POSaBIT Systems Corporation
(formerly, Foreshore Exploration Partners Corp.)

Unaudited Interim Consolidated Financial Statements
Three Months Ended March 31, 2020 and 2019
(expressed in United States Dollars)

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.) (the "Company") have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three months ended March 31, 2020 and 2019 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.), are the responsibility of the management and the Board of Directors (the "**Board**") of the Company and have been prepared in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim unaudited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("**NI 52-109**"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("**DC&P**") and/or ICFR, as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

"Ryan Hamlin"	*"Stephen M. Gledhill"*
Ryan Hamlin President and Chief Executive Officer	Stephen M. Gledhill Chief Financial Officer
July 13, 2020	July 13, 2020

(Expressed in United States Dollars)

	March 31, 2020	December 31, 2019
ASSETS	**$**	$
Current assets		
Cash and cash equivalents	**140,891**	404,444
Receivables *(notes 5 and 14)*	**294,005**	460,843
Sales taxes recoverable	**1,683**	1,436
Due from related parties *(note 13)*	**134,441**	113,368
Digital assets *(note 3)*	**2,635**	5,483
Inventories *(note 7)*	**88,465**	38,925
Prepaid expenses	**181,047**	216,270
Assets classified as held for sale *(notes 14 & 19.1)*	**303,550**	-
Total current assets	**1,146,717**	1,240,769
Other asset *(note 8)*	**120,000**	120,000
Right-of-use asset *(note 9)*	**5,512**	22,042
Equipment, net *(note 10)*	**116,150**	98,745
Intangible assets *(note 11)*	**138,341**	216,312
Customer lists *(note 11))*	**-**	13,333
Goodwill *(note 14)*	**-**	311,000
Total assets	**1,526,720**	2,022,021
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable	**3,019,357**	3,056,090
Accrued liabilities	**195,218**	257,227
Due to related parties *(note 16)*	**20,000**	35,000
Lease liability *(note 12)*	**6,166**	24,301
Liabilities classified as held for sale *(note 14 & 19.1)*	**403,383**	-
Total current liabilities	**3,644,124**	3,372,618
Note payable *(note 11)*	**400,000**	400,000
Total liabilities	**4,044,124**	3,772,618
Shareholders' deficiency		
Share capital *(note 15.1)*	**11,198,735**	11,198,735
Warrants reserve *(note 15.2)*	**370,689**	370,689
Contributed surplus *(note 15.3)*	**500,168**	464,957
Deficit	**(14,544,764)**	(13,752,021)
Currency translation reserve	**(42,232)**	(32,777)
Total shareholders' deficiency	**(2,517,404)**	(1,750,417)
Total liabilities and shareholders' deficiency	**1,526,720**	2,022,201

Approved for filing by the Board of Directors, July 13, 2020.

Subsequent event (note 19)

"Ryan Hamlin" (Director)

"Mike Apker" (Director)

POSaBIT Systems Corporation
(formerly, Foreshore Exploration Partners Corp.)
Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31,
(Expressed in United States Dollars)

	2020	2019 *(note 14)*
	$	$
REVENUE		
Digital assets processing services	**942,272**	897,798
Total revenue	**942,272**	897,798
COST OF SALES		
Processing fees	**629,039**	497,497
Software license fees	**58,309**	85,163
Inventory impairment	**17,941**	-
Hardware cost of sales	**115,351**	81,878
Sales labour and commissions	**50,799**	196,463
Total cost of sales	**871,439**	861,001
Gross margin	**70,833**	36,797
OPERATING EXPENSES		
Amortization and depreciation	**96,449**	83,474
Forex	**(8,751)**	-
General and administration	**69,780**	87,375
Investor relations and public reporting	**4,860**	-
Marketing	**43,010**	86,396
Meals and entertainment	**5,425**	13,604
Professional fees	**81,346**	170,546
Rent	**-**	16,385
Salaries and wages	**291,552**	321,797
Share-based compensation *(note 12)*	**35,211**	35,184
Travelling	**10,662**	28,543
Total operating expenses	**629,544**	843,304
OTHER INCOME (EXPENSES)		
Change in fair value of digital assets	**(2,847)**	4,033
Change in expected credit losses	**27,371**	37,142
Loss on disposal of assets	**(928)**	-
Interest expense	**(19,65)**	(8,877)
Interest accretion	**(364)**	-
Total other expenses	**(206,873)**	32,298
Loss before discontinued operations	**(555,*084*)**	(774,209)
Loss from discontinued operations *(note 14)*	**(237,659)**	(158)
Loss	**(792,743)**	(774,367)
Basic and diluted loss per common share	**(0.01)**	(0.03)
Basic and diluted weighted average number of common shares outstanding	**67,671,665**	25,373,371

	2020	2019
	$	$
LOSS	**(792,743)**	(774,367)
Loss on foreign currency translation	**(9,455)**	-
Loss on foreign currency translation from discontinued operations	**-**	-
OTHER COMPREHENSIVE LOSS	**(802,198)**	(774,367)

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

	Common shares			Preferred shares						
	Number	Amount	Shares to be issued	Number	Amount	Contributed surplus	Warrants reserve	Currency translation reserve	Deficiency	Total
		$	$		$	$	$	$	$	$
December 31, 2018	41,450,245	811,881	1,942,010	25,689,315	5,784,834	353,008	24,750	-	(8,284,004)	577,510
Exercise of options	17,540	1,000	-	-	-	-	-	-	-	1,000
Fair value of exercised options	-	702	-	-	-	-	-	-	-	702
Expired options	-	-	-	-	-	(6,532)	-	-	6,532	-
Share based operations	-	-	-	-	-	35,184	-	-	-	35,184
Loss	-	-		-	-	-	-	-	(774,209)	(774,209)
Loss from discontinued operations	-	-	-	-	-	-	-	-	(158)	(158)
March 31, 2019	41,467,785	758,614	1,942,010	25,689,315	5,784,834	381,138	24,750	-	(9,052,019)	(160,673)
Shares issued for cash	17,704,597	1,621,412	-	-	-	-	-	-	-	1,621,412
Cost of issuance	-	(117,582)	-	-	-	-	(65,537)	-	-	(183,119)
Warrants issued	-	(409,883)	-	-	-	-	409,883	-	-	-
Finder warrants issued	-	(9,080)	-	-	-	-	(9,080)	-	-	-
Shares issued on conversion	549,804	50,000	(50,000)	-	-	-	-	-	-	-
Shares issued on completion of public transaction	1,012,609	54,969	(54,969)	-	-	-	-	-	-	-
Shares issued pursuant to subscription receipts	3,451,450	896,506	(896,506)	-	-	-	-	-	-	-
Shares issued to POSaBIT common shareholders	3,584,749	940,535	(940,535)	-	-	-	-	-	-	-
Shares issued to POSaBIT preferred shareholders	25,689,261	5,784,834	-	(25,689,261)	(5,784,834)	-	-	-	-	-
Shares issue to Foreshore shareholders	3,250,000	1,456,746	-	-	-	-	-	-	-	1,256,746
Options issued to Foreshore option holders	-	-	-	-	-	112,730	-	-	-	112,730
Agent warrants issued to Foreshore agent option holders	-	-	-	-	-	-	16,126	-	-	16,126
Exercised options	528,031	28,913	-	-	-	-	-	-	-	28,913
Fair value of exercised options	-	118,052	-	-	-	(118,052)	-	-	-	-
Expired options	-	-	-	-	-	(36,721)	-	-	36,721	-
Exercised agent warrants	14,540	1,086	-	-	-	-	-	-	-	14,540
Fair value of exercised agent warrants	-	5,453	-	-	-	-	(5,453)	-	-	-
Share-based compensation	-	-	-	-	-	125,862	-	-	-	125,862
Net loss	-	-		-	-	-	-	-	(4,751,520)	(4,751,520)
Net loss from discontinued operations	-	-	-	-	-	-	-	-	14,797	14,797
Comprehensive loss	-	-	-	-	-	-	-	(32,777)	-	(32,777)
December 31, 2019	97,252,826	11,198,735	-	-	-	464,957	370,689	(32,777)	(13,752,021)	(1,750,417)

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

	Common shares		Shares to issued	Preferred shares		Contributed surplus	Warrants reserve	Currency translation reserve	Deficiency	Total
	Number	Amount		Number	Amount					
		$	$		$	$	$	$	$	$
December 31, 2019	97,252,826	11,198,735	-	-	-	464,957	370,689	(32,777)	(13,752,021)	(1,750,417)
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**35,211**	**-**	**-**	**-**	**35,211**
Loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(555,084)**	**(555,084)**
Loss from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(237,659)**	**(237,659)**
Comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,455)**	**-**	**(9,455)**
March 31, 2020	**97,252,826**	**11,198,735**	**-**	**-**	**-**	**500,168**	**370,689**	**(42,232)**	**(14,544,764)**	**(2,517,404)**

	2020	2019 (*note 14*)
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(792,743)**	(774,367)
Adjustment for non-cash items		
Amortization and depreciation	**97,744**	88,961
Change in fair value of digital assets	**2,848**	(4,033)
Change in expected credit losses	**(27,371)**	(37,142)
Forex	**(9,455)**	20,343
Loss on disposal of equipment	**928**	-
Impairment of goodwill	**210,500**	-
Interest accretion	**364**	-
Share-based compensation	**35,211**	35,184
Changes in operating assets and liabilities:		
Receivables	**50,258**	(189,070)
Sales taxes recoverable	**(247)**	-
Inventories	**(49,540)**	(31,693)
Prepaid expenses	**35,223**	7,790
Accounts payable and accrued liabilities	**304,640**	285,910
Net cash used for operating activities	**(141,640)**	(601,117)
INVESTING ACTIVITIES		
Purchase of equipment	**(33,866)**	(15,318)
Purchase of intangible assets	**-**	(118,118)
Net cash used for investing activities	**(33,866)**	(133,436)
FINANCING ACTIVITIES		
Exercise of options	**-**	1,000
Repayment of lease liabilities	**(18,499)**	-
Repayments to related parties	**(36,073)**	(40,894)
Net cash provided by financing activities	**(54,572)**	(39,894)
Decrease in cash and cash equivalents during the period	**(230,078)**	(774,447)
Cash and cash equivalents included in assets classified as held for sale *(note 14)*	(33,475)	(101,733)
Cash and cash equivalents, beginning of year	**404,444**	1,433,907
Cash and cash equivalents, end of period	**140,891**	557,727
Cash interest paid	**19,605**	8,877

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 unaudited interim 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 March 31, 2020, the Company has a reported working capital deficit of $2,497,408 (December 31, 2019 – $2,131,849) and has shareholders' deficiency $2,517,405 (December 31, 2019 – $1,750,417). 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

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with *International Accounting Standards ("**IAS**") 34* 'Interim Financial Reporting' using accounting policies consistent with the IFRS 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 July 13, 2020.

2.2 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.

2.3 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.

3. ADOPTION OF NEW AND REVISED STANDARDS AND RECENT PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("**IAS 28**") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of the amendments to IFRS 10, is yet to be determined, however early adoption is permitted. The Company has not yet adopted this standard and is assessing its impact on its consolidated financial statements.

IFRS 17 – Insurance Contracts ("**IFRS 17**") was new in 2017 and will replace IFRS 4 – Insurance Contracts. The amended Standard provides updated guidance for entities in dealing with insurance contracts (including reinsurance contracts) it issues or holds and goes into effect for annual periods commencing after January 1, 2021. The Company has not yet adopted this IFRS 17 and is currently assessing the effects on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements ("**IAS 1**"). In January 2020, the classification of liabilities as current or non-current was amended. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, retrospectively in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.

(Expressed in United States Dollars)

4. BUSINESS COMBINATIONS

4.1 Transaction with Foreshore

The Company completed the Transaction on April 5, 2019. The Transaction constitutes a reverse-takeover of Foreshore but does not meet the definition of a business combination, and therefore *IFRS 3 Business Combinations* is not applicable. As a result, and in accordance with reverse take-over accounting for a transaction that is **not** considered a business combination:

a) Foreshore is treated as the acquiree and POSaBIT is treated as the acquirer and therefore, the go-forward entity is deemed to be a continuation of POSaBIT and POSaBIT 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 net assets of Foreshore:

The fair value of the consideration issued for the net assets of Foreshore is as follows:

	$
3,250,000 common shares valued at $0.45 per share	1,456,746
300,000 Options (note 4 (a)(i))	112,730
43,000 Agent Options (note 4 (a) (ii))	16,126
	1,585,602

Allocated to Foreshore's net assets:

	$
Cash	77,589
Accounts payable	(185)
Net assets	77,404
Cost of listing (expensed)	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)

4.2 Acquisition of DoubleBeam (2018)

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 and integrate DoubleBeam's structure with its own. The Acquisition has been accounted for using the acquisition method.

The total purchase price paid for DoubleBeam was $629,000 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 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	**51,000**
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.

Subsequent to the reporting date, the Company completed an asset sale of DoubleBeam (notes 14 and 19).

(Expressed in United States Dollars)

5. DIGITAL ASSETS

Digital assets consist of Bitcoin (BTC) and Litecoin (LTC) coins.

6. RECEIVABLES

	March 31, 2020	December 31, 2019
	$	$
Receivables	**296,556**	470,448
Impairment of receivables	**-**	(2,520)
Allowance for expected credit losses	**(2,551)**	(7,085)
	294,005	460,843

The receivables are generally on terms due within 30 days.

The Company adopted IFRS 9 on January 1, 2018. For the three months ended March 31, 2020, the Company recognized changes in expected credit losses of $27,371 (2019 - $37,142).

7. INVENTORIES

	March 31, 2020	December 31, 2019
	$	$
Finished goods	**88,465**	38,925
	88,465	38,925

8. OTHER ASSET

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

9. RIGHT-OF-USE ASSET

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	(66,120)
Balance December 31, 2019	22,042
Amortization	**(16,530)**
Balance March 31, 2020	**5,512**

(Expressed in United States Dollars)

10. EQUIPMENT, net

Cost	
	$
January 1, 2019	37,419
Additions	106,933
Disposals	(3,955)
December 31, 2019	140,397
Additions	**34,266**
Reallocation to assets held for sale (note 14)	**(19,454)**
March 31, 2020	**155,209**

Accumulated Depreciation	
January 1, 2019	11,000
Depreciation	31,501
December 31, 2018	42,501
Depreciation	8,462
Disposals	(849)
December 31, 2019	41,652
Depreciation	**15,187**
Disposals	**1,327**
Reallocated to assets held for sale (note 14)	**(19,107)**
March 31, 2020	**39,059**

Net Book Value	
December 31, 2019	98,745
March 31, 2020	**116,150**

11. INTANGIBLE ASSETS, net

Software

Cost	
	$
January 1, 2019 and December 31, 2019	793,194
Reallocated to asset held for sale (note 14)	(50,000)
March 31, 2020	**743,194**

	$
Accumulated Amortization	
January 1, 2019	383,639
Amortization	193,241

(Expressed in United States Dollars)

December 31, 2019	576,882
Amortization	**66,027**
Reallocated to assets held for sale (note 14)	**(38,056)**
March 31, 2020	**604,853**
Net Book Value	
December 31, 2019	216,312
March 31, 2020	**138,341**

Customer List

Cost	
	$
December 31, 2018 and December 31, 2019	40,000
Reallocated to assets held for sale (note 14)	**(40,000)**
March 31, 2020	**-**
Accumulated Amortization	
January 1, 2019	-
Amortization	26,667
December 31, 2019	26,667
Reallocated to assets held for sale (note 14)	**(26,667)**
March 31, 2020	**-**
Net Book Value	
December 31, 2019	13,333
March 31, 2020	**-**

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 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, January 1, 2019	-
Additions	**88,162**
Interest expense	6,587
Lease payments	(70,448)
Balance December 31, 2019	24,301
Interest expense	**364**
Lease payments	**(18,499)**
Balance March 31, 2020	**6,166**

13. NOTE PAYABLE

On May 6, 2019, the Company issued an unsecured note payable ("**Note 2**") in the amount of $200,000. Starting May 6, 2019, note 2 accrues interest at 18% per annum, with interest payable on a quarterly basis. Note 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 2 matures on September 30, 2020. For the 3 months ended March 31, 2020, interest expense of $8,975 (2019 - $nil) has been recorded.

On September 20, 2018, the Company issued an unsecured note payable ("**Note 1**") in the amount of $200,000. Starting October 1, 2018, Note 1 accrues interest at 18% per annum, with interest payable on a quarterly basis. Note 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 1 matures on September 30, 2020. For the 3 months ended March 31, 2020, interest expense of $8,975 (2019 - $8,877) has been recorded.

14. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The Company evaluated its DoubleBeam business and decided to divest of it. The decision led to the classification of the DoubleBeam assets and liabilities as held for sale.

With the closing of the sale (note 19.1), the Company completed an impairment analysis regarding the goodwill associated with the DoubleBeam purchase, which resulting in an impairment of $211,000 being charged to income. The Company estimated the recoverable amount of goodwill based on the selling price of DoubleBeam.

The following is a summary of the financial performance and cash flow information for the 3 months ended March 31, 2020 and 2019, of the assets and liabilities classified as held for sale at March 31, 2020:

	3 months ended	
	March 31, 2020	March 31, 2019
	$	$
Revenue		
Digital processing services	**132,106**	167,206
Processing fees	**15,673**	21,340
Software license fees	**15,358**	21,158

(Expressed in United States Dollars)

	3 months ended	
	March 31, 2020	March 31, 2019
	$	$
Hardwar cost of sales	**64,696**	17,209
Sales labour and commissions	**20,000**	18,913
Cost of sales	**115,727**	78,620
Gross Margin	**16,379**	88,586
Amortization and depreciation	**-**	2,487
Forex	**-**	20,342
General and administration	**2,965**	13,405
Marketing expense	**48**	-
Professional fees	**1,466**	26,667
Salaries and wages	**28,149**	24,943
Travelling	**4,856**	900
Operating costs	**37,784**	88,744
Change in expected credit losses	**(1,670)**	-
Impairment of goodwill	**(210,500)**	-
Other expenses	**(212,170)**	-
Loss from discontinued operations	**(237,659)**	(158)

	3 Months ended	
	March 31, 2020	March 31, 2019
Cash used for operations	**591,812**	658,137
Cash used for financing activities	**-**	-
Cash used for investing activities	**(591,812)**	(602,424)

As at	**March 31, 2020**
	$
Cash and cash equivalents	33,475
Receivables	143,951
Equipment, net	347
Intangible assets	11,944
Customer lists	13,333
Goodwill	100,500
Total assets	**303,550**

(Expressed in United States Dollars)

As at	March 31, 2020
	$
Accounts payable and accrued liabilities	403,383
Total liabilities	**403,383**

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

2020

No capital activity for the 3 months ended March 31, 2020.

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 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 72,181,225 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

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.

15.3 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.

(Expressed in United States Dollars)

Total	April 5, 2020*	October 5, 2020	April 5, 2021	October 5, 2021	April 5, 2022
18,390,630	3,065,105	3,065,105	3,065,105	3,065,105	3,065,105

*Released after the reporting date.

15.4 Warrants reserve

A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price
		$
Outstanding at December 31, 2018, December 31, 2019 and **March 31, 2020**	17,959,346	C0.26

The outstanding issued warrants balance as at March 31, 2020 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
March 31, 2020		**17,749,347**	**C0.26**

15.5 Contributed surplus

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 March 31, 2020, 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:

(Expressed in United States Dollars)

	Number of options	Weighted average exercise price
		$
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 and March 31, 2020	**12,790,494**	**0.10**
Exercisable, as at March 31, 2020	**8,742,219**	**0.08**

For the 3 months ended March 31, 2020, the Company recognized share-based compensation expense of $35,211 (2019 - $35,184).

The options outstanding and exercisable as at March 31, 2020 are comprised of the following items:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weight average remaining life (years)
			$	
March 4, 2020	2,630,972	1,808,793	0.05	0.18
January 9, 2022	1,208,271	604,135	0.03	2.03
March 27, 2022	3,554,361	953,299	0.23	2.24
May 9, 2022	473,575	207,189	0.23	2.36
December 5, 2022	2,679,208	2,679,208	0.01	5.93
January 9, 2028	350,796	350,796	0.03	8.03
August 7, 2028	168,822	77,285	0.23	8.61
October 17, 2029	1,724,500	535,651	C0.15	9.80
March 31, 2020	**12,790,505**	**8,742,219**		**3.83**

16. 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.

(Expressed in United States Dollars)

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.

The Company's transactions with related parties were, in the opinion of management, carried out on normal commercial terms and in the ordinary course of the Company's business.

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 o113,368r 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:

	3 months ended March 31	
	2020	2019
	$	$
Executive Compensation to key managers	**134,000**	134,000
Licence Fees to PlaceFull Inc.	**30,000**	30,000
Totals	**164,000**	164,000

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

As at March 31, 2020, PlaceFull Inc. owed the company $134,441 (December 31, 2019 - $113,368). This loan is unsecured, interest free and due on demand.

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.

At March 31, 2020, the Company's financial instruments consist of cash and cash equivalents, receivables, due from related parties, accounts payable and accrued liabilities, lease liability and note payable. The fair values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities, and lease liability approximate their carrying values due to the relatively short-term to maturity nature. The Company classifies its notes payable at amortized cost.

(Expressed in United States Dollars)

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.

The Company believes that its receivables balance is fully collectable. As of March 31, 2020, $294,005 (exclusive of DoubleBeam, note 14) (December 31, 2019 – $460,843) 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:

March 31, 2020	**1-30**	**31-60**	**61-90**	**>90**	**Total**
	$	$	$	$	$
Accounts receivable outstanding	289,784	-7	455	6,235	296,556
Expected loss rate (%)	1.0%	3.0%	3.5%	5.0%	
Loss allowance Provision (reversal)	2,224	-	16	312	2,551
Accounts receivable, net	287,650	-7	439	5,923	294,005

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

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.

(Expressed in United States Dollars)

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.

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 3 months ended March 31, 2020 and year ended December 31, 2019. There are no external capital management requirements or covenants as at December 31, 2019 and December 31, 2018.

18. 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.

Operating Lease

The Company has an operating lease agreement with The Perrin Building., 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	5,888
Total	**5,888**

19. SUBSEQUENT EVENT

19.1 Sale of DoubleBeam

In May 2020, the Company completed the disposition of DoubleBeam by way of an asset sale agreement (the "**Sale**"). The Sale closed on May 22, 2020, with the conveyance of certain assets (both tangible and intangible) by the Company and the assumption of certain liabilities by the purchaser. The purchase price was $270,000, with three payments made over the next 180 days.