss.

24.2 Hypur litigation

On February 13, 2024, the Company was served with a statement of claim filed in Delaware court against the Company regarding a contractual dispute between the Company and HPR holdings Inc, the entity formally known as Hypur, Inc, from which the Company purchased assets on April 1, 2023. Hypur is claiming the payment of the Cash Holdback of $500,000 and the release of the 621,073 Second Equity Holdback shares (note 5). The Company is in negotiations with Hypur on a settlement.

24.3 Legal settlement

During the third quarter of 2024, the Company settled (the "**Settlement**") a lawsuit with an agent in the amount of $350,000. The terms of the Settlement require the Company to make an initial payment of $225,000 and further five payments of $25,000/month. As at the reporting date, the Company has paid $275,000 toward the Settlement, with the remaining amount included in accounts payable and accrued liabilities as at December 31, 2024.

Also see note 26.2 for payments made subsequent to the reporting date.

25. INCOME TAXES

25.1 Income taxes

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2023 – 26.5%) to the effective tax rate is as follows:

	2024	2023
	$	$
Loss before recovery of income taxes	**(5,728,599)**	(13,525,230)
Expected income tax (recovery) expense	**(1,518,080)**	(3,584,186)
Tax rate changes and other adjustments	**224,860**	861,135
Share-based compensation and non-deductible expenses	**327,150**	999,720
Unrealized foreign exchange	**79,220**	161,330
Change in tax benefits not recognized	**874,610**	1,797,201
Income tax (recovery) expense	**(12,240)**	235,200

(Expressed in United States Dollars)

25.2 Deferred tax

The following table summarizes the components of deferred tax:

	2024	2023
	$	$
Deferred tax assets		
Intangibles	**6,564,630**	7,853,720
Lease liability – operating lease	**10,890**	133,470
Operating losses carried forward - Canada	**4,065,110**	1,900,357
Operating losses carried forward – United States	**15,451,140**	11,417,960
Other	**2,860**	2,860
Reserves	**303,450**	463,430
Share issue costs	**17,410**	17,410
Total	**26,415,490**	21,789,207

25.3 Tax loss carry-forwards

The Canadian and United States operating loss carry forwards expire as noted in the table below.

The remaining deductible temporary differences may be carried forward indefinitely.
Deferred tax assets have not been recognized in respect of these items because if is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's operating tax losses expire as follows:

Year	**Canada** **$**	**United States** **$**
2037	-	-
2038	-	-
2039	-	-
2040	-	-
2041	-	-
2042	3,318,430	
2043	746,680	
indefinite	**-**	15,451,140
	4,065,110	**15,451,140**

26. SUBSEQUENT EVENTS

26.1 Options and warrants

Subsequent to the reporting period, 1,763,455 options were issued with an exercise price of C$0.07 and expiry date of January 2, 2035.

Subsequent to the reporting period, 918,332 RSUs were issued with a deemed value of C$0.30 each.

26.2 Legal settlement payments *(note 24.3)*

Subsequent to the reporting date, $75,000 payments were made toward the Settlement, reducing the balance to zero.

26.3 Share issuance

In April 2025, the Company issued 100,000 common shares on the vesting of RSUs.