POSaBIT Systems Corporation

(formerly, Foreshore Exploration Partners Corp.)

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018
(expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.)

Opinion

We have audited the consolidated financial statements of POSaBIT Systems Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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 financial statements in Canada, and 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 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on May 3, 2019.

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 Financial Statements

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

In preparing the 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 to 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 risk 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 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 financial statements, including the disclosures, and whether the 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.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 15, 2020

POSaBIT Systems Corporation
(formerly, Foreshore Exploration Partners Corp.)
Consolidated Statements of Financial Position
As at December 31,
(Expressed in United States Dollars)

	2019	2018
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**404,444**	1,433,907
Restricted cash *(note 6)*	**-**	767,246
Sales taxes recoverable	**1,436**	-
Receivables *(notes 8 and 18(a))*	**460,843**	622,044
Due from related parties *(note 17)*	**113,368**	10,749
Digital assets *(note 7)*	**5,483**	4,326
Inventories *(note 9)*	**38,925**	33,452
Prepaid expenses and deposits	**216,270**	46,964
Total current assets	**1,240,769**	2,918,688
Other asset *(note 10)*	**120,000**	120,000
Right-of-use asset *(note 11)*	**22,042**	-
Equipment *(note 12)*	**98,745**	26,419
Intangible assets *(notes 5 and 13)*	**216,312**	409,553
Customer lists *(notes 5 and 13)*	**13,333**	40,000
Goodwill *(notes 4.9 & 5)*	**311,000**	511,000
Total assets	**2,022,201**	4,025,660
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable	**3,186,604**	3,248,150
Accrued liabilities	**126,713**	-
Due to related parties *(note 17)*	**35,000**	-
Lease liability *(note 14)*	**24,301**	-
Total current liabilities	**3,372,618**	3,248,150
Notes payable *(note 15)*	**400,000**	200,000
Total liabilities	**3,772,618**	3,448,150
Shareholders' equity (deficiency)		
Share capital *(note 16)*	**11,198,735**	756,912
Preferred shares *(note 16)*	**-**	5,784,834
Common shares to be issued *(note 16)*	**-**	1,942,010
Warrants *(note 16)*	**370,689**	24,750
Contributed surplus *(note 16)*	**464,957**	353,008
Deficit	**(13,752,021)**	(8,284,004)
Accumulated other comprehensive loss	**(32,777)**	-
Total shareholders' equity (deficiency)	**(1,750,417)**	577,510
Total liabilities and shareholders' equity (deficiency)	**2,022,201**	4,025,660

Approved for filing by the Board of Directors, June 15, 2020.

"Jeff Dossett" (Director) *"Ryan Hamlin"* (Director)

(Expressed in United States Dollars)

	2019	2018
	$	$
REVENUE ***(note 19)***		
Processing services	**4,175,223**	2,443,043
Total revenue	**4,175,223**	2,443,043
COST OF SALES		
Processing fees	**2,005,567**	958,363
Software license fees	**474,852**	215,289
Hardware cost of sales	**432,400**	588,880
Sales labour and commissions	**642,189**	432,277
Impairment of inventory	**22,171**	54,944
Total cost of sales	**3,577,179**	2,249,753
Gross margin	**598,044**	193,290
OPERATING EXPENSES		
Administrative *(note 21)*	**2,489,489**	1,464,668
Amortization and depreciation *(notes 11, 12 and 13))*	**317,529**	269,005
Foreign exchange gain	**(2,959)**	(248)
Impairment of receivables *(note 8)*	**(10,324)**	110,785
Investor relations and public reporting	**29,791**	-
Marketing	**350,120**	177,758
Professional fees	**440,421**	1,069,303
Research and development	**337,345**	-
Share-based compensation *(note 16)*	**161,046**	332,629
Transaction costs *(notes 5.1(a) and 20)*	**1,726,659**	-
Total operating expenses	**5,839,117**	3,423,900
OTHER INCOME (EXPENSES)		
Change in fair value of digital assets	**1,158**	(49,138)
Change in fair value of derivative liability	**-**	237,876
Finance costs	**(61,485)**	(852,880)
Loss on disposal of assets	**(3,103)**	-
Impairment of goodwill *(note 5.2)*	**(200,000)**	-
Interest accretion	**(6,587)**	-
Total other expenses	**(270,017)**	(664,142)
Net loss	**(5,511,090)**	(3,894,752)
Basic and diluted loss per common share	**(0.07)**	(0.10)
Basic and diluted weighted average number of common shares outstanding	**78,732,074**	40,364,396

	2019	2018
	$	$
Net loss	**(5,511,090)**	(3,894,752)
Other comprehensive loss:		
Loss on foreign translation	**(32,777)**	-
	(32,777)	-
Comprehensive loss	**(5,543,867)**	(3,894,752)

(Expressed in United States Dollars)

	Common shares			Preferred shares						
	Number *(note 5.1(b)(ii))*	**Amount** *(note 2.4)*	**Shares to be issued** *(note 2.4)*	**Number** *(note 5.1(b)(ii))*	**Amount**	**Contributed surplus**	**Warrants reserve**	**Deficit**	**Accumulated other comprehensive loss**	**Total**
		$	**$**		**$**	**$**	**$**	**$**	**$**	**$**
January 1, 2018	33,086,162	145,652	-	-	-	85,525	24,750	(4,389,252)	-	(4,133,325)
Shares issued for cash	-	-	-	1,885,530	430,000	-	-	-	-	430,000
Cost of issued shares	-	-	-	-	(73,686)	-	-	-	-	(73,686)
Shares issued conversion of debt	-	-	-	23,803,785	5,428,520	-	-	-	-	5,428,520
Shares issued to DoubleBeam shareholders *(note 5.2)*	9,376,312	621,000	-	-	-	-	-	-	-	621,000
Shares to be issued for cash received	-	-	1,767,091	-	-	-	-	-	-	1,767,091
Cost of issuance	-	-	(10,519)	-	-	-	-	-	-	(10,519)
Shares to be issued in settlement of accounts payable	-	-	80,469	-	-	-	-	-	-	80,469
Shares to be issued on conversion of convertible debentures	-	-	50,000	-	-	-	-	-	-	50,000
Shares held until completion of IPO	-	-	54,969	-	-	-	-	-	-	54,969
Redemption of common shares	(1,164,421)	(19,917)	-	-	-	-	-	-	-	(19,917)
Exercise of options	2,192	-	-	-	-	-	-	-	-	-
Share-based compensation	150,000	10,177	-	-	-	267,483	-	-	-	277,660
Net loss	-	-	-	-	-	-	-	(3,894,752)	-	(3,894,752)
December 31, 2018	41,450,245	756,912	1,942,010	25,689,315	5,784,834	353,008	24,750	(8,284,004)	-	577,510

Continued next page

POSaBIT System Corporation
(formerly, Foreshore Exploration Partners Corp.)
Consolidated Statement of Changes in Equity (Deficiency)
(Expressed in United States Dollars)

	Common shares			Preferred shares						
	Number *(note 5.1(b)(ii))*	Amount	Shares to be issued	Number *(note 5.1(b)(ii))*	Amount	Contributed surplus	Warrants	Deficit	Accumulated other comprehensive loss	Total
		$	$		$	$	$	$	$	$
December 31, 2018	41,450,245	756,912	1,942,010	25,689,315	5,784,834	353,008	24,750	(8,284,004)	-	577,510
Shares issued for cash	**17,204,597**	**1,561,412**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,561,412**
Cost of issuance	**500,000**	**(57,582)**	**-**	**-**	**-**	**-**	**(65,537)**	**-**	**-**	**(123,119)**
Fair value of issued warrants	**-**	**(409,883)**	**-**	**-**	**-**	**-**	**409,883**	**-**	**-**	**-**
Fair value of agent warrants issued	**-**	**9,080**	**-**	**-**	**-**	**-**	**(9,080)**	**-**	**-**	**-**
Shares issued on conversion	**549,804**	**50,000**	**(50,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued to Foreshore shareholders *(note 5.1(a))*	**3,250,000**	**1,456,746**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,456,746**
Shares issued pursuant to subscription receipts	**1,967,721**	**896,506**	**(896,506)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued to POSaBIT shareholders	**2,043,779**	**940,535**	**(940,535)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued on conversion	**26,701,924**	**5,839,803**	**(54,969)**	**(25,689,315)**	**(5,784,834)**	**-**	**-**	**-**	**-**	**-**
Options issued to Foreshore option holders *(note 5.1(a))*	**-**	**-**	**-**	**-**	**-**	**112,730**	**-**	**-**	**-**	**112,730**
Exercise of options	**545,572**	**29,913**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,913**
Fair value of exercised options	**-**	**118,754**	**-**	**-**	**-**	**(118,754)**	**-**	**-**	**-**	**-**
Expiry of options	**-**	**-**	**-**	**-**	**-**	**(43,073)**	**-**	**43,073**	**-**	**-**
Agent warrants issued to Foreshore agent warrant holders *(note 5.1(a))*	**-**	**-**	**-**	**-**	**-**	**-**	**16,126**	**-**	**-**	**16,126**
Exercise of agent warrants	**14,540**	**1,086**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,086**
Fair value transfer of exercised agent warrants	**-**	**5,453**	**-**	**-**	**-**	**-**	**(5,453)**	**-**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**161,046**	**-**	**-**	**-**	**161,046**
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,511,090)**		**(5,511,090)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(32,777)**	**(32,777)**
December 31, 2019	**94,228,182**	**11,198,735**	**-**	**-**	**-**	**464,957**	**370,689**	**(13,752,021)**	**(32,777)**	**(1,750,417)**

(Expressed in United States Dollars)

	2019	2018
	$	$
OPERATING ACTIVITIES		
Net loss	**(5,511,090)**	(3,894,752)
Adjustment for non-cash items		
Amortization and depreciation	**317,529**	269,005
Change in fair value of derivative liability	**-**	237,876
Change in fair value of digital assets	**(1,157)**	49,138
Change in expected credit losses	**(12,844)**	45,310
Foreign exchange gain	**(32,963)**	-
Loss on disposal of assets	**3,103**	-
Impairment of receivables	**2,520**	65,475
Impairment of goodwill	**200,000**	-
Interest accretion on convertible debentures and notes	**-**	837,931
Interest accretion, right-of-use assets	**6,587**	-
Non-cash transaction costs	**1,466,842**	-
Share based compensation	**161,046**	332,629
Working capital changes in operating assets and liabilities ***(note 23.1)***	**162,573**	2,221,013
Net cash used for operating activities	**(3,298,590)**	(312,126)
INVESTING ACTIVITIES		
Purchase of equipment	**(106,933)**	(4,511)
Purchase of intangible assets	**-**	(230,092)
Purchase of other asset	**-**	(120,000)
Cash acquired on completion of Double Beam acquisition *(note 3(b))*	**-**	17,400
Cash acquired on completion of Transaction *(note 6.1(a))*	**77,589**	-
Net cash used for investing activities	**(29,344)**	(337,203)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares (net of costs)	**1,438,293**	891,055
Proceeds from issuance of preferred shares (net of costs)	**-**	356,314
Proceeds from issuance of convertible debentures	**-**	350,000
Proceeds from issuance of subscription receipts (net of costs)	**-**	816,037
Proceeds from issuance of note payable	**200,000**	200,000
Exercise of options	**29,913**	-
Exercise of warrants	**1,086**	-
Payments from (repayments to) related parties	**(67,619)**	29,197
Repayment of lease liabilities *(note 14)*	**(70,448)**	-
Net cash provided by financing activities	**1,531,225**	2,642,603
Net change in cash and cash equivalents during the year	**(1,796,709)**	1,993,274
Change in restricted cash	767,246	(767,246)
Cash and cash equivalents, beginning of year	**1,433,907**	207,879
Cash and cash equivalents, end of year	**404,444**	1,433,907

Supplemental cash flow information ***(note 23.2)***

1. NATURE OF OPERATIONS AND GOING CONCERN

POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.) ("**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" or "Merger") (note 5.1 (a)). Upon completion of the Transaction, the Company changed its name to POSaBIT Systems Corporation and now primarily involve the point-of-sale arrangements designed to offer consumers an easy way to purchase goods and services. Pursuant to the Transaction, the shareholder 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 1128 8th Street, Kirkland, Washington 98033. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

These consolidated financial statements (the "**Financial Statements**") have been prepared on the assumption that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. The Company has incurred losses and has had negative cash flows from operations from the inception that have primarily been funded through financing activities. As at December 31, 2019, the Company has a reported working capital deficit of $2,131,849 (December 31, 2018 – $329,462) and has shareholders' deficiency $1,750,417 (December 31, 2018 – equity of $577,510). These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. The Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses 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. Such adjustments could be material.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The 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 June 15, 2020.

2.2 Basis of consolidation

The Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiaries, DoubleBeam, Inc.("**DoubleBeam**") and POSaBIT US, Inc. (together, the "**Subsidiaries**").

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

2.4 Reclassifications

Certain comparative amounts have been changed to conform with current reporting classifications. These reallocations have not affected previously-reported loss and comprehensive loss.

3. ADOPTION OF NEW STANDARDS

3.1 IFRS 16 – LEASES ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16. The standard supersedes IAS 17 Leases, International Financial Reporting Interpretations Committee ("**IFRIC**") 4, Determining Whether An Arrangement Contains a Lease, and related interpretations. IFRS 16 requires the recognition of a right-of-use asset ("**ROU asset**") and lease obligation on the statement of financial position for most leases, where the Company is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating or finance leases no longer exists.

(Expressed in United States Dollars)

Initial adoption

The Company has elected to apply IFRS 16 using a modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to the opening deficit at January 1, 2019 and applies the standard prospectively.

The following table shows the impact of the adoption of IFRS 16 on the Company's statement of financial position, as at January 1, 2019.

Classification	**Impact**	**Amount**
		$
ROU asset	Increase	88,162
Lease liability	Increase	(88,162)

	January 1, 2019
	$
Minimum operating lease commitment at December 31, 2018	95,113
Effect of discounting using the incremental borrowing rate as at the date of initial application	(6,951)
Lease liabilities for leases classified as financing leases under IAS 17	88,162
Total lease liability at January 1, 2019	88,162

At January 1, 2019, the Company applied the following optional exemptions permitted under the standard:

- Leases whose terms end within 12 months of initial adoption have been recognized as short-term leases.
- Certain leases having similar characteristics are measured on transition as a portfolio by applying a single discount rate.
- Initial measurements of the ROU assets have excluded initial direct costs where applicable.
- On transition to IFRS 16, the Company elected to measure the right-of-use assets at the amount equal to the lease liabilities. As at January 1, 2019, the Company recognized $88,162 of right-of-use asset and lease liabilities, with a $nil impact on deficit.

On transition to IFRS 16 under the modified retrospective approach, lease payments are discounted using the Company's incremental borrowing rate as of January 1, 2019. The Company used an incremental borrowing rate of 12% to measure the present value of the future lease payments on January 1, 2019.

3.2 IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and the Company has adopted this standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basic and diluted loss per share

The basic and diluted loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, 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. As at December 31, 2019 and 2018, the Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

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 and cash equivalents.

4.3 Digital assets

The Company purchases digital assets in connection with its business, which are recorded at the cost of the related digital currency on the date of receipt. Digital assets meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital asset at the end of each reporting period and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

The Company obtains the equivalency rate of tradable digital assets to United States Dollars ("**USD**") from Coin Market Cap, a source that aggregates data from multiple exchanges and applies a methodology to determine the best quoted USD price on the date the digital assets were generated. The Company converts the price from USD to CAD based on the closing exchange rate on the date of asset generation. The equivalency rate obtained from Coin Market

Cap represents a generally well recognized quoted price for tradeable digital assets, and this information and all related databases are accessible to the Company.

4.4 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 a 5-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.

4.5 Equity

The common shares and preference shares are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to share issuances are deducted from the proceeds of the offering. Share capital issued for other than cash is valued at the price at which such shares trade at the time the risks and rewards of ownership of the asset are transferred to the Company or the Company's liability is extinguished. Contributed surplus includes the value of share-based payments. Accumulated deficit includes losses incurred in all current and prior periods, net of distributions and other adjustments.

4.6 Financial instruments

4.6.1 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

On initial recognition, financial assets are classified as 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 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 receivables and due from related parties.

- 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 are solely payments of principal and interest, 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, 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. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents.

- 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 designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. The entity does not hold any equity investments.

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.

4.6.2 Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

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

4.6.3 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.

4.7 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

4.8 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 Subsidiaries are 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.

4.9 Goodwill

Goodwill is an intangible asset that represents premium paid over the fair value of the identifiable net assets acquired during a business combination. The Company accounts for business combinations pursuant to IFRS 3 Business Combinations. Unlike finite-lived intangible assets, goodwill is not amortized indefinite useful life and is therefore subject to annual impairment testing.

The Company completes goodwill impairment testing whenever it believes the fair value of the purchased business drops below its historical cost, or on an annual basis in any event. If an impairment is determined to exist, the value of the goodwill is reduced by the impairment and the reduction is recorded in profit or loss.

4.10 Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates enacted or substantially enacted at each reporting period end.

The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

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.

The Company has adopted IFRIC 23 (note 3.2) and 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 Intangible assets

An intangible asset is an identifiable asset without physical substance. An asset is identifiable if it is separable, or arises from contractual or legal rights, regardless of whether those rights are transferrable or separable from the Company or from other rights and obligations. Intangible assets include scientific or technical knowledge, design and implementation of software systems, and customer list.

Intangible assets acquired externally with finite useful lives are measured at cost less accumulated amortization and impairment losses. The cost of a group of intangible assets acquired is allocated to the individual intangible assets based on their relative fair values. The cost of intangible assets acquired externally comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. The intangible assets are amortized over three years using the straight-line method and are reviewed for impairment whenever facts and circumstances indicate that their carrying values may not be fully recoverable.

The Company evaluates the recoverability of the infinite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable, but in any case, at least annually.

4.12 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.

4.13 Leases – accounting by a lessee under IFRS 16 Leases

On the date that the leased asset becomes available for use, the Company recognized a right-of-use asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to profit or loss over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets and lease obligations are initially measured on a present value basis. Lease obligations are measured at the net present value of the lease payments which may include: fixed lease payments, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees and payments exercised at an extension or a termination option if the Company is reasonably certain to exercise either of those options. Right-of-use assets are measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and right-of-use asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used. Generally, the Company uses 12% as the discount rate.

4.14 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.

4.15 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.

4.16 Revenue recognition

The Company accounts for its revenue in accordance with the five steps in IFRS 15 Revenue from Contracts with Customers ("**IFRS 15**") as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair value; and
5. Recognize revenues when the revenue criteria are met for each performance obligation.

The Company recognizes processing services through transaction fees and installation and sale of hardware related equipment. Revenue is recognized from transaction fees when merchant customers use the Company's digital point of sale system. Revenue is recognized from installation and sale of hardware equipment when installation of POS related equipment at the merchant is complete.

Costs to obtain or fulfill a contract

The Company capitalizes the incremental costs of obtaining a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Company capitalizes the costs incurred to fulfill a contract only if these costs meet all of the following criteria:

1. The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
2. The costs generate or enhance resources of the Company that will be used to satisfy (or in continuing to satisfy) performance obligations in the future.
3. The costs are expected to be recovered.

Contract acquisition and fulfillment costs are amortized using the straight-line method over the expected period of benefit. Costs to obtain or fulfill a contract, if any, are classified as contract costs in the consolidated statements of financial position.

4.17 Share-based payments

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 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.

4.18 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. the valuation of receivables,

ii. the impairment and valuation of goodwill and intangible assets,

iii. the valuation of share-based payments, and

iv. the valuation of deferred income assets / liabilities.

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 whether an acquisition constitutes a business combination or an acquisition of assets, and

iv. the determination of the functional currency of the Company and subsidiaries.

(Expressed in United States Dollars)

5. ACQUISITIONS

5.1 Transaction with Foreshore

The Company closed the Transaction on April 5, 2019. The Transaction constitutes an RTO of Foreshore by the shareholders of POSaBIT US. At the time of the Transaction, Foreshore did not constitute a business as defined under IFRS 3; therefore, the Transaction is accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss.

a) Foreshore is treated as the acquiree and POSaBIT US is treated as the acquirer and therefore, the go-forward entity is deemed to be a continuation of POSaBIT US and POSaBIT US is deemed to have acquired control of the assets and business of Foreshore in the consideration of the issuance of capital, options and warrants, as applicable. For accounting purposes, POSaBIT is deemed to have issued the following securities in exchange for the assets of Foreshore and the fair value of the consideration is as follows:

	$
3,250,000 common shares valued at $0.45 per share	1,456,746
300,000 Options	112,730
43,000 Agent Options	16,126
	1,585,602

Allocated to Foreshore's net assets:

	$
Cash	77,589
Accounts payable	(185)
Net assets	77,404
Cost of listing (transaction cost – note 20)	1,508,198
	1,585,602

i) The fair value of the options was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.59%, volatility of 80.355%, share price of $0.45 and dividends of nil.

ii) The fair value of the Agent Options was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.59%, volatility of 80.355%, share price of $0.45 and dividends of nil.

iii) In addition to the cost of listing transaction fees of $1,508,198, the Company incurred legal fees of $134,864 and audit costs of $83,597, all of which are included as transaction costs on the consolidated statements of comprehensive loss.

b) Share capital of Foreshore and POSaBIT:

The equity structure (the number and type of equity interests issued) reflects the equity structure of POSaBIT (the legal parent and the RTO acquiree), including the equity interests the POSaBIT issued to affect the Transaction. Accordingly, the equity structure of Foreshore (the legal subsidiary and the RTO acquirer) is restated using the exchange ratio established in the Merger to reflect the number of shares of POSaBIT issued in the RTO.

(Expressed in United States Dollars)

5.2 Acquisition of DoubleBeam

On February 16, 2018, the Company acquired 100% of the shares of DoubleBeam ("Acquisition"), an unlisted company based in the state of California that specializes in point of sale payment processing. The Company has acquired DoubleBeam to expand its operations. The Acquisition has been accounted for using the acquisition method.

The total purchase price paid for DoubleBeam was $621,000 by way of the Company issuing common shares in the amount for 22.7% of the fair value of its common shares on February 16, 2018.

The estimated fair value of the identifiable assets and liabilities of DoubleBeam as at the date of acquisition were:

	Total
	$
Purchase Price:	
Shares exchanged	**629,000**
	629,000
Net assets acquired:	
Cash	**17,400**
Accounts receivable	**54,600**
Equipment	**18,000**
Intangible assets	**50,000**
Customer list and software	**40,000**
Accounts payable	**(62,000)**
Goodwill	**511,000**
	629,000

POSaBIT US estimated the fair value of intangible assets, customer list, and software based on a discounted cash flow model. Furthermore, the excess of the consideration paid over the fair value of the identifiable assets (liabilities) acquired were recognized as goodwill, which primarily consisted of the assembled workforce.

As at December 31, 2019, the Company completed goodwill impairment testing that resulted in an impairment in the goodwill of $200,000 (December 31, 2018 – $nil). The Company estimated the recoverable amount of goodwill based on discounted cash flows (a five-year projection and a terminal year thereafter) and incorporated assumptions an independent market participant would apply.. The key assumptions used in the calculation of the recoverable amount relate to the future cash flows and growth projections, future weighted average cost of capital and, income tax rates These key assumptions were based on historical data, project development data from internal sources as well as industry and market trends. The Company adjusted the discount rate for its CGU for the risks associated with achieving its forecast. A post-tax discount rate of 15% was used in the calculation.

(Expressed in United States Dollars)

6. RESTRICTED CASH (2018)

In September 2018, the Company issued 1,264,432 subscription receipts for common shares to be issued, raising $882,480 (CAD$965,520) in cash, $60,000 in digital assets and a reduction of $80,469 in accounts payable and accrued liabilities. On December 14, 2018, a subscriber withdrew $115,234 (CAD$150,000) in subscription receipts, representing 142,533 shares to issued. The funds were held in trust by the escrow agent and were released upon completion of a go-public transaction (note 5.1). As of December 31, 2019, all restricted funds have been released to the Company.

7. DIGITAL ASSETS

Digital assets consist of Bitcoin and Litecoin.

8. RECEIVABLES

	December 31, 2019	December 31, 2018
	$	$
Receivables	**470,448**	732,700
Impairment of receivables	**(2,520)**	(65,475)
Allowance for expected credit losses	**(7,085)**	(45,181)
	460,843	622,044

The receivables are generally on terms due within 30 days.

For the year ended December 31, 2019, the Company recognized recovery of accounts receivable of $10,324 (December 31, 2018 – impairment of $110,785).

(Expressed in United States Dollars)

9. INVENTORIES

	December 31, 2019	December 31, 2018
	$	$
Finished goods - hardware	**38,925**	33,452

10. OTHER ASSET

The other asset of $120,000 is a surety bond provided by Philadelphia Insurance and required for the Company's Money Transfer Licence in Washington State.

11. RIGHT-OF-USE ASSET

In connection with the adoption of IFRS 16 as disclosed in note 3.1, the Company has recognized a right-of-use asset for its office premises with a corresponding lease liability (note 14) 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 the statements of income and comprehensive income.

	$
Balance, January 1, 2019	-
Additions	**88,162**
Amortization for period	**(66,120)**
Balance December 31, 2019	**22,042**

12. EQUIPMENT

Cost	
	$
December 31, 2017	19,229
Additions from the acquisition *(note 5.2)*	18,190
December 31, 2018	37,419
Additions	**106,933**
Disposals	**(3,955)**
December 31, 2019	**140,397**

Accumulated depreciation	
December 31, 2017	522
Depreciation	10,478
December 31, 2018	11,000
Depreciation	**31,501**
Disposals	**(849)**
December 31, 2019	**41,652**

Net book value	
December 31, 2018	26,419
December 31, 2019	**98,745**

(Expressed in United States Dollars)

13. INTANGIBLE ASSETS

Intangible assets relate to software internally generated and acquired from through the Acquisition and a customer list acquired through the Acquisition.

Software

Cost

	$
December 31, 2017	251,844
Additions	491,350
Additions from the Acquisition *(note 5.2)*	50,000
December 31, 2018	793,194
Additions	**-**
December 31, 2019	**793,194**

Accumulated amortization	
	$
December 31, 2017	122,383
Amortization	261,258
December 31, 2018	383,641
Amortization	**193,241**
December 31, 2019	**576,882**
Net book value	
December 31, 2018	409,553
December 31, 2019	**216,312**

Customer List

Cost

	$
December 31, 2017	-
Additions from Acquisition *(note 5.2)*	40,000
December 31, 2018 and **2019**	**40,000**

Accumulated amortization	
December 31, 2017 and 2018	-
Amortization	**26,667**
December 31, 2019	**26,667**

Net book value	
December 31, 2018	40,000
December 31, 2019	**13,333**

(Expressed in United States Dollars)

14. LEASE LIABILITY

In connection with the adoption of IFRS 16 as disclosed in note 3.1, the Company has recognized a right-of-use asset (note 11) 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 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:

	$
Balance, January 1, 2019	-
Additions	**88,162**
Interest expense	**6,587**
Lease payments	**(70,448)**
Balance December 31, 2019	**24,301**

15. NOTES PAYABLE

On May 6, 2019, the Company issued an unsecured note payable ("**Note Payable 2**") in the amount of $200,000. Starting May 6, 2019, Note Payable 2 accrues interest at 18% per annum, with interest payable on a quarterly basis. Note Payable 2 can be repaid in full at any time. There is a 9% penalty if repaid within the first six months of issuance, and no penalty after six months. Note Payable 2 matures on September 30, 2020. For the year ended December 31, 2019, interest expense of $23,671 (2018 - $nil) has been recorded. As of December 31, 2019, the carrying balance of Note Payable 2 is $200,000 (December 31, 2018 - $nil).

On September 20, 2018, the Company issued an unsecured note payable ("**Note Payable 1**") in the amount of $200,000. Starting October 1, 2018, Note Payable 1 accrues interest at 18% per annum, with interest payable on a quarterly basis. Note Payable 1 can be repaid in full at any time. There is a 9% penalty if repaid within the first six months of issuance, and no penalty after six months. Note Payable 1 matures on September 30, 2020. For the year ended December 31, 2019, interest expense of $35,605 (2018 - $9,863) has been recorded. As of December 31, 2019, the carrying balance of Note Payable 1 is $200,000 (December 31, 2018 - $200,000).

16. SHARE CAPITAL

Common and preferred shares

16.1 Authorized

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

16.2 Issued and outstanding

Year ended December 31, 2019

(i) In November 2019, the Company completed a private placement (the "**November Financing**") with the issuance of 11,178,000 units (a "**November Unit**"), raising gross proceeds of $849,720. Each November Unit consisted of one common share of the Company and one share purchase warrant (a "**November Warrant**"). Each November Warrant is exercisable into one common share at C$0.25, for a period of 2 years. The fair value of the November Warrants was estimated at $246,380 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, risk-free interest rate of 1.55%, cumulative volatility of 106.07% and dividends of $nil.

In connection with completing the November Financing, the Company incurred $26,119 in cash financing costs. The share issuance costs were split between common shares ($15,724) and warrant reserve ($10,395) in proportion of the fair value of the shares and warrants. The Company also issued 342,650 agent warrants exercisable into one common share at C$0.25 for a period of 2 years. The fair value of the agent warrants was estimated at $7,553 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, risk-free interest rate of 1.55%, cumulative volatility of 106.07% and dividends of $nil. The issuance costs of the warrants were split between common shares ($5,854) and warrant reserves ($1,669) in proportion of the fair value of the shares and warrants.

(ii) In September 2019, the Company issued 175,398 common shares for the proceeds of $5,000 on the exercise of stock options. The fair value of the options of $3,773 was transferred from contributed surplus to share capital.

(iii) In August 2019, the Company completed a private placement (the "**August Financing**") with the issuance of 6,026,597 units (a "**August Unit**"), raising gross proceeds of $711,692. Each August Unit consisted of one common share of the Company and 1 share purchase warrant (a "**August Warrant**"). Each August Warrant is exercisable into one common share for C$0.30, for a period of 2 years. The fair value of the issued warrants was estimated at $163,503 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, share price on issuance of C$0.20, risk-free interest rate of 1.46%, cumulative volatility of 106.07% and dividends of $nil.

In connection with completing the August Financing, the Company issued 500,000 common shares as finders' fees valued at $60,000 split between common shares ($37,200) and warrant reserves ($22,800) and incurred cash finders fees of $119,800 . The share issuance costs were split between common shares ($60,140) and warrant reserve ($59,660) in proportion to the fair value of the shares and warrants. The Company also issued 209,999 agent warrants exercisable into one common share at C$0.20 for a period of 2 years. The fair value of the agent warrants was estimated at $19,494 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, risk-free interest rate of 1.46%, cumulative volatility of 106.07% and dividends of

$nil. The issuance costs of the warrants were split between common shares ($12,042) and warrant reserves ($7,381) in proportion of the fair value of the shares and warrants.

(iv) In June 2019, the Company issued 300,000 common shares for the proceeds of $22,413 on the exercise of options. The fair value of the options of $112,730 was transferred from contributed surplus to share capital.

(v) In June 2019, the Company issued 52,619 common shares for the proceeds of $1,500 on the exercise of options. The fair value of the options of $2,073 was transferred from contributed surplus to share capital.

(vi) In October 2018, the Company issued a convertible note with a face amount of $50,000. The note accrues interest at 1% per year, which was to be converted to 549,804 common shares of the Company. In June 2019, the Company issued 549,804 common shares at a value of $50,000, on the conversion of a note obligation.

(vii) In April 2019, the Company issued 14,540 common shares for the proceeds of $1,086 on the exercise of finder's warrants. The fair value of the exercised warrants of $5,453 was transferred from warrants reserve to share capital.

(viii) In April 2019, the Company completed the Transaction (note 5.1) resulting in the issuance of 28,669,245 common shares as follows:

- 1,967,721 common shares issued to subscription receipt holders of the Company;
- 25,689,315 common shares issued to POSaBIT US preferred shareholders;
- 1,012,609 common shares were released from escrow

Contemporaneously, 3,250,000 common shares (note 5.1(a)) were issued to existing Foreshore shareholders, in exchange for the issued and outstanding common shares of Foreshore.

(ix) In January 2019, the Company issued 17,555 common shares for the proceeds of $1,000 on the exercise of options. The fair value of the options of $178 was transferred from contributed surplus to share capital.

Year ended December 31, 2018

(x) In October 2018, the Company received proceeds of $361,466 for which 968,140 common shares are to be issued.

(xi) In September 2018, the Company issued 150,000 common shares with a fair value of $10,177.

(xii) On May 11, 2018, 23,803,785 preferred shares were issued with a value of $5,428,520, on the conversion of the convertible debentures and notes.

(xiii) In May and June 2018, the Company issued 1,885,530 preferred shares for the gross proceeds of $430,000 and incurred share issuance costs of $73,686.

(xiv) In February 2018, 9,376,312 common shares were issued as consideration for the DoubleBeam acquisition (note 5.2)

(xv) In January 2018, the Company redeemed 1,164,421 shares of common shares from the CEO at $0.017 per share.

(Expressed in United States Dollars)

16.3 Common shares to be issued

Year ended December 31, 2018

(xvi) In September 2018, gross proceeds of $907,025 were raised with the issuance of 1,967,793 subscription receipts. Costs of the issuance amounted to $10,519.

(xvii) In August 2018, $145,000 was raised for which 315,085, common shares of POSaBIT US were to be issued. In addition, 173,867 common shares are to be issued in settlement of debt in the amount of $80,469.

(xviii) In June 2018, $350,000 was raised for which 760,550 common shares are to be issued.

(xix) In March 2018, 1,012,609 common shares of POSaBIT US were held in escrow pending the completion of the going-public transaction with a fair value of $54,969.

16.4 Escrowed securities

Subject to the policies of the CSE, the following table summarizes the remaining common shares of the Company that are subject to escrow provisions together with the date of general release.

Total	April 5, 2020*	October 5, 2020	April 5, 2021	October 5, 2021	April 5, 2022
15,325,525	3,065,105	3,065,105	3,065,105	3,065,105	3,065,105

*Released subsequent to the reporting date (note 27.2).

16.5 Warrants

A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price
		$
Balance at January 1, 2018 and December 31, 2018 (POSaBIT US)	173,640	C0.14
Issued to Foreshore agent option holders pursuant to the Transaction	43,000	C0.06
Issued pursuant to the November Financing *(note 16.2(i))*	11,178,000	C0.25
Issued pursuant to the August Financing *(note 16.2(iii))*	6,026,597	C0.30
Issued pursuant to the August Financing *(note 16.2(iii))*	209,999	
Issued to finders pursuant to November Financing *(note 16.2(i))*	342,650	C0.25
Agent warrants exercised	(14,540)	C0.06
Outstanding at December 31, 2019	**17,959,346**	

(Expressed in United States Dollars)

The outstanding issued warrants balance as at December 31, 2019 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price
			$
August 1, 2021	Warrants	6,026,597	C0.30
August 1, 2021	Finders' warrants	209,999	C0.20
October 31, 2021	Warrants	11,178,000	C0.25
July 10, 2027	Warrants	173,640	C0.35
November 1, 2021	Finders' warrants	342,650	C0.25
May 29, 2020	Agent warrants	28,460	C0.10
December 31, 2019		**17,959,346**	

16.6 Stock options

POSaBIT has a stock option plan (the "**Plan**") pursuant to which options to purchase common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The Plan allows for a fixed issuance of up to 20% of the issued and outstanding common shares upon completion of the Transaction, being 16,610,000. As at December 31, 2019, the Company had 3,819,506 options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

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

	Number of options	Weighted average exercise price
		$
Outstanding, as at December 31, 2017, POSaBIT US	6,170,726	0.03
Granted, POSaBIT US	6,100,030	0.15
Exercised/cancelled, POSaBIT US	(2,192)	0.23
Outstanding, as at December 31, 2018, POSaBIT US	12,268,564	0.09
Exercised/cancelled prior to completion of the Transaction, POSaBIT US	(263,097)	0.03
Outstanding at April 5, 2019 (date of Transaction)	12,005,467	0.09
Granted to Foreshore option holders pursuant to the Transaction (note 3(a))	300,000	0.06
Granted to members of the Plan	1,724,500	0.11
Exercised	(528,017)	0.04
Expired	(711,456)	0.04
Outstanding, as at December 31, 2019	**12,790,494**	**0.10**

(Expressed in United States Dollars)

For the year ended December 31, 2019, the Company recognized share-based compensation expense of $161,046 (December 31, 2018 - $332,629). The fair value of the options granted during the year ended December 31, 2019 was $230,341 estimated using the Black-Scholes option pricing model with the following weighted average assumptions: estimated life of 2 years, risk-free interest rate of 1.23%, cumulative volatility of 106.07% and dividends of $nil.

The options outstanding and exercisable as at December 31, 2019 is comprised of the following items:

Date of expiry	Number of options outstanding	Exercise price	Weight average remaining life (years)
		$	
March 4, 2020	2,630,972	0.05	0.18
January 9, 2022	1,208,260	0.03	2.03
March 27, 2022	3,554,361	0.23	2.24
May 9, 2022	473,575	0.23	2.36
December 5, 2022	2,679,208	0.01	5.93
January 9, 2028	350,796	0.03	8.03
August 7, 2028	168,822	0.23	8.61
October 17, 2029	1,724,500	C.15	9.80
December 31, 2019	**12,790,494**		**3.83**

17. RELATED PARTY TRANSACTIONS AND BALANCES

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.

Included in operating expenses are licence fees paid to PlaceFull Inc., a company in which the CEO owns significant shareholdings.

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. Related-party compensation paid or payable to key management is detailed below:

(Expressed in United States Dollars)

	Year ended December 31	
	2019	2018
	$	$
Executive Compensation to key managers	**460,487**	425,790
Licence Fees to PlaceFull Inc.	**120,000**	120,000
Rent to PlaceFull Inc.	**13,738**	7,577
Interest on loans	**3,282**	-
Totals	**600,789**	553,367

At December 31, 2019, Placefull Inc. owes the Company $113,368 (December 31, 2018 - $10,749). These loans are unsecured, interest free and due on demand.

At December 31, 2019, the Company owes directors with which it has entered into loan agreements (the "**Employee Loans**"), $35,000 (2018 - $nil). The Employee Loans accrue interest at 20% per annum with interest paid quarterly and are due on October 2, 2020.

18. 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.

At December 31, 2019, the Company's financial instruments consist of cash and cash equivalents, receivables, due from related parties, accounts payable and accrued liabilities, and note payable and for the comparative year, derivative liability. The fair values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities, and lease liabilities approximate their carrying values due to the relatively short-term to maturity nature. The Company classifies its notes payable at amortized cost.

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk and liquidity 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.

(Expressed in United States Dollars)

The Company believes that its receivables balance is fully collectable. As of December 31, 2019, $467,928 (December 31, 2018 – $667,354) 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. The provision matrix below shows the expected credit loss rate at each aging category of receivables:

December 31, 2019	**1-30**	**31-60**	**61-90**	**>90**	**Total**
	$	$	$	$	$
Accounts receivable outstanding	397,900	7,956	15,795	46,277	467,928
Expected loss rate (%)	1.0%	3.0%	3.5%	5.0%	
Loss allowance provision	3,979	239	553	2,314	7,085
Accounts receivable, net	393,921	7,717	15,242	43,963	460,843

December 31, 2018	**1-30**	**31-60**	**61-90**	**>90**	**Total**
	$	$	$	$	$
Accounts receivable outstanding	514,700	62,981	3,766	85,778	667,225
Expected loss rate	7.0%	6.0%	6.0%	6.0%	
Loss allowance provision	36,029	3,779	226	5,147	45,181
Accounts receivable, net	478,671	59,202	3,540	80,631	622,044

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. The Company's liquidity risk is subject to a Note which has interest and repayment terms.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as the note payable bears a fixed rate of interest. The related party loans are interest free.

d) Capital risk management

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' equity as capital.

(Expressed in United States Dollars)

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, 2019 and 2018. There are no external capital management requirements or covenants as at December 31, 2019 and December 31, 2018.

19. REVENUE

POSaBIT has 2 main revenue streams: Payment Services and Point-of-Sale ("**POS**") Services. The POSaBIT Payments Services generate revenue via setup costs, hardware costs, transaction fees and convenience fees. The POSaBIT POS has a traditional software-as-a-service subscription model (pay per terminal/console on a monthly, or yearly basis).

19.1 Payment Services

Payment Services are comprised of the following revenue generating transaction services:

Convenience fees - Charges to the consumer for each debit transaction.

Set-up fees - Installation fees to each merchant.

Subscription fees **-** Charge merchants a monthly or yearly subscription fee per terminal/console. This fee is negotiated on a case-by-case basis with each merchant based on the volume of transactions and size of the merchant installation.

Transaction fees **-** Each debit charge to the merchant is variable based on volume projections by merchant. In addition, the Company also charges a "per swipe" fee paid by the merchant.

19.2 POS Services

POS Services comprise the following revenue generating transaction services:

Hardware and installation - POSaBIT charges the merchant for the cost of the hardware .

The Company generated the following revenues for the years ended December 31, 2019 and 2018:

	2019	2018
	$	$
Payment Services		
Convenience fees	**2,528,160**	1,174,343
Set-up fees	**20,025**	30,400
Subscription fees	**457,019**	345,395
Transaction fees	**714,876**	362,765
	3,720,080	1,912,903
POS Services	**455,143**	530,140
	4,175,223	2,443,043

(Expressed in United States Dollars)

20. TRANSACTION COSTS

The Company incurred the following transaction costs for the years ended December 31, 2019 and 2018:

	2019	2018
	$	$
Foreshore cost of listing *(note 5.1 (a))*	**1,508,198**	-
Foreshore audit expenses	**83,597**	-
Foreshore legal expenses	**134,864**	-
	1,726,659	-

21. ADMINISTRATIVE COSTS

	Year ended December 31	
	2019	2018
	$	$
General	**394,665**	340,728
Meals and entertainment	**52,785**	42,938
Rent	**2,125**	56,512
Salaries and wages	**1,862,056**	897,495
Travel	**177,858**	126,995
	2,489,489	1,464,668

22. RESEARCH AND DEVELOPMENT

Research and development costs are comprised of internal and 3rd-party software and software development charges that do not meet the requirements of IAS 38 for capitalization.

23. ADDITIONAL CASH FLOW INFORMATION

23.1 Working capital changes in operating assets and liabilities

	Year ended December 31,	
	2019	2018
	$	$
Sales taxes recoverable	**(1,436)**	-
Receivables	**171,525**	(226,562)
Digital currencies	**-**	20,586
Inventory	**(5,473)**	(9,358)
Prepaid expenses	**(169,306)**	(38,001)
Accounts payable and accrued liabilities	**167,263**	2,474,348
Working capital changes in operating assets and liabilities	**162,573**	2,221,013

(Expressed in United States Dollars)

23.2 Supplemental cash flow information

	Year ended December 31,	
	2019	2018
	$	$
Non-cash financing activities:		
Related-party debt extinguished by share redemption	**-**	19,917
Subscription receipts issued in accounts payable settlement	**-**	80,469
Convertible and reserve note interest converted to preferred shares	**-**	115,983
Cash interest paid	**61,485**	60,414

24. COMMITMENTS

Software Licence

The Company has a software licence agreement with PlaceFull, requiring it to pay $10,000 per month to PlaceFull to use their payment, billing and customer management software perpetually until either party terminates the agreement.

Lease obligation

The Company has commitments under an office lease requiring it to pay $5,609 per month from May 1, 2018 to April 30, 2019, and $5,889 from May 1, 2019 to April 2020.

Year	**Total**
	$
2020 (remainder)	23,555
Total	**23,555**

(Expressed in United States Dollars)

25. INCOME TAXES

25.1 Income taxes

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2018 combined US federal income tax rate – 27.98%) to the effective tax rate is as follows:

	2018	2018
	$	$
Loss before recovery of income taxes	**(5,511,090**	(3,894,752)
Expected income tax recovery	**(1,460,439)**	(1,095,630)
Tax rate changes and other adjustments	**194,022**	(228,940)
Share based compensation and non-deductible expenses	**495,85**	253,980
Debt Converted to Shares	**-**	463,740
Change in tax benefits not recognized	**771,032**	606,850
Income tax (recovery) expense	**-**	-

25.2 Deferred tax

The following table summarizes the components of deferred tax:

	2018	2018
	$	$
Deferred tax assets		
Non-capital losses	**1,364,500**	1,209,046
Capital assets	**91,387**	17,052
Share issue costs	**22,609**	-
Other	**-**	84,816
Valuation allowance	**(1,478,495)**	(1,310,914)
Income tax (recovery) expense	**-**	-

25.3 Tax loss carry-forwards

As at December 31, 2019, the Company had non-capital loss carry-forwards of approximately $320,000 that may be used to offset future taxable income and will expire in 2039 for use in Canada. The Company also has US net operating losses of approximately $1,950,000 that expire between 2036-2037 and $4,670,000 that may be carried forward indefinitely to offset future taxable income.

(Expressed in United States Dollars)

26. SEGMENTED INFORMATION

Operating segments

The Company's sole operating segment is the provision of point-of-sale arrangements designed to offer consumers an easy way to acquire digital currency and use it to purchase goods and services. As such, its operating segment information is the same as that reporting in the Consolidated Financial Statements.

The Company derived approximately 14% (2018 - 13%) of its revenue from its largest customer. Sales to this customer may fluctuate significantly from time to time depending on the timing and level of services provided. Significant transactions from such a customer may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results. At December 31, 2019, the two highest customers accounted for 87% (2018 – 62%) of total accounts receivable.

Geographic segments

The Company operates in two geographic segments being Canada and the United States.

As at	**December 31, 2019**	December 31, 2018
	$	$
Non-current assets:		
Canada	**-**	-
United States	**781,432**	1,106,972
	781,432	1,106,972

Years ended	**December 31, 2019**	December 31, 2018
	$	$
Revenue		
Canada	**-**	-
United States	**4,175,223**	2,443,043
	4,175,223	2,443,043

Years ended	**December 31, 2019**	December 31, 2018
	$	$
Cash used for operations:		
Canada	**(177,099)**	-
United States	**(2,784,148)**	(312,127)
	(2,961,247)	(312,127)

27. SUBSEQUENT EVENTS

27.1 Issuance of common shares

In January 2020, 3,024,643 common shares of the Company were issued to POSaBIT US shareholders that had not originally received the exchange ratio upon conversion of their shares to Company shares, pursuant to the Merger.

27.2 Release of escrowed securities

On April 5, 2020, 3,065,105 common shares were released from escrow.

27.3 Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

27.4 Sale of DoubleBeam

On May 28, 2020, the Company announced it had completed sale of all contracts, customer relationships, software and source code relating to the DoubleBeam business. The disposition was made by way of the sale of certain assets and the assumption of certain liabilities by the purchaser for consideration of $270,000. The Company received $125,000 on closing. A further $25,000 and $120,000 are due 90 days and 180 days, respectively, after closing. During the year-ended December 31, 2019, DoubleBeam accounted for $735,123 of the Company's total revenue.